

**CALIFORNIA STATE WATER RESOURCES
CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
Sacramento, California**

FINANCIAL STATEMENTS

June 30, 2025 and 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

Table of Contents

	PAGE
INDEPENDENT AUDITORS' REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	IV
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	2
Statements of Cash Flows.....	3
Notes to Financial Statements.....	5



INDEPENDENT AUDITORS' REPORT

Board of Directors
California State Water Resources Control Board
Safe Drinking Water Revolving Fund
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the California State Water Resources Control Board, Safe Drinking Water Revolving Fund (Safe Drinking Water Revolving Fund), a governmental fund of the State of California, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Safe Drinking Water Revolving Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the California State Water Resources Control Board, Safe Drinking Water Revolving Fund, as of June 30, 2025 and 2024, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Safe Drinking Water Revolving Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 – Definition of Reporting Entity, the basic financial statements of the Safe Drinking Water Revolving Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the California State Water Resources Control Board that is attributable to the transactions in the Safe Drinking Water Revolving Fund. They do not purport to, and do not, present fairly the financial position of the California State Water Resources Control Board or the State of California as of June 30, 2025, and 2024, and the changes in their financial position and their cash flows, where applicable, for the years then ended, in conformity with the accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Safe Drinking Water Revolving Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Safe Drinking Water Revolving Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Safe Drinking Water Revolving Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, on our consideration of the Safe Drinking Water Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Safe Drinking Water Revolving Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Safe Drinking Water Revolving Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
November 19, 2025

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND**

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis is a required supplement to the California State Water Resources Control Board's (State Water Board), Safe Drinking Water State Revolving Fund (Drinking Water State Revolving Fund program) (DWSRF) financial statements. It describes and analyzes the financial position of the DWSRF providing an overview of the DWSRF's activities for the years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with information that is in the financial statements and notes, which follow this section.

Financial Highlights

- Net position increased by \$226.5 million to a total of \$2.6 billion in 2025, which was \$27.3 million more than the increase of \$199.2 million in 2024. The larger increase in 2025 is primarily due to an increase in State Match capital contributions.
- Total capital contributions increased by \$90.1 million to \$325.0 million in 2025 as compared to \$234.9 million in 2024. The increase in total capital contributions was mostly a result of capital available from EPA capitalization grants for loan disbursements. Capital contributions from EPA capitalization grant funds that were forgiven increased by \$48.9 million to \$51.5 million as compared to \$2.6 million in 2024.
- Cash and cash equivalents increased by \$61.8 million in 2025 as compared to an increase of \$23.4 million in 2024. The increase in 2025 was mostly the result of higher capital contributions.
- Loans receivable increased by \$157.6 million to \$2.5 billion in 2025 as compared to the increase of \$166 million in 2024. The increase in 2025 mostly reflects the increase in capital contributions for loan disbursements.
- Restricted portion of net position is \$675.3 million in 2025 as compared to \$711.6 million in 2024. The decrease in 2025 was primarily due ongoing debt service payments.

Using this Annual Financial Report

The financial statements included in this annual financial report are those of the DWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the DWSRF are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of the State Water Board that is attributable to the transactions of the DWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2025 and 2024 and the change in their financial positions and their cash flows for the years then ended.

Overview of Financial Statements

This discussion and analysis is an introduction to the DWSRF financial statements and accompanying notes to financial statements. This report also contains required supplementary information and other supplementary information.

The financial statements of the DWSRF are presented as a special purpose government engaged only in business type activities - providing loans to other governmental entities. The statements provide both short-term and long-term information about the DWSRF's financial position, which assists the reader in assessing the DWSRF's 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 *Statements of Net Position* present information on all of the DWSRF'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 DWSRF is improving or deteriorating.
- The *Statements of Revenues, Expenses, and Changes in Net Position* present information which reflects how the DWSRF'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 *Statements of Cash Flows* report the DWSRF'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

In 2025, the DWSRF's net position continued to strengthen increasing by \$226.5 million, or 9.4%, to \$2.6 billion at June 30, 2025 as compared to an increase of \$199.2 million, or 9% the previous year. The increase in net position was \$27.3 million higher than the increase in the previous year, mostly reflecting the higher level of State Match capital contributions.

A segment of the DWSRF's net position is subject to external restriction due to the debt service requirements of the Series 2019 Revenue Bond. Total restricted net position is comprised of restricted loans receivable, revenue bond liabilities, and repayments received. Restricted net position was \$675.3 million in 2025, which was a decrease of \$36.4 million or 5.1% when compared to 2024. Restricted net position was \$711.6 million in 2024, which was a decrease of \$25.7 million or 3.5% when compared to 2023. The decrease in 2025 and 2024 was primarily due to ongoing debt service payments.

The restricted portion of outstanding loans receivable, which were pledged as security for revenue bond debt service was \$678.9 million in 2025 and \$713.8 million in 2024. The principal and interest received during the fiscal year from these loans is used to make the semi-annual debt service payments on the revenue bonds.

Current liabilities related to the outstanding revenue bond were \$8.3 million in 2025 and \$8.5 million in 2024. The remaining current liabilities of \$11.0 million in 2025 and \$9.5 million in 2024 primarily correspond to administrative expenses, which include employee salary and benefits. Noncurrent liabilities were \$55.3 million in 2025, which was a decrease of \$6.2 million when compared to 2024. Noncurrent liabilities were \$61.5 million in 2024, which was a decrease of \$2.8 million when compared to 2023. The decrease in 2025 and 2024 was the result of ongoing principal payments of the Series 2019 Revenue Bonds.

