

# DRINKING WATER

## STATE REVOLVING FUND

# 2018 ANNUAL REPORT

State Fiscal Year 2017-2018  
(July 1, 2017 through June 30, 2018)



CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
**Division of Financial Assistance**  
1001 I STREET SACRAMENTO, CA 95814





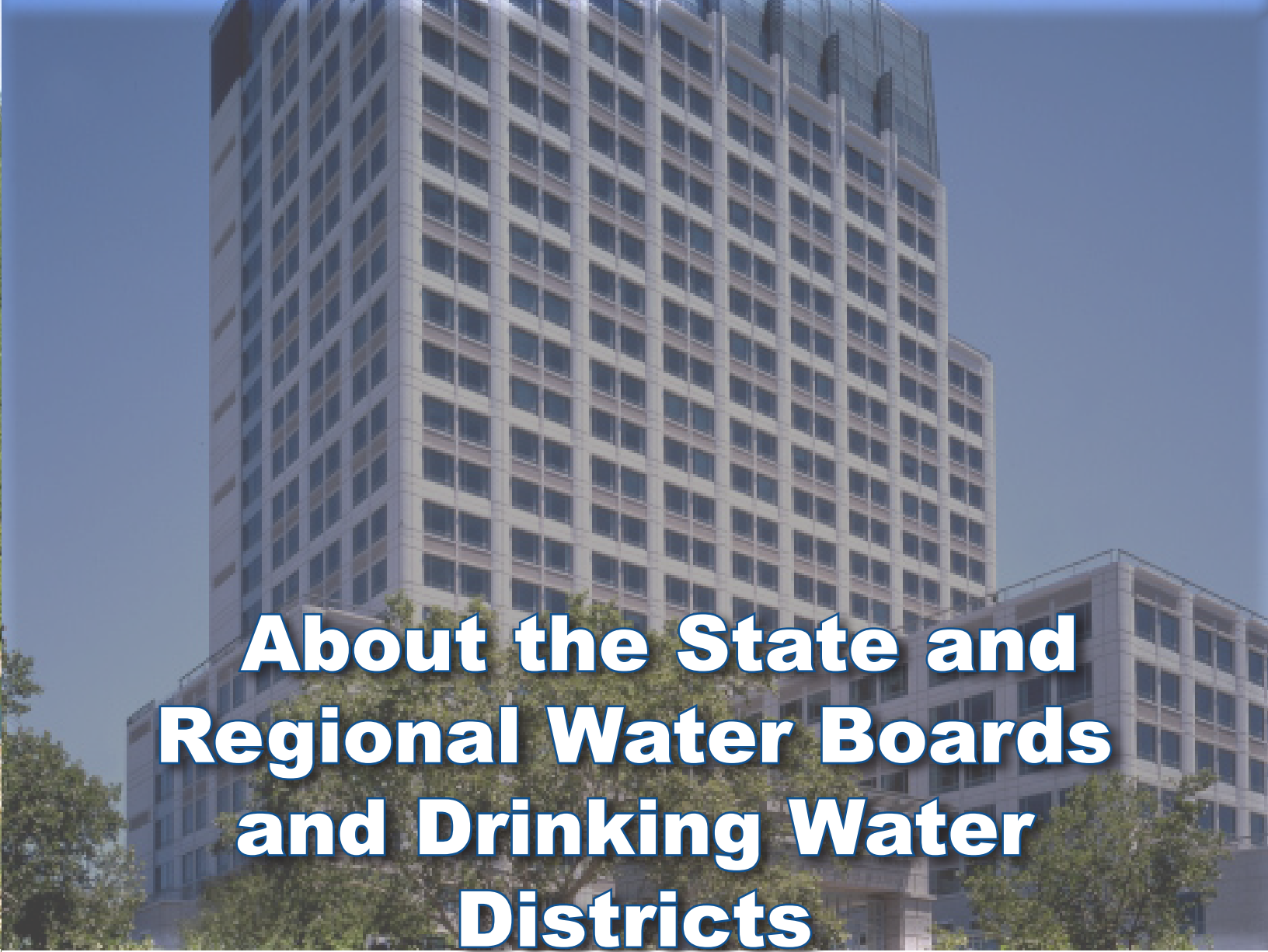
# MISSION | VISION

## Statements

To preserve, enhance, and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations.

A sustainable California made possible by clean water and water availability for both human uses and environmental resource protection.





# About the State and Regional Water Boards and Drinking Water Districts

**T**he State Water Resources Control Board (State Water Board) was created in 1967. Its comprehensive authority over allocation, planning, and enforcement enables the State Water Board to protect California's water quality and drinking water.

The State Water Board consists of five full-time salaried members, each filling a different specialty position. Each Board member is appointed to a four-year term by the Governor and confirmed by the Senate.

There are also nine Regional Water Quality Control Boards (Regional Water Boards). The Regional Water Boards develop and enforce water quality objectives and implement plans that protect the beneficial uses of the state's waters, recognizing local differences in climate, topography, geology, and hydrology.

Each Regional Water Board has seven part-time members, also appointed by the Governor and confirmed by the Senate. Regional Water Boards develop "basin plans" for their hydrologic areas, issue waste discharge permits, take enforcement action against violators, and monitor water quality.

# State Water Resources Control Board

## MEMBERS AND EXECUTIVE DIRECTOR



**FELICIA MARCUS**

**BOARD CHAIR**

Felicia Marcus was appointed by Governor Jerry Brown to the State Water Resources Control Board in 2012, and designated by the Governor as Chair in April of 2013. Prior to her appointment to the Water Board, she served in positions in government, the non-profit world, and the private sector. She served as the Regional Administrator of the USEPA Region IX and headed the LA Department of Public Works. Chair Marcus was also the Western Director for the Natural Resources Defense Council (NRDC) and was the Executive VP/COO of the Trust for Public Land. She serves or has served on many non-profit boards and Advisory Councils including the Delta Stewardship Council, Public Policy Institute of California Statewide Leadership Council, Sustainable Conservation, USC-Kesten Institute for Public Finance and Infrastructure Policy, and the Center for Diversity and the Environment. She is also currently serving on the Commission for Environmental Cooperation-Joint Public Advisory Council (US, Mexico, Canada).



**STEVEN MOORE**

**BOARD VICE-CHAIR**

Steven Moore was appointed to the State Water Resources Control Board in 2012, reappointed in 2016, and elected as Vice Chair in 2017. He previously served on the San Francisco Bay Regional Water Quality Control Board from 2008-2012 and held staff positions at the Regional Water Board at various times between 1992 and 2006. Vice Chair Moore has worked over 10 years as an engineer and consultant on a wide variety of water infrastructure projects, including sewer reconstruction, recycled water, stormwater, water supply, stream and wetland restoration, and Environmental Impact Reports throughout California. He has experience both obtaining and issuing discharge permits, wetland permits, and in clean water grants and loans. He led Basin Planning for the Regional Water Board from 2002 to 2006.



**TAM M. DODUC**

**BOARD MEMBER**

Tam Doduc was reappointed to the State Water Resources Control Board in 2017, where she has served since 2005. Ms. Doduc previously served as Deputy Secretary at the California Environmental Protection Agency (Cal/EPA), where she directed the agency's environmental justice and external scientific peer review activities. She also coordinated various environmental quality initiatives, and provided general oversight of children's environmental health programs. Ms. Doduc began her career as an environmental consultant. She then joined the staff of the State Water Resources Control Board, and later, the California Air Resources Board. From 1998-2002, Ms. Doduc provided technical and business assistance to environmental technology developers and manufacturers, serving in the Office of Environmental Technology, and later, as Cal/EPA's Assistant Secretary for Technology Certification. From 2002-2004, Ms. Doduc served as Cal/EPA's Assistant Secretary for Agriculture, Air and Chemical Programs. She has been a registered professional civil engineer since 1995.



**DORENE D'ADAMO**

**BOARD MEMBER**

Dorene D'Adamo was appointed to the State Water Resources Control Board in 2013. She previously served on the California Air Resources Board where she was instrumental in the board's air quality and climate change programs and regulations. Ms. D'Adamo served in various capacities for Members of Congress from the San Joaquin Valley, working primarily on environmental, water, and agricultural legislative policy. She served on the Governor's Drought Task Force and currently serves on the board of the California Partnership for the San Joaquin Valley.



**E. JOAQUIN ESQUIVEL**

**BOARD MEMBER**

E. Joaquin Esquivel was appointed to the State Water Resources Control Board in 2017. Mr. Esquivel previously served as Assistant Secretary for Federal Water policy at the California Natural Resources Agency. Working in Governor Brown's Washington D.C. office, Mr. Esquivel represented the interests of the Natural Resource Agency and its departments and facilitated communication, outreach, coordination, and the development of policy priorities between the Agency, the Governor's Office, the California Congressional delegation, and federal stakeholder agencies in the nation's capital.



**EILEEN SOBECK**

**EXECUTIVE DIRECTOR**

Eileen Sobeck was selected Executive Director of the State Water Resources Control Board in 2017. Most recently, Ms. Sobeck headed the National Oceanic and Atmospheric Administration (NOAA) Fisheries as the Assistant Administrator at the Department of Commerce. Prior to her work at NOAA she was the Department of Interior's Acting Assistant Secretary for Insular Affairs, and Deputy Assistant Secretary for Fish, Wildlife and Parks. Sobeck is a lawyer by training and spent 25 years at the US Department of Justice, ultimately serving as Deputy Assistant Attorney General for Environment and Natural Resources.



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## I. INTRODUCTION

The California State Water Resources Control Board (State Water Board), Division of Financial Assistance (DFA) presents the Drinking Water State Revolving Fund (DWSRF) annual report for State Fiscal Year (SFY) 2017-18. The State Water Board provided approximately \$301 million in new DWSRF financing for 26 planning and construction projects to address drinking water issues. This report describes how the State Water Board met the objectives for the DWSRF program identified in the [SFY 2017-18 DWSRF Intended Use Plan \(IUP\)](#).









## II. PROGRAM SUMMARY

The federal Safe Drinking Water Act (SDWA), as amended in 1996, authorized the creation of the national DWSRF program to help public water systems (PWSs) achieve or maintain compliance with SDWA requirements and protect public health through the funding of drinking water infrastructure projects. Section 1452 of the SDWA authorizes the United States Environmental Protection Agency (USEPA) to award capitalization grants to state DWSRF programs, which in turn provide low interest and additional subsidized funding for the projects. More information about the DWSRF program is located on the State Water Board's DWSRF website at <http://www.waterboards.ca.gov/dwsrf>.

The State Water Board has promoted and protected the health and safety of Californians through the DWSRF since July 1, 2014. Previously, the California Department of Public Health and California's Health and Human Services Agency administered the DWSRF program. Since the beginning of the program, PWSs have received DWSRF funding for drinking water infrastructure improvements via below-market financing and additional subsidy (i.e. principal forgiveness). DWSRF funding is derived from federal capitalization grants from the USEPA as well as associated state match, revolving principal and interest repayments, and other leveraged funds and investment earnings.

DFA administers the DWSRF program and provides planning and construction financing through the DWSRF to eligible applicants, which include publicly and privately-owned community and non-profit, non-community water systems. DWSRF financing is generally prioritized for "ready-to-proceed" eligible projects based upon a public health benefits system where projects

addressing acute and chronic primary drinking water standards are prioritized over projects addressing secondary drinking water standards and other aging infrastructure.

The State Water Board uses portions of the capitalization grant from USEPA, known as the set-asides, to provide for the administration of the DWSRF as well as provide services such as small water system technical assistance (SWSTA), and technical, managerial and financial (TMF) capacity development assistance for PWSs. The DWSRF set-asides also subsidize the Division of Drinking Water's (DDW) Public Water System Supervision (PWSS) and TMF Capacity Development programs. In past years the DWSRF set-asides have funded the implementation of a Source Water Protection (SWP) program.