The remaining restricted net position of \$53.5 million in 2025 and \$62.9 million in 2024 represent pledged loan repayments, which are restricted for future loan disbursements and/or debt service payments. Any excess principal and interest received over the required debt service may be used for future loan disbursements and/or released from restriction in the event that certain criteria are met.

Total payments received in 2025 on pledged loans was \$47.0 million (\$34.9 million of principal and \$12.1 million of interest) of which the debt service payment was \$9.1 million (\$6.4 million of principal and \$2.7 million of interest). Total payments received on pledged loans in 2024 was \$45.9 million (\$33.0 million of principal and \$12.9 million of interest) of which the debt service payment was \$9.4 million (\$6.4 million of principal and \$3.0 million of interest).

Table 1**Net Position****(in thousands)**

	June 30,		
	2025	2024	2023
ASSETS			
Cash and cash equivalents	\$ 238,437	\$ 176,599	\$ 153,197
Loans receivable	2,463,843	2,306,244	2,140,213
All other assets	19,618	17,471	25,371
Total assets	2,721,898	2,500,314	2,318,781
LIABILITIES			
Current liabilities	19,280	18,003	28,969
Noncurrent liabilities	55,300	61,522	64,273
Total liabilities	74,580	79,525	93,242
NET POSITION			
Restricted			
Debt Service	53,468	62,861	64,369
Security for revenue Bonds	621,795	648,764	672,939
Subtotal restricted assets	675,263	711,625	737,308
Unrestricted	1,972,055	1,709,164	1,488,231
Total net position	\$ 2,647,318	\$ 2,420,789	\$ 2,225,539

Changes in Net Position

Program revenue was \$28.8 million in 2025, which was a decrease of \$0.9 million or 3% when compared to 2024. In 2025, \$11.8 million was restricted for debt service. Program revenue was \$29.7 million in 2024, which was an increase of \$1.7 million or 6.2% when compared to 2023. In 2024, \$13.1 million was restricted for debt service. The decrease in 2025 was primarily due to the implementation of the new DWSRF Administration Fee. The increase in 2024 mostly reflects the interest earned on outstanding receivables.

General revenues were \$8.2 million in 2025, which was an increase of \$1.9 million or 30.7% when compared to 2024. General revenues were \$6.3 million in 2024, which was an increase of \$3.4 million or 117.8% when compared to 2023. The increase in 2025 and 2024 mostly reflects higher earnings as a result of more cash on deposit and higher interest rates earned on those deposits.

Total expenses were \$135.5 million in 2025, which was an increase of \$63.8 million when compared to 2024. Total expenses were \$71.7 million in 2024, which was an increase of \$20.2 million when compared to 2023. The increase in 2025 and 2024 was primarily due to an increase in principal forgiveness and administrative expenses.

Administrative expenses were \$44.7 million in 2025, which was an increase of \$10.6 million or 31% when compared to 2024. Administrative expenses were \$34.1 million in 2024, which was an increase of \$7.6 million or 28.5% when compared to 2023. The increase in 2025 and 2024 primarily reflects an increase in capital available from EPA capitalization grants for administrative activities.

Total capital contributions were \$325 million in 2025, which was an increase of \$90.1 million or 38.3% when compared to 2024. Total capital contributions were \$234.9 million in 2024, which was an increase of \$97.5 million or 71% when compared to 2023.

EPA capitalization grant contributions for loans and administration were \$157.1 million in 2025, which was an increase of \$8.4 million when compared to 2024. EPA capitalization grant contributions for loans and administration were \$148.7 million in 2024, which was an increase of \$72 million when compared to 2023. EPA capitalization grant contributions will fluctuate yearly depending on the available balances.

EPA capitalization grant contributions for principal forgiveness loans were \$51.5 million in 2025 and \$2.6 million in 2024. State and other contributions for principal forgiveness loans were \$3.7 million in 2025 and \$1.1 million in 2024. Contributions for principal forgiveness will fluctuate yearly depending on the available balances. The loans made with these funds were forgiven as disbursed and must be repaid if certain loan conditions are not met.

Table 2**Changes in Net Position**
(in thousands)

	Year Ended June 30,		
	2025	2024	2023
Revenues			
Program revenues:			
Loan interest income	\$ 28,857	\$ 29,738	\$ 28,007
General revenues:			
Investment income	8,208	6,279	2,883
Total revenues	37,065	36,017	30,890
Expenses			
Program expenses:			
Administrative expenses	44,724	34,143	26,569
Principal Forgiveness expense	89,616	36,262	23,525
Revenue Bond Interest expense	1,194	1,340	1,483
Total expenses	135,534	71,745	51,577
Decrease in net position before contributions	(98,469)	(35,728)	(20,687)
Capital contributions:			
EPA capitalization grant	157,124	148,704	76,719
EPA capitalization grant Principal Forgiveness	51,511	2,584	2,123
State and other contributions	112,650	82,501	57,670
State and other contributions Principal Forgiveness	3,713	1,145	890
Subtotal capital contributions	324,998	234,934	137,402
Change in net position	226,529	199,206	116,715
Net position - beginning of year	2,420,789	2,225,539	2,108,824
Net position - Restatement	-	(3,956)	-
Net position - beginning of year (restated)	2,420,789	2,221,583	2,108,824
Net position - end of year	\$ 2,647,318	\$ 2,420,789	\$ 2,225,539

Budgetary Information

Under the California constitution, money may only be drawn from the treasury by a legal appropriation. The State Legislature authorized the DWSRF to operate under a continuous appropriation. Continuous appropriation authority means that no further appropriations are necessary to expend all funds deposited into the DWSRF. This has the effect of allowing funds to be expended as soon as they are deposited into the DWSRF rather than waiting for appropriation authority. Since the funds in the DWSRF can only be used for limited purposes, the continuous appropriation authority allows for expeditious expenditure of funds and maximizes the benefits to local entities.