As of June 30, 2018:

- The cumulative DWSRF funds available for planning and construction financial assistance since inception was approximately \$2.65 billion.
- An additional \$250.1 million of cumulative DWSRF set-aside funds were available.
- The State Water Board, and preceding departments/agencies, had committed approximately 114 percent (114%) of available funds to planning and construction projects through binding commitments (executed financing agreements).
- The State Water Board, and preceding departments/agencies, had disbursed approximately 89 percent (89%) of available funds for planning and construction projects, as well as disbursed 95 percent (95%) of the available DWSRF set-aside funds.

Cumulative DWSRF program activity from inception through the end of SFY 2017-18 is further described in **Table 1** below.

**Table 1: Cumulative Program Activity<sup>1</sup>**

DWSRF Construction and Planning Funding	
Activity	Life of Program
Number of Binding Commitments	309
Value of Binding Commitments	\$3.026 billion <sup>2</sup>
Disbursements and Expenditures	\$2.367 billion <sup>2</sup>
Balance of Funding Agreements	\$337.576 million
DWSRF Set-Aside Funding	
DWSRF Set-Aside Amount	\$ 249.176 million <sup>3</sup>
DWSRF Set-Aside Expenditures	\$ 237.644 million <sup>3</sup>
Balance of Set-Asides	\$ 11.532 million

The State Water Board funded a variety of planning and construction projects through the DWSRF in SFY 2017-18 to address a range of public water system (PWS) and public health issues. Specifically, the State Water Board funded projects from the DWSRF for the benefit of both small water systems (SWSs) (populations less than 10,000 people) and large water systems (populations over 10,000 people). The projects funded were categorized according to their function.

**Figure 1** shows the amount of funding awarded to small and large water systems in SFY 2017-18 while **Figure 2** shows the number

of projects funded by size of water system. In summary, the State Water Board provided approximately four times (4x) more funding for large water systems than SWSs. However, the State Water Board funded more SWS projects than large water system projects in SFY 2017-18. This annual commitment trend mirrors the cumulative commitment trend of the DWSRF program, both in California and nationally. A greater amount of SWS projects receive funding because of their public health needs, while a greater amount of funding is provided to large water systems because of the larger scope and cost of these large water system projects.



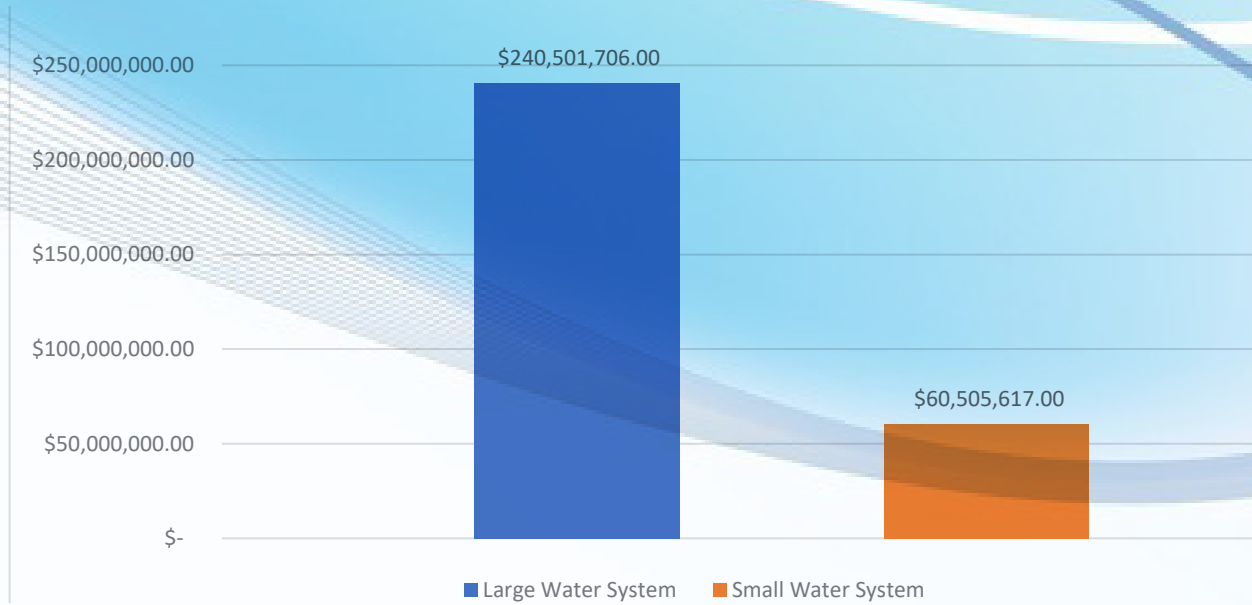
<sup>1</sup>Program activity includes all available DWSRF funds, including DWSRF set-aside funds and matching funds provided by funding recipients.

<sup>2</sup>Amount includes American Recovery and Reinvestment Act of 2009 (ARRA) funds and excludes set-aside funds (including Legal Entity Formation Assistance (LEFA) and a recent DWSRF set-aside grant to the American Water Association).

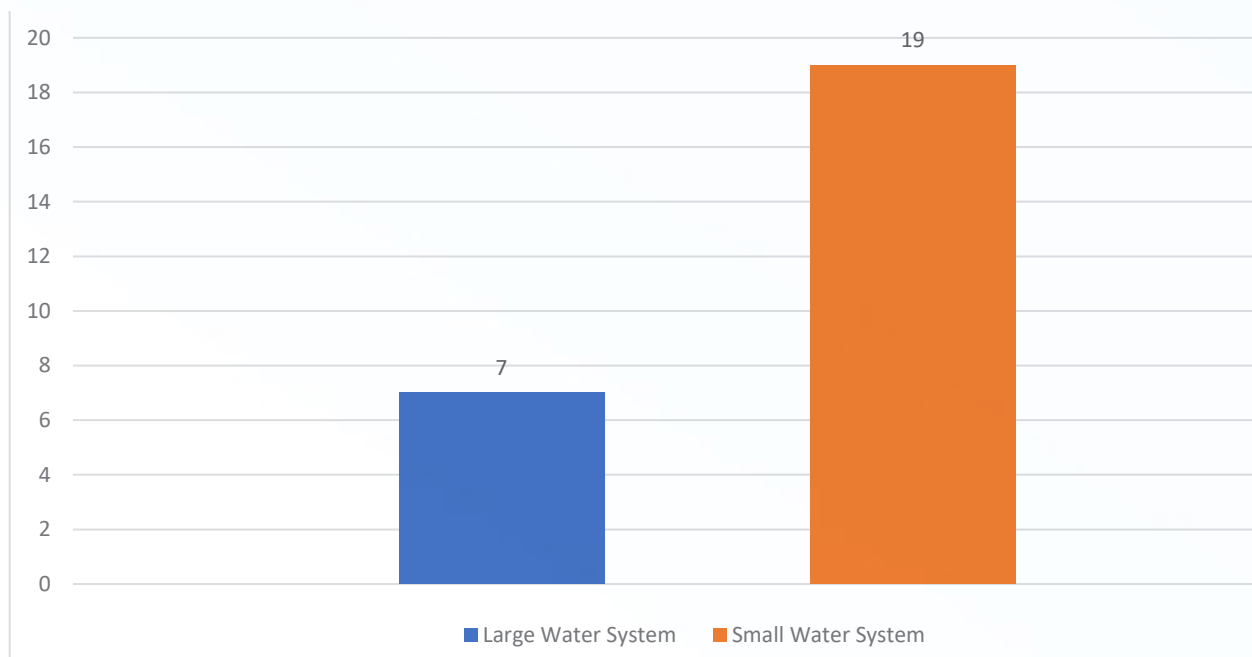
<sup>3</sup>Amount includes LEFA and a recent DWSRF set-aside grant to the American Water Association.



**Figure 1**  
**DWSRF SFY 2017-18 Large / Small Water System Funding Distribution**

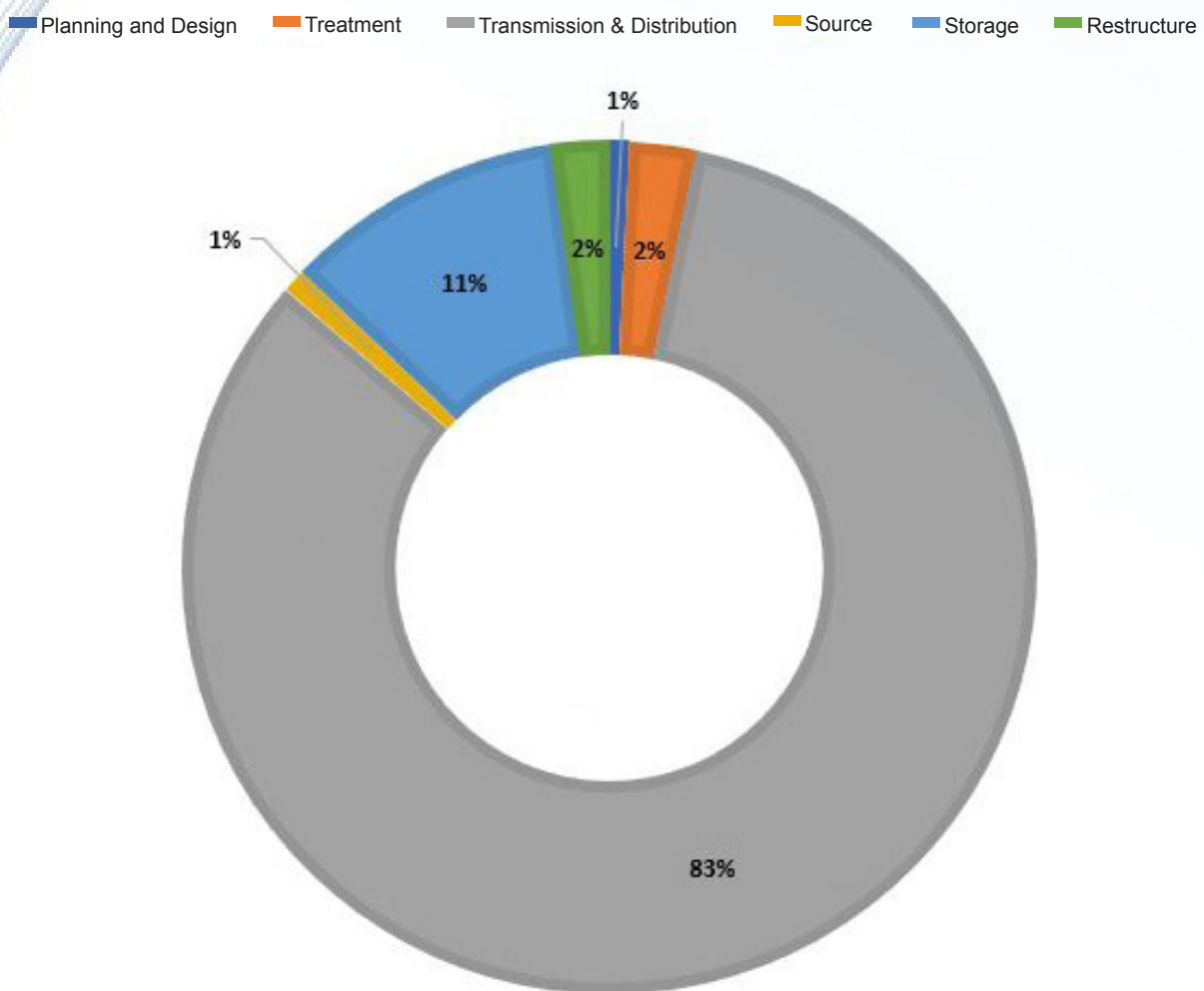


**Figure 2**  
**DWSRF SFY 2017-18 Number of Projects Funded by Public Water System Size**



**Figure 3** shows the percentage of DWSRF SFY 2017-18 funding by project type and its associated function in the provision of drinking water. Project types included planning and design, treatment, transmission and distribution, source water, storage, land acquisition, restructure/consolidation, and other functions. In summary, a majority of SFY 2017-18 DWSRF financing was provided for the improvement of drinking water transmission and distribution systems, primarily because of their greater cost and because of needs resulting from aging infrastructure. Approximately fifty percent (50%) of the projects funded in SFY 2017-18 were for transmission projects amounting to more than 80 percent (80%) of total funding.