Debt Administration

The State Water Board administers a leveraged DWSRF program. The State Water Board maintains high bond ratings from Fitch Ratings (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Global Ratings Services (AAA) on the DWSRF Series 2019 Revenue Bond. In 2019, the DWSRF issued its first Series 2019 Revenue Bond for \$83.9 million at a premium of \$16.9 million. The Series 2019 Revenue Bonds were issued for the purpose of making financial assistance available to recipients for eligible projects.

As of June 30, 2025, outstanding bonds totaled \$56.5 million, a decrease of \$7.8 million compared to \$64.3 million in 2024 as shown in Table 3. The decrease in 2025 and 2024 was primarily due to the ongoing principal payments for the Series 2019 Revenue Bond. The revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

Additional information on the DWSRF long-term debt can be found in Note 5, Long-Term Debt.

Table 3

Outstanding Long-term Debt
(in thousands)

	June 30,		
	2025	2024	2023
Revenue bonds			
Bond principal	\$ 50,910	\$ 57,305	\$ 63,715
Bond premium	5,537	6,968	8,574
Total revenue bonds	\$ 56,447	\$ 64,273	\$ 72,289

Economic Conditions and Outlook

In 2025, the State Water Board made \$556 million in new loan commitments, which was an increase of 303.6% when compared to \$138 million in 2024. Demand for DWSRF financing remains high and reflects the ongoing need for additional infrastructure improvements and the generally positive capacity of water agencies to finance those improvements. A strong demand for DWSRF financing activity continues to be anticipated in the near term.

Capitalization grant funds from EPA continue to be an important component of cash flows for financing activities. For the grant year 2025, the EPA allocated \$117.7 million to the DWSRF which was an increase of \$67.4 million when compared to the 2024 grant allocation of \$50.3 million. This increase was the result of no additional congressionally directed spending, unlike the prior year grant, thereby providing more grant funding for the state DWSRF programs. In addition to the 2025 base grant, EPA has allocated \$351 million under the “Bipartisan Infrastructure Law” (BIL), officially known as the Infrastructure, Investment and Jobs Act of 2021 (IIJA), which was an increase of \$5.4 million when compared to the 2024 BIL grant allocation of \$345.6. The 2025 increase was the result of an increase in allocation to California’s DWSRF program. Presently available information indicates that the 2026 base grant may be similar or lower than the 2025 base grant. The additional 2026 IIJA grants are projected to be similar to the 2025 IIJA grants. The additional IIJA capitalization will help California address the high demand for affordable drinking water infrastructure financing and provide additional funds to address emerging contaminants and replacement of lead service lines.

Additionally, the DWSRF continues to maintain a large loan portfolio that generates additional program revenues for financing activity. DWSRF program staff and its financial advisors continuously monitor the demand for new loans and market conditions to determine the likely effect of those on the DWSRF and to be prepared to sell a revenue bond if needed to meet required cash flows and to ensure sufficient encumbrances and disbursement rates to promptly liquidate federal funds.

Economic conditions generally remained stable during 2025, although project costs and related DWSRF financings have been noticeably increasing due to inflationary market conditions. The DWSRF, however, continues to monitor the impacts associated with supply chain disruptions and price increases on the local entities’ revenues and to diligently work with and surveil loan recipients to ensure full and timely repayment of all loans.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the DWSRF finances. Questions concerning the information provided in this report or requests for additional information should be addressed to Ms. Heather Bell, Accounting Administrator III, Accounting Branch, Division of Administrative Services, P.O. Box 100, Sacramento, California 95812 or Heather.Bell@waterboards.ca.gov.

BASIC FINANCIAL STATEMENTS

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF NET POSITION
June 30, 2025 and 2024
(in thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 184,969	\$ 113,738
Cash and cash equivalents - Restricted	53,468	62,861
Receivables:		
Loan interest	6,599	6,373
Investment interest	2,243	1,848
Due from other funds and other governments	10,776	9,250
Loans receivable:		
Current portion	50,985	47,087
Current portion - Restricted	19,091	19,925
Total current assets	<u>328,131</u>	<u>261,082</u>
OTHER ASSETS		
Loans receivable:		
Noncurrent	1,733,980	1,545,404
Noncurrent - Restricted	659,787	693,828
Total other assets	<u>2,393,767</u>	<u>2,239,232</u>
TOTAL ASSETS	<u>2,721,898</u>	<u>2,500,314</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Revenue bond interest payable	636	716
Due to other funds	10,987	9,461
Revenue bond payable	7,657	7,826
Total current liabilities	<u>19,280</u>	<u>18,003</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	48,790	56,447
Compensated absences	6,510	5,075
Total noncurrent liabilities	<u>55,300</u>	<u>61,522</u>
Total liabilities	<u>74,580</u>	<u>79,525</u>
NET POSITION		
Restricted for:		
Debt Service	53,468	62,861
Security for revenue bonds	621,795	648,764
Unrestricted	1,972,055	1,709,164
Total net position	<u>\$ 2,647,318</u>	<u>\$ 2,420,789</u>

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2025 and 2024
(in thousands)

	2025	2024
OPERATING REVENUE		
Loan interest income	\$ 28,857	\$ 29,738
Total operating revenue	<u>28,857</u>	<u>29,738</u>
OPERATING EXPENSES		
Principal forgiveness	89,616	36,262
Personnel services	31,389	24,534
Other expenses	13,210	9,473
Total operating expenses	<u>134,215</u>	<u>70,269</u>
INCOME (LOSS) FROM OPERATIONS	<u>(105,358)</u>	<u>(40,531)</u>
NONOPERATING REVENUE (EXPENSE)		
Net investment income	8,208	6,279
Revenue bond interest expense	(1,194)	(1,340)
Revenue bond fees	(125)	(136)
Total nonoperating revenue (expense)	<u>6,889</u>	<u>4,803</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(98,469)</u>	<u>(35,728)</u>
CONTRIBUTIONS		
EPA capitalization grant	157,124	148,704
EPA capitalization grant - Principal Forgiveness	51,511	2,584
State match revenue	112,650	82,501
State match revenue-Principal Forgiveness	3,713	1,145
Total contributions	<u>324,998</u>	<u>234,934</u>
CHANGE IN NET POSITION	226,529	199,206
NET POSITION - BEGINNING OF YEAR	2,420,789	2,225,539
NET POSITION - RESTATEMENT	-	(3,956)
NET POSITION - BEGINNING OF YEAR (RESTATED)	<u>2,420,789</u>	<u>2,221,583</u>
NET POSITION - END OF YEAR	<u>\$ 2,647,318</u>	<u>\$ 2,420,789</u>

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024
(in thousands)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to employees and vendors	\$ (41,638)	\$ (43,582)
Cash flows provided (required) by operating activities	<u>(41,638)</u>	<u>(43,582)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA capitalization grant	207,110	162,130
Funds received from the State of California	116,363	83,802
Revenue bond fees paid	(125)	(135)
Principal paid on revenue bonds	(6,395)	(6,410)
Interest paid on revenue bonds	(2,705)	(3,025)
Cash flows provided (required) by noncapital financing activities	<u>314,248</u>	<u>236,362</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest on loans	28,631	27,557
Loans disbursed	(282,843)	(263,671)
Principal forgiveness disbursed	(89,616)	(36,262)
Principal received on loans receivable	125,244	97,641
Net investment income received	7,813	5,358
Net cash provided (required) by investing activities	<u>(210,771)</u>	<u>(169,377)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	61,838	23,402
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	176,599	153,197
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 238,437</u></u>	<u><u>\$ 176,599</u></u>

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024
(in thousands)

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided		
(required) by operating activities		
Loss from operations	\$ (105,358)	\$ (40,531)
Adjustments to reconcile income from operations to net cash		
required by operating activities		
Cash received from interest on loans	(28,631)	(27,557)
Loans disbursed	282,843	263,671
Principal forgiveness disbursed	89,616	36,262
Principal received on loans receivable	(125,244)	(97,641)
Effect of changes in operating assets and liabilities:		
Loans receivable	(157,599)	(166,030)
Loan interest receivable	(226)	(2,181)
Compensated absences	1,435	1,119
Due to other funds	1,526	(10,694)
Net cash provided (required) by operating activities	<u>\$ (41,638)</u>	<u>\$ (43,582)</u>

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY

The California State Water Resources Control Board, Safe Drinking Water State Revolving Fund (Fund) was established pursuant to the Federal Safe Drinking Water Act of 1974 (Act) as amended in 1996. The 1996 amendment to the Act established the Drinking Water State Revolving Fund (DWSRF) program for the purposes of providing low interest financing and/or subsidies, in the form of grants and loan principal forgiveness, to public water systems for drinking water infrastructure projects necessary to establish and/or maintain compliance with safe drinking water standards. Standard construction financing has repayment terms of up to 30 years, not to exceed the useful life of the facilities. Public water systems that serve “disadvantaged” communities can have repayment terms up to 40 years, not to exceed the useful life of the facilities. Standard planning financing has repayment terms of either 5 or 10 years. Both planning and construction financing have a standard interest rate that is half of the State of California’s (State) average general obligation bond rate from the prior calendar year. Generally, public water systems that serve “disadvantaged” communities and have financial hardship may be eligible for 0% interest rate financing. 0% financing is also provided for projects that incentivize the consolidation of water systems, provide for the removal and replacement of lead service lines and other Board priorities. All repayments, including interest and principal, must remain in the Fund.

Since 1997, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). These capitalization grants include the original grants (Base), American Recovery and Reinvestment Act grants (ARRA), the Additional Supplemental Appropriations for Disaster Relief Act grants (ASADRA), and Bipartisan Infrastructure Law grants (BIL) {also known as the Infrastructure, Investment and Jobs Act grants (IIJA)}. States are required to provide matching funds between 0 and 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. States may elect to use up to 31% of each grant for other eligible activities, such as DWSRF administration, other local assistance and special programs, small water system-technical assistance, and the State program management of its public water system supervision/capacity development programs. These other eligible activities under a DWSRF capitalization grant are accounted in separate funds, known as Set-asides. An additional 1:1 in matching funds must be provided by the State for the amount budgeted and expended under the State Program Management Set-aside for the 1997 thru 2017 EPA capitalization grants. As such, the State has provided \$90,540 in 1:1 matching funds as of June 30, 2017.

As of June 30, 2025 and 2024, cumulative capitalization grant funding awarded by EPA to the State of California (State) was \$3,651,317 and \$3,255,424, respectively. As of June 30, 2025 and 2024, the State was required to provide \$550,401 and \$490,749, respectively, of cumulative matching funds. As of June 30, 2025 and 2024, the Fund has designated \$689,206 and \$590,228, respectively, of the cumulative capitalization grant for Set-aside funding.

Initially, the Fund was administered by the California Department of Health Services (CDHS) and then administered by the California Department of Public Health (CDPH) under the Division

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

of Drinking Water after a restructure of CDHS by the State in July 2007. The Division of Drinking Water within CDPH managed both the DWSRF program and the State's Public Water System Supervision program (PWSS) implementing the primacy authority in CDPH under USEPA to enforce the Safe Drinking Water Act.