**Figure 3**  
**Percentage of DWSRF SFY 2017-18 Funding by Project Type/Function**





### III. PROGRAM GOALS AND FINANCIAL RESULTS

#### A. Short-Term Goals

This section describes the State Water Board's efforts to meet the following short term goals established in the SFY 2017-18 IUP. These goals provided the framework that guided the State Water Board's decision-making, maximization, and prioritization of both staff and funding sources.

##### 1. Work with DDW Consolidation Specialists to identify public health issues and evaluate solutions for SWSs, including technical assistance and consolidation where feasible.

DFA and DDW staff continued to collaborate on project solutions for SWSs, including consolidation, in SFY 2017-18. DFA management regularly met with DDW management to assess funding priorities for SWSs, including those systems suffering from arsenic contamination.

DFA and DDW also continued to collaborate on funding solutions for a variety of consolidation projects for SWSs. At the project concept stage, DFA staff worked with DDW Consolidation Specialists to identify communities for consolidation using technical assistance resources.

Thereafter, Consolidation Specialists and DDW District Engineers regularly consulted with DFA project managers and supervisors on relevant

financing applications and the implementation of consolidation for these SWSs.

In SFY 2017-18 specifically, the State Water Board funded 11 consolidation projects. Two (2) were DWSRF funded construction projects, one (1) was a Proposition 1 (Prop 1) grant funded construction project, and eight (8) were Prop 1 grant funded planning projects.

##### 2. Continue marketing and outreach efforts to PWS, including Spanish translation services, newsletters, and social media to advertise the availability of technical assistance to assist SWSs serving disadvantaged communities (DACs).

DFA continued to participate in various PWS marketing and outreach efforts in SFY 2017-18. Specifically, DFA marketed the DWSRF program at six (6) California Financing Coordinating Committee events, two California Technical Assistance Provider (CaTAP) fairs, two distribution symposia that focused on



regulation updates, sanitary surveys, and financial management, as well as 122 other online and onsite workshops and outreach events.

DFA also produced and distributed two Office of Sustainable Water Solutions (OSWS) newsletters in English and Spanish in SFY 2017-18. In general, the OSWS newsletters informed small drinking water and wastewater systems, as well as associated stakeholders, about funding opportunities, project activities and related topics, such as TMF capacity development. The July 2017 newsletter included an article on the Wastewater Operator Certification Program and the October 2017 issue announced the web based Interactive Prop 1 funding maps for drinking water and wastewater projects. The webpage ([https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/proposition1/](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1/)) includes maps of drinking water projects by:

- Project Type – construction or planning
- Project Category
  - \* Not defined
  - \* Collection system improvements
  - \* Compliance Project
  - \* Planning
  - \* Septic to sewer
  - \* Technical assistance
  - \* Wastewater treatment upgrade
  - \* Water recycling
- Allocated Amount
- Percent Distributed

These newsletters are also available online, in both English and Spanish, at [http://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/sustainable\\_water\\_solutions/](http://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/)

**3. Apply for and accept the Federal Fiscal Year (FFY) 2017 Capitalization Grant from USEPA. Upon award, commit funds from the FFY 2017 Capitalization Grant, including the associated State Match, by June 30, 2018, so that federal funds are used in an efficient and timely manner in accordance with 40 CFR §35.3550(c).**

The State Water Board finalized its FFY 2017 Capitalization Grant application to the USEPA in the late summer of 2017. The USEPA awarded the FFY 2017 Capitalization Grant to the State Water Board on August 29, 2017 in the amount of \$77,545,000. Upon award, the State Water Board had already allocated sufficient Prop 1 Drinking Water funds to satisfy the state match requirement.

Additionally, with a total commitment of approximately \$301 million for SFY 2017-18 to various planning and construction projects, DFA obligated the FFY 2017 Capitalization Grant, with the exception of set-aside funds before June 30, 2018. This commitment amount, combined with prior year commitments encumbered against federal funds, has enabled the liquidation of all local assistance funds budgeted under the 2017 and earlier Capitalization Grants within SFY 2017-18.

**4. Ensure that the maximum allowable amount of the FFY 2017 Capitalization Grant is provided to eligible recipients in the form of additional subsidy (i.e., forgiveness of principal).**

The FFY 2017 Capitalization Grant and associated SFY 2017-18 IUP provided for a maximum of \$38.77 million in principal forgiveness, constituting 50% of the FFY 2017 Capitalization Grant in equivalence. This principal forgiveness allocation was derived



from the 30% allocation of the FFY 2017 Capitalization Grant for DACs permitted under federal rules, and an additional maximum 20% allocation to be awarded as initial financing beginning October 1, 2016<sup>4</sup>.

In SFY 2017-18 the State Water Board did not meet its goal to provide the maximum amount of principal forgiveness allowed by USEPA to SWSs serving small DACs, severely disadvantaged communities (SDACs) as well as Expanded Small Community Water Systems (ESCWSs) serving SDACs (see III.A.5 below). As of June 30, 2018, the State Water Board had provided 30 percent (30%) of the FFY 2017 Capitalization Grant as additional subsidy, in the form of principal forgiveness, to new binding commitments and amendments of prior years' binding commitments. The State Water Board anticipates awarding the remaining principal forgiveness early in SFY 2018-19.