As of July 1, 2014, the DWSRF program is administered by the California State Water Resources Control Board (Board), a part of the California Environmental Protection Agency, through the Division of Financial Assistance. The Division of Drinking Water, also under the Board, is focused primarily on the State's PWSS and Capacity Development programs under the primacy authority now delegated to the Board by USEPA. The Board's primary responsibilities with the DWSRF include obtaining capitalization grants from the EPA, soliciting potential applicants, negotiating loan agreements with local communities, reviewing and approving disbursement 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 Board's primary responsibilities with the State's PWSS program include technical assistance and enforcement of the requirements of the Act as well as other governing State drinking water requirements. The Board consists of five member positions, which are appointed by the Governor and confirmed by the Senate.

The Board administers the DWSRF program by charging the Fund for time spent on DWSRF activities by employees of the Board, and the Fund reimburses the State for such costs in the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund based on direct salary costs. Employees charging time to the Fund are covered by the benefits available to State employees. The Fund is also charged indirect costs through the cost allocation plan for general State expenses.

Reporting Entity

The Fund 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 activities of the Fund and the five Set-aside funds are included in the State's Annual Comprehensive Financial Report as a governmental fund using the accrual basis of accounting. The Set-aside funds are the: (1) Administration Account, (2) Water System Reliability Account, (3) Source Protection Account, (4) Small System Technical Assistance Account, and (5) Public

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

Water System, Safe Drinking Water Revolving Fund. The Fund is engaged only in business-type activities and therefore is required to present financial statements as a proprietary enterprise fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the Fund'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.

Basis of Accounting

The Fund's records are maintained on the accrual basis of accounting. Under the accrual basis of accounting revenue is recognized when earned and expenses are recognized when the liability is incurred. Assets and liabilities associated with the operations of the Fund are included in the Statements of Net Position.

Implementation of New Standards

Effective June 30, 2025, the Fund implemented GASB Statement No. 101, Compensated Absences, which is effective for fiscal years beginning after December 15, 2023. The provisions of the statement require recognition of liabilities for leave that is attributable to services already rendered, that accumulates and that is more likely than not to be used or otherwise paid/settled by other means. As a result of the implementation, the Fund had to restate the beginning net position as of June 30, 2024 to reflect the additional liability for compensated absences (see note 9).

Effective June 30, 2025, the Fund implemented GASB Statement No. 102, Certain Risk Disclosures, which is effective for fiscal years beginning after June 15, 2024. This statement requires governments to disclose vulnerabilities arising from certain concentrations or constraints that could have a substantial impact on financial condition or service delivery. Upon evaluation, by management, of the specified criteria, it has been determined that the Fund has nothing to disclose for the current reporting period.

Operating Revenues and Expenses

The Fund distinguishes between operating revenues and expenses and nonoperating 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 Fund 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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

include principal forgiveness, direct salary costs and benefits expenses, and allocated indirect costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles, monies received from the EPA and the State are recorded as capital contributions.

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

Budgets

Under the California constitution, money may only be drawn from the Treasury by legal appropriation. The State Legislature authorized the DWSRF to operate under a continuous appropriation. Continuous appropriation authority means that no further appropriations are necessary to expend all funds deposited into the DWSRF. Therefore, the Fund operations are not included in California's annual budget.

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.

Cash and Cash Equivalents

Nearly all monies of the Fund are deposited with the California State Treasurer's office, which is responsible for maintaining these deposits in accordance with California State law. The Fund considers all such deposits to be cash equivalents. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as discussed in Note 3. Consequently, management of the Fund does not have any control over the investment of the excess cash. Investment earnings on these deposits are received quarterly. 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

Loans are funded by capitalization grants from the EPA, State matching funds, short term state matching loans, revenue bond proceeds, loan repayments and fund earnings. Loans are advanced to local agencies on a cost reimbursement basis. Interest is calculated from the date that funds are advanced. Standard construction loans are amortized over periods up to 30 years, and not to exceed the useful life of the facilities, while construction loans for public water systems that serve "disadvantaged" communities are amortized over periods up to 40 years, also not to

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

exceed the useful life of the facilities. Planning loans are amortized over periods of either 5 or 10 years. Interest only repayments begin within either 6 or 12 months of the first disbursement with principal repayments beginning within either 6 or 12 months after planning and/or construction completion date and are made on a semi-annual or annual basis.

Loans funded by principal forgiveness are advanced to recipients on a cost reimbursement basis and forgiven as each disbursement occurs. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

Allowance for Bad Debts

There is no allowance for uncollectible accounts, as all repayments are current and management believes all loans will be repaid according to the loan terms. There have been no loan defaults in the program since its inception.

Due to Other Funds

Due to other funds represents amounts payable to other funds reported within the California State Water Resources Control Board that are not included in these financial statements.

Revenue Bond Issue Costs and Original Issue Premium

In accordance with GASB 65, revenue bond issue costs are expensed when incurred. Revenue bond original issue premium is being amortized over the term of the bonds using the effective interest method.

Compensated Absences

Compensated Absences for employees accrue at variable rates based on multiple factors. These factors include, but are not limited to, type of leave, months of service, and time base. Additionally, employees retain their earned balances when transferring between state agencies within the State of California. The Fund recognizes a liability exists for compensated absences if (1) it has been earned, but not yet used, for services rendered, (2) it accumulates and is allowed to be carried forward, and (3) it is more likely than not to be used or settled during retirement/separation. In accordance with GASB Statement 101, the Fund has recorded an estimated liability for the Fund's portion of the Board's current employees compensated leave balances.