**5. Prioritize all available DWSRF funding for PWSs serving fewer than 10,000 people to the maximum extent practicable and consistent with other federal and state authorities governing the prioritization of DWSRF funding.**

The State Water Board continued to prioritize DWSRF funding for PWSs serving less than 10,000 people in SFY 2017-18, especially as such SWSs often suffer from significant public health risks and TMF deficiencies. As a result of SWS funding prioritization, the DWSRF provided \$60.5 million in DWSRF funding to SWSs in SFY 2017-18 (**Exhibit A**, page 38). The total amount of DWSRF funding to SWSs over the life of the program now totals over \$455 million, constituting 15 percent (15%) of total DWSRF funding provided. Conversely, the number of SWS projects funded in SFY 2017-18 totaled 19 and the cumulative total of SWS projects funded over the life of the program now totals over 309, constituting 68 percent (68%) of the total number of DWSRF funded projects.

The SFY 2017-18 IUP also made subsidized construction financing available for PWSs serving SDACs greater than 10,000 people but less than 20,000 people. The IUP defines these PWSs as "Expanded Small Community Water Systems" that serve a SDAC. In SFY 2017-18, no PF was provided to ESCWSs serving a Severely Disadvantaged Community (SDAC).

**6. Continue to liquidate DWSRF capitalization grants within 2 to 3 years of their award.**

The State Water Board continued to maintain a DWSRF federal Unliquidated Obligation (ULO) balance in SFY 2017-18 less than the balance of the two most recent capitalization grants. The low ULO balance is consistent with USEPA's DWSRF ULO Reductions Strategy. Specifically, the DWSRF federal ULO was \$16.756 million as of June 30, 2018, which was \$139 million less than the maximum \$155.76 million allowed per USEPA's ULO reduction strategy. California's low DWSRF ULO balance was maintained in SFY 2017-18 through the expeditious disbursement of funds committed in prior fiscal years and the over commitment of new funds. The prior year's commitments and over commitment of funds ensured a low DWSRF ULO balance in SFY 2017-18 because of the program's cash flow modeling and focus on projects that are ready to proceed with construction.

**7. Reduce instances of noncompliance with drinking water standards and requirements by providing technical assistance to SWSs that have significant SDWA violations.**

The State Water Board continued to provide a suite of technical assistance in SFY 2017-18 to SWSs, especially those with significant SDWA violations. Specifically, the DWSRF set-asides funded third-party contractors that provided a variety of assistance to SWSs relating to TMF

<sup>4</sup>USEPA requirements also allow for the FFY 2017 Capitalization Grant principal forgiveness allotment to be awarded for the purchase, refinance, or restructuring of debt obligations where such debt was incurred after May 5, 2017.

capacity development. See Section VI(B) (page 31) for more information on DWSRF technical assistance. DFA also continued to fund technical assistance for a variety of projects using Prop 1 funds. Additionally, DFA and DDW provided direct technical assistance to SWWS with significant SDWA violations. Examples of direct technical assistance included:

- Meeting with DDW consolidation specialists and applicants to discuss project concepts before applications were submitted.
  - Reviewing applications with minimal material submitted and guiding applicants to complete additional application packages.
  - Helping funding recipients properly prepare and submit reimbursement claims.
- 8. Continue to require PWSs receiving assistance to undergo a TMF assessment to improve sustainability and resiliency.**

In SFY 2017-18, DWSRF applicants continued to provide a TMF assessment with their

DWSRF applications. DFA project managers also continued to evaluate assessments as part of the DWSRF application review. As further described in Section V(G) (page 29), DWSRF applicants that lacked TMF capacity were also offered technical assistance by the State Water Board to help them resolve their TMF deficiencies.

**9. Develop a long-term leveraging strategy and debt management policy for the DWSRF (estimated December 2017) as a means to manage the demand for DWSRF funding as well as ensure the perpetuity of the DWSRF.**

On October 2, 2017, the State Water Board adopted [Resolution No. 2017-0058](#) establishing a “debt management policy” for the DWSRF and Clean Water SRF programs. The debt management policy describes the roles and responsibilities of State Water Board staff and describes the criteria and processes the State Water Board staff will use to manage debt in the SRF programs.

## **B. Long-Term Goals**

This section discusses the State Water Board’s efforts to meet the following long-term goals for the DWSRF program. These long-term goals represent the State Water Board’s efforts to carry out the objectives of the SDWA as well as other drinking water goals of the State Water Board.

**1. Address Significant Risks to Public Health**

The State Water Board remained committed to helping PWSs address significant risks to public health in SFY 2017-18 by providing both construction and planning funding as well as technical assistance to PWSs. More than 50 percent (50%) of the projects funded under the DWSRF in SFY 2017-18 addressed primary drinking water standards (page 21). This effort in SFY 2017-18 was attributable to coordination between DFA and DDW. Specifically, DFA staff in OSWS met regularly with DDW District staff and management to prioritize funding for small DACs and the technical assistance needed by PWSs to obtain DWSRF funding.

A specific effort was also undertaken to monitor and report on the status of funding applications for projects needed to address arsenic violations. DFA staff updated DDW staff monthly on the status of these applications, including which application materials were still needed; whether the applicant was receiving technical assistance; whether the project had received funding; and an anticipated return to compliance date.

**2. Promote SDWA Compliance**

DFA continued to prioritize DWSRF funding for projects that restored compliance or prevented a PWS’s non-compliance with the SDWA. DFA coordinated and prioritized funding with DDW. DFA staff continued to make technical



assistance available to help SWSs apply for planning and construction funding. DDW also continued its permitting, inspection, monitoring and enforcement activities for compliance with the SDWA.