NOTE 3 - CASH AND CASH EQUIVALENTS

The California State Treasurer's Office administers a pooled investment program for the State. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs. The necessary disclosures for the State's pooled investment program are included in the Annual Comprehensive Financial Report of the State of California.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Nearly all monies of the Fund are deposited with the State Treasurer's Office and are considered to be cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with California laws, and excess cash is invested in California's Surplus Money Investment Fund, which is part of the Pooled Money Investment Account. 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 investments allowed by State statute, bond resolutions and investment policy resolutions restrict investments of the pooled investment program to investments in U.S. Government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds, and other investments. The Fund's proportionate share of the investment income, based on the average daily balance for the period, is credited to the Fund quarterly. The Treasurer charges all funds of the State an administrative fee, which reduces the interest earned by each fund. All cash and investments are stated at fair value. Details of the investments can be obtained from the State Treasurer's Office.

At June 30, 2025 and 2024, the Fund's cash deposits had a carrying balance of \$29,678 and \$12,656, respectively.

Investments held by the State Treasurer are stated at fair value

<u>Investments</u>	<u>2025</u>	<u>2024</u>
Treasury/Trust Portfolio	<u>\$ 208,759</u>	<u>\$ 163,943</u>
Total cash deposits and investments	<u>\$ 238,437</u>	<u>\$ 176,599</u>

The State Treasurer is responsible for investing funds of the Treasury/Trust Portfolio and managing the credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency credit risk of the Portfolio. Refer to the State's Pooled Investments disclosure in the June 30, 2025 and 2024, Annual Comprehensive Financial Reports for disclosure related to the risks applicable to the Portfolio.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Cash deposits and cash equivalents are reflected on the June 30, 2025 and 2024 statements of net position as follows:

<u>Investments</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 184,969	\$ 113,738
Cash and cash equivalents - Restricted	53,468	62,861
Total cash deposits and cash equivalents	<u>\$ 238,437</u>	<u>\$ 176,599</u>

As of June 30, 2025, all revenue bond proceeds have been disbursed. Additionally, cash and investments in the amount of \$53,468 and \$62,861 representing various reserve accounts required by the revenue bonds, at June 30, 2025 and 2024, respectively, were restricted for future loan disbursements and debt service.

NOTE 4 - LOANS RECEIVABLE

Loans are made to qualified recipients for projects that meet the eligibility requirements of the Federal Safe Drinking Water Act of 1974 and any subsequent amendments. Loans are financed with capitalization grants, State match, short term state matching loans, revenue bond proceeds and revolving loan funds. Interest rates vary between 0.0 percent and 4.0 percent and loans are repaid over 30 years or less for standard construction or 40 years or less for disadvantaged communities, starting with interest only repayments within either 6 or 12 months of the first disbursement and principal repayments beginning within either 6 or 12 months after planning and/or construction completion date. Interest rates are established in the original loan agreements and are generally 50 percent of the State's General Obligation Bond Rate at the time the loan agreement is prepared. Certain communities are offered special interest rates as low as 0.0 percent. Interest earned during the construction period is calculated from the date funds are disbursed until the planning and/or construction is completed.

As of June 30, 2025, the Fund had total binding commitments of \$5,377,637, since program inception. As of June 30, 2025, the remaining commitment on these loans amounted to \$1,153,095, of which \$764,499 is federal funds. The federal loan commitments included capitalization funds of \$175,773 which will be forgiven.

As of June 30, 2024, the Fund had total binding commitments of \$4,879,737 since program inception. As of June 30, 2024, the remaining commitment on these loans amounted to \$1,027,654, of which \$427,636 is federal funds. The federal loan commitments included capitalization funds of \$46,815 which will be forgiven. Principal forgiveness loans are forgiven as disbursed but must be repaid if the recipient fails to meet the program requirements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

At June 30, 2025 and 2024 the unpaid balance on all loans receivable outstanding amounted to \$2,463,843 and \$2,306,244, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	\$ 18,520	\$ 70,070	\$ 88,590
2027	26,219	114,227	140,446
2028	24,891	114,908	139,799
2029	23,562	118,702	142,264
2030	22,202	117,404	139,606
2031 - 2035	92,289	555,935	648,224
2036 - 2040	64,930	472,878	537,808
2041 - 2045	42,079	390,121	432,200
2046 - 2050	21,945	310,071	332,016
2051 - 2055	7,156	164,107	171,263
2056 - 2060	734	34,711	35,445
Greater than 2060	-	709	709
Total	<u>\$ 344,527</u>	<u>2,463,843</u>	<u>\$ 2,808,370</u>
Loans not yet in repayment		-	
Total loans receivable		<u>\$ 2,463,843</u>	

Restricted Loans Receivable

At June 30, 2025 and 2024, \$678,878 and \$713,753, respectively, of loans receivable were pledged as security for the revenue bonds outstanding (see Note 5). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. During the year ended June 30, 2025, the Fund received \$34,875 and \$12,082 of principal and interest, respectively, on these loans. During the year ended June 30, 2024, the Fund received \$32,993 and \$12,909 of principal and interest, respectively, on these loans. Any excess of the principal and interest received over debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event certain requirements are met.

Loans to Major Local Agencies

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceeds 5 percent of total loans receivable. As of June 30, 2025 and 2024, respectively, the combined outstanding loan balances of these major local agencies represent approximately 66.1 and 65.0 percent of the total loans receivable.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

		2025	
		Authorized Loan Amount	Outstanding Loan Balance
Borrower			
Los Angeles, City of (acting by and through the Department of Water & Power)		\$ 978,993	\$ 722,712
Fresno, City of		392,575	302,373
San Diego, City of		581,765	198,102
Stanislaus Regional Water Authority		184,924	154,340
Santa Cruz, City of		190,705	128,454
Sacramento, City of		159,170	122,457
		<u>\$ 2,488,132</u>	<u>\$ 1,628,438</u>

		2024	
		Authorized Loan Amount	Outstanding Loan Balance
Borrower			
Los Angeles, City of (acting by and through the Department of Water & Power)		\$ 983,442	\$ 744,751
Fresno, City of		398,064	314,658
Stanislaus Regional Water Authority		184,924	156,171
San Diego, City of		436,074	153,603
Sacramento, City of		193,142	129,130
		<u>\$ 2,195,646</u>	<u>\$ 1,498,313</u>

NOTE 5 - LONG-TERM DEBT

On May 9, 2019, the Fund issued \$83,920 of California Infrastructure and Economic Development Bank, Drinking Water State Revolving Fund Revenue Bonds, Series 2019, dated April 1, 2019 with coupon rates of 5 percent at a yield of 1.67%. These serial bonds are due annually in varying amounts through 2035. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2029 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after October 1, 2028. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

At the time of issuance of the Series 2019 Revenue Bonds, the Fund pledged \$159,647 of the Fund's outstanding loans as security for all outstanding bonds. The principal and interest received during the fiscal year from these loans is to be used to make annual debt service

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)

payments on the revenue bonds. Any excess principal and interest received over the debt service payments required may be used for future loan disbursements and/or release from restriction upon approval by the Trustee in the event that certain requirements are met. The pledged loans are part of the April 1, 2019 Amended and Restated Master Payment and Pledge Agreement. This pledge agreement includes pledged outstanding loans from both DWSRF and California State Water Resources Control Board Water Pollution Control Revolving Fund (CWSRF) in regard to their respective bond issuances. DWSRF would only be obligated for CWSRF bond payments in the event that CWSRF would not be able to make their bond payments.

The Fund's long-term debt will mature as follows:

Series 2019

Year Ending June 30,	Principal	Interest	Total
2026	\$ 6,400	\$ 2,386	\$ 8,786
2027	6,085	2,073	8,158
2028	6,445	1,760	8,205
2029	6,675	1,432	8,107
2030	6,620	1,100	7,720
2031-2035	17,355	2,009	19,364
2036-2040	1,330	33	1,363
Total	<u>\$ 50,910</u>	<u>\$ 10,793</u>	<u>\$ 61,703</u>

The detail of the Fund's long term debt for the year ended June 30, 2025 and 2024, respectively, is as follows:

	Balance June 30, 2024	Issuances	Retirements	Balance June 30, 2025	Due Within One Year
Bond principal	\$ 57,305	\$ -	\$ 6,395	\$ 50,910	\$ 6,400
Bond premium	6,968	-	1,431	5,537	1,257
	<u>\$ 64,273</u>	<u>\$ -</u>	<u>\$ 7,826</u>	<u>\$ 56,447</u>	<u>\$ 7,657</u>

	Balance June 30, 2023	Issuances	Retirements	Balance June 30, 2024	Due Within One Year
Bond principal	\$ 63,715	\$ -	\$ 6,410	\$ 57,305	\$ 6,395
Bond premium	8,574	-	1,606	6,968	1,431
	<u>\$ 72,289</u>	<u>\$ -</u>	<u>\$ 8,016</u>	<u>\$ 64,273</u>	<u>\$ 7,826</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 6 - CAPITAL CONTRIBUTIONS

The Fund is capitalized by annual grants from the EPA. These grants include the original grants (Base Cap Grants), American Recovery and Reinvestment Act grants (ARRA), the Additional Supplemental Appropriations for Disaster Relief Act grants (ASADRA), and Bipartisan Infrastructure Law grants (BIL) {also known as the Infrastructure, Investment and Jobs Act grant (IIJA)}. The State must also contribute between 0 and 20 percent of the federal capitalization amount. The State's matching contribution has been provided through the appropriation of State resources.

As of June 30, 2025, cumulative capitalization grant funding awarded by EPA, including in-kind, to the State was \$2,559,061 at a 20 percent match requirement, \$385,883 at a 10 percent match requirement, and \$706,373 at a 0 percent match requirement. As of June 30, 2024, cumulative capitalization grant funding awarded by EPA including in-kind, to the State was \$2,260,804 at a 20 percent match requirement, \$385,883 at a 10 percent match requirement, and \$608,737 at a 0 percent match requirement.

As of June 30, 2025 and 2024, the State has cumulatively drawn, including in-kind, \$2,624,465 and \$2,416,182, respectively, for loans and administrative expenses.

Table 1 summarizes the EPA capitalization grants awarded, the amounts drawn and the balances available for future loans and administrative expenses for each grant.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