### **3. Improve Information Exchange**

DFA staff worked with the State Water Board's Office of Information Management and Analysis to post four Prop 1 status reports on the State Water Board's website. The reports include four interactive maps: 1) Projects by Type (Construction vs. Planning), 2) Project Category, 3) Allocated Amount, and 4) Percent Disbursed. The public can put their cursor over spots marked on the maps to get specific project details. This Prop 1 Drinking Water website also provides information on how much funding has been appropriated, allocated to projects, and disbursed to date and can be found online at [https://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/proposition1/drinking\\_water\\_proj\\_locations.shtml](https://www.waterboards.ca.gov/water_issues/programs/grants_loans/proposition1/drinking_water_proj_locations.shtml).

### **4. Improve Affordability and Sustainability**

The State Water Board continued to provide below market financing and principal forgiveness in SFY 2017-18 to make funding affordable for communities throughout California. The average interest rate for SFY 2017-18 was 1.8 percent (1.8%), well below market rates. DWSRF principal forgiveness was combined with Prop 1 funding in certain cases to further reduce costs for California's small DACs.

Approximately \$65.6 million in DWSRF principal forgiveness and Prop 1 Drinking Water grant

funds were awarded to small DACs in SFY 2017-18.

### **5. Promote Program Outcomes**

The State Water Board continued to manage the DWSRF in a financially sound manner to ensure a reliable source of funding for PWSSs to achieve and maintain SDWA compliance. In SFY 2017-18 the commitment of DWSRF funds exceeded the State Water Board's minimum funding targets resulting in more PWSSs receiving the funding necessary to address SDWA compliance issues. The projects funded by the DWSRF in SFY 2017-18 mitigated a variety of public health issues, including surface water treatment compliance, groundwater treatment (e.g. arsenic), storage, source capacity and reliability, and delivery capability.

The DWSRF funds were also prioritized to recipients that were "ready to proceed" to both a funding agreement and construction.

Because the State Water Board prioritized funding for "ready-to-proceed" projects that addressed public health priorities, the State Water Board also successfully managed the DWSRF's finances to ensure compliance with USEPA's ULO reduction strategy.

The DWSRF set-asides were also employed in SFY 2017-18 for the administration of the DWSRF and the State Water Board's PWSS program managed by DDW, as well as provide for TMF and SWS technical assistance.

## **C. Operating Agreement and Capitalization Grant Conditions**

The State Water Board agreed to meet a number of conditions described in the DWSRF Operating Agreement and Federal capitalization grant agreements. These conditions were met as described below.

### **1. Assistance Activities**

The State Water Board continued to provide DWSRF funding to eligible PWSSs in SFY 2017-18 for projects needed to achieve or

maintain compliance with safe drinking water standards. All activities funded were eligible under Section 35.3520 of Title 40 of Code of Federal Regulations. A total of \$301,007,323 in new DWSRF funding was awarded to 26

projects in SFY 2017-18. DWSRF funds were provided to eligible recipients to enhance drinking water treatment, distribution, storage, installation of meters, as well as ensure water system reliability through the installation of interties and the consolidation of PWSs. Water quality issues such as arsenic and nitrate contamination, as well as groundwater under direct influence, and disinfection by-product formation continued to be addressed in SFY 2017-18. Eligible recipients included privately and publicly owned community and non-profit non-community PWSs. The projects and PWSs funded in SFY 2017-18 are further detailed in **Exhibit B** (page 39).

The SFY 2017-18 DWSRF IUP Fundable list, consisting of 123 projects, included projects that might be funded by the DWSRF or from other complimentary funding sources. However, many projects listed in the SFY 2017-18 DWSRF Fundable List were not funded by the DWSRF during the SFY 2017-18 for various reasons as noted in **Exhibit C** (page 41), including options for other funding from Prop 1 Drinking Water. The high demand for drinking water improvement funding in California required the State Water Board to prioritize projects based upon their public health benefits as well as the recipient's readiness to proceed to a funding agreement.

## **2. Eligible Categories of Projects and Financing Terms**

The State Water Board continued to provide below-market financing and additional subsidy in SFY 2017-18 for projects ranked in Categories A-F (page 21) of the DWSRF public health prioritization scheme. The State Water Board also generally prioritized higher ranked public health categories and projects benefiting small DACs in SFY 2017-18. Types of assistance included loans and installment sale agreements for the planning, design, and construction of drinking water infrastructure projects.

Principal forgiveness was provided to SWSs that served DACs and SDACs and was

available to eligible ESCWSs serving SDACs. SWSs serving DACs and eligible ESCWSs serving SDACs generally received zero percent (0%) interest rates on DWSRF repayable financing. The standard interest rate for all other repayable financing averaged one and eight-tenths of one percent (1.8%), which was one-half the state's average general obligation rate in the previous year. Standard repayable financing for construction projects for publicly owned PWSs and PWSs serving DACs was amortized over a 30-year period. Repayable construction financing for privately owned PWSs was generally amortized over a 20-year period.

## **3. Provide a State Match**

The State Water Board demonstrated the source of its twenty percent (20%) general state match requirements (\$15.1 million) for the FFY 2017 Capitalization Grant (\$77.5 million) in SFY 2017-18 through appropriations provided under Chapter 5, Section 79724 of Prop 1 Drinking Water. As of June 30, 2018, approximately \$112.1 million of Prop 1 Drinking Water funds had been appropriated and encumbered as State Match. When considering Prop 1 Drinking Water State Match needs for the FFY 2017 Capitalization Grant, approximately \$81.3 million of Prop 1 Drinking Water State Match remained to satisfy the State Match requirement for future capitalization grants as of June 30, 2018. In total, as of June 30, 2018, California had provided approximately \$441.3 million in cumulative state match funds to the DWSRF program through a combination of state general fund and general obligation bond proceeds/ appropriation, local match, and short-term financings with the IBank.

Additionally, the Water Infrastructure for Improvements to the Nation (WIIN) Act removed the requirement for States to provide additional 1:1 State Match funding for use of any federal funds from the DWSRF State Program Management Set-Aside, commencing with the FFY 2017 Capitalization Grant. As a result of the WIIN Act, the State Water Board stopped allocating PWSS regulatory fees from



the State Water Board's Safe Drinking Water Account as additional match for use of the FFY 2017 Capitalization Grant's State Program Management Set-Aside.

#### **4. Binding Commitments Within One Year**

The State Water Board continued to commit DWSRF funding to projects in an amount equal to or greater than 120 percent (120%) of each federal payment within one year of receipt of that payment. As of June 30, 2018, executed funding agreements totaled approximately \$3.026 billion, or 188 percent (188%) of the approximately \$1.611 billion in federal payments received for DWSRF loans.

#### **5. Expeditious and Timely Expenditure**

The State Water Board continued to make timely and expeditious use of DWSRF funds, especially federal capitalization grant funds in accordance with USEPA's ULO reduction strategy. USEPA's ULO reduction strategy generally requires that no more than two federal capitalization grants remain undisbursed at any one time. As of June 30, 2018, the State Water Board had only \$16.756 million in undisbursed

FFY 2016 and FFY 2017 Capitalization Grant funds, of which approximately 69 percent (69%) were predominantly set-aside funds already allocated for eligible use.

This timely and expeditious use of federal capitalization grant funds was substantially achieved through cash-flow modeling and the over-commitment of DWSRF funds in SFY 2017-18 and prior fiscal years. In SFY 2017-18, there was no minimum funding agreement amount to ensure optimal use of DWSRF funds without leveraging. Therefore, the State Water Board exceeded the minimum commitment amount by awarding approximately \$301 million in DWSRF funds by June 30, 2018. As described in the SFY 2017-18 IUP, the minimum commitment amount depended upon projected funding disbursements relative to existing fund balances and projected future revenues such that the DWSRF fund balance did not substantially decrease below \$100 million.

The timely and expeditious use of DWSRF funds was also satisfied through the prompt and efficient processing of DWSRF reimbursement claims. To ensure timely reimbursement,





DWSRF claims were generally reviewed and paid within 30 days from recipient of a complete claim. DFA staff reviewed and approved complete disbursement claims generally within 10 days, then routed the claims to the Division of Administrative Services (DAS) for processing. DAS generally processed claims within seven calendar days of receiving the claim, and the State Controller's Office (SCO) generally issued a check (warrant) within 3 to 5 calendar days to the funding recipient.

The State Water Board continued to draw federal funds in SFY 2017-18 from the United States Treasury via the Automated Standard Application for Payments (ASAP) system as warrants are issued by SCO. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the United States Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board draws funds from USEPA for expenditures incurred by the DWSRF program in an expeditious and timely manner. Draw requests are made within one week of an issued warrant. Requested funds are also

deposited electronically the next business day to account(s) specified by the State Water Board. For the DWSRF set-aside accounts, federal draws are typically requested through ASAP on a monthly basis for the prior month's administration costs.

To further enable the timely and expeditious use of DWSRF funds, the State Water Board encumbered most loan balances to DWSRF federal funds to ensure the prompt liquidation of federal capitalization grants as claims for reimbursement were processed. As of June 30, 2018, approximately \$337.576 million of DWSRF financings had been encumbered, but not yet liquidated, to available DWSRF federal funds (\$16.576 million), constituting a 20:1 ratio.

#### **6. Disadvantaged Business Enterprise (DBE) Objectives and Davis-Bacon and American Iron and Steel (AIS) Requirements**

The State Water Board negotiated a total fair share DBE objective with the USEPA beginning FFY 2017 for the DWSRF Program. The





objective was 2.0 percent (2%) for the Minority Owned Business Enterprises (MBE) and 1.0 percent (1%) for Women Owned Business Enterprises (WBE) participation for a combined 3.0 percent (3%) goal. The participation on DWSRF financing agreements reported by financing recipients in SFY 2017-18 was 4.0 percent (4%) for MBE and 1.0 percent (1%) for WBE. The overall DBE participation was 5.0 percent (5%). **Exhibit D** (page 49) provides a detailed analysis of DBE participation. The State Water Board will continue to monitor participation to ensure that the “positive effort process” is followed by financing recipients.

All DWSRF funded projects were required to comply with Davis-Bacon prevailing wage requirements in SFY 2017-18. Each funding agreement included provisions requiring applicants to follow Davis-Bacon requirements. DFA conducted a variety of surveillance activities throughout SFY 2017-18 to ensure each recipient’s compliance with Davis-Bacon requirements. Such surveillance activities included (1) reviewing recipient and sub-recipient reports and compliance certifications;

(2) tracking compliance with federal annual monitoring requirements; and (3) annually reviewing quarterly site inspection reports to verify the adequacy of site inspections and other control activities.

DWSRF funding recipients were also required to use American-made iron and steel products in SFY 2017-18 pursuant to [USEPA guidelines for projects involving the construction, alteration, maintenance, or repair of a PWS or public treatment works](#). DWSRF funding recipients were only exempt from this AIS requirement if the project qualified under a national or project-specific AIS waiver from USEPA. To ensure compliance with AIS requirements, the AIS provisions were included in DWSRF financing agreements and DFA examined recipient records for AIS certifications and/or any AIS waivers during project inspections.

## **7. Additional Subsidy and Green Requirements**

The State Water Board continued to provide the maximum amount of available additional subsidy in the form of principal forgiveness in



SFY 2017-18 for the benefit of SWSs serving DACs as well as ESCWSs serving SDACs. Since the inception of the DWSRF program, federal regulations have allowed for up to 30 percent (30%) of a capitalization grant to be provided as additional subsidy (i.e., principal forgiveness) to DACs, regardless of the size of the PWS. In 2016, Congress added a twenty percent (20%) additional subsidy allotment, separate from the thirty percent (30%) additional subsidy allocation for DACs.

The State Water Board's SFY 2017-18 IUP directed that the maximum amount of additional subsidy allowed under federal rules and regulations