TABLE 1

Year	Grant Award	Funds Drawn As of June 30, 2023	Funds Drawn During Year Ended June 30, 2024	Funds Drawn As of June 30, 2024	Funds Drawn During Year Ended June 30, 2025	Funds Drawn As of June 30, 2025	Available for Loans and Setasides as of June 30, 2025
Capitalization grants with 20% match requirements							
1997-2018	\$ 1,798,997	\$ 1,798,997	\$ -	\$ 1,798,997	\$ -	\$ 1,798,997	\$ -
2019	97,984	96,375	-	96,375	1,609	97,984	-
2020-Asadra	51,974	-	-	-	1,044	1,044	50,930
2020	97,134	95,191	1,943	97,134	-	97,134	-
2021	97,047	91,297	5,750	97,047	-	97,047	-
2022	61,819	1,705	53,146	54,851	6,968	61,819	-
2023	54,183	-	21,675	21,675	23,999	45,674	8,509
2024	50,283	-	-	-	38,086	38,086	12,197
2024-BIL AE	247,974	-	-	-	5,855	5,855	242,119
	<u>\$ 2,557,395</u>	<u>\$ 2,083,565</u>	<u>\$ 82,514</u>	<u>\$ 2,166,079</u>	<u>\$ 77,561</u>	<u>\$ 2,243,640</u>	<u>\$ 313,755</u>
In-kind (Direct Payment)							
Made by EPA	1,666	1,666	352	2,018	(352)	1,666	-
Subtotal	<u>\$ 2,559,061</u>	<u>\$ 2,085,231</u>	<u>\$ 82,866</u>	<u>\$ 2,168,097</u>	<u>\$ 77,209</u>	<u>\$ 2,245,306</u>	<u>\$ 313,755</u>
Capitalization grants with 10% match requirements							
2022-BIL AE	158,733	11,995	64,234	76,229	67,004	143,233	15,500
2023-BIL AE	227,150	-	2,250	2,250	28,292	30,542	196,608
Subtotal	<u>\$ 385,883</u>	<u>\$ 11,995</u>	<u>\$ 66,484</u>	<u>\$ 78,479</u>	<u>\$ 95,296</u>	<u>\$ 173,775</u>	<u>\$ 212,108</u>
Capitalization grants with 0% match requirements							
2008-ARRA	159,008	159,008	-	159,008	-	159,008	-
2022-BIL EC	73,336	-	138	138	31,980	32,118	41,218
2022-BIL LSLR	250,107	-	2,152	2,152	3,798	5,950	244,157
2023-BIL EC	97,636	-	-	-	-	-	97,636
2023-BIL LSLR	20,342	-	-	-	-	-	20,342
2024-BIL EC	97,636	-	-	-	-	-	97,636
	<u>\$ 698,065</u>	<u>\$ 159,008</u>	<u>\$ 2,290</u>	<u>\$ 161,298</u>	<u>\$ 35,778</u>	<u>\$ 197,076</u>	<u>\$ 500,989</u>
In-kind (Direct Payment)							
2023-BIL LSLR	8,308	-	8,308	8,308	-	8,308	-
Subtotal	<u>\$ 706,373</u>	<u>\$ 159,008</u>	<u>\$ 10,598</u>	<u>\$ 169,606</u>	<u>\$ 35,778</u>	<u>\$ 205,384</u>	<u>\$ 500,989</u>
Grand Total	<u>\$ 3,651,317</u>	<u>\$ 2,256,234</u>	<u>\$ 159,948</u>	<u>\$ 2,416,182</u>	<u>\$ 208,283</u>	<u>\$ 2,624,465</u>	<u>\$ 1,026,852</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

As of June 30, 2025 and 2024, the State has provided \$684,918 and \$568,555, respectively, of match funds.

As of June 30, 2025, the state match required for capitalization grants awarded was \$550,401, therefore the match available for potential future capitalization awards was \$134,517. As of June 30, 2024, the state match required for capitalization grants award was \$490,749, therefore the match available for potential future capitalization awards was \$77,806.

Table 2 summarizes the state match amounts paid by the state as of June 30, 2025 and 2024.

TABLE 2

	State Match Paid		State Match Paid		
	State Match Paid As of June 30, 2023	During Year Ended June 30, 2024	State Match Paid As of June 30, 2024	During Year Ended June 30, 2025	State Match Paid As of June 30, 2025
State Disbursed	\$ 395,959	\$ 83,646	\$ 479,605	\$ 116,363	\$ 595,968
State Interest Disbursed	88,950	-	88,950	-	88,950
	<u>\$ 484,909</u>	<u>\$ 83,646</u>	<u>\$ 568,555</u>	<u>\$ 116,363</u>	<u>\$ 684,918</u>

Administrative Fund

In October 2015, legislation in the State of California became effective which allows DWSRF to collect a service charge on loans which will be used for administrative costs. The fees collected and the expenses incurred are not included in the accompanying financial statements. Revenues collected and expenses incurred for the administrative fund are as follows:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Administrative fee collected	<u>\$ 2,479</u>	<u>\$ -</u>
Operating expenses incurred	<u>\$ -</u>	<u>\$ -</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024
(Dollar Amounts Expressed in Thousands)

NOTE 7 - RISK MANAGEMENT

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2025 and 2024, Annual Comprehensive Financial Reports.

NOTE 8 - NET POSITION

Governmental Accounting Standards Board Statement provides for three components of net position: net investment in capital assets, restricted and unrestricted. As of June 30, 2025 and 2024 the Fund had no net position invested in capital assets.

Restricted net position includes net position that is restricted for use, either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. At June 30, 2025 and 2024 the Fund had restricted net position of \$53,468 and \$62,861, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2025 and 2024, the security for revenue bonds was \$621,795 and \$648,764, respectively, representing loans receivable pledged as security for the revenue bond less the revenue bond liability outstanding at year end. (see Note 5)

Unrestricted net position consists of net position that does not meet the definition of invested in capital assets or restricted. Although the Fund reports unrestricted net position on the face of the statements of net position, unrestricted net position is to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and is to remain in the Fund.

NOTE 9 - RESTATEMENTS

As a result of the implementation of GASB 101 for Compensated Absences, noncurrent liabilities and net position as of June 30, 2023, were understated by \$3,956. As shown in the table below, the effect of the implementation required a restatement of Net Position as of June 30, 2023.

Net Position, June 30, 2023, as previously reported	\$ 2,225,539
Cumulative affect of application of GASB 101, Compensated Absences	(3,956)
Net Position, June 30, 2023, as Restated	<u>\$ 2,221,583</u>

This information is an integral part of the accompanying financial statements.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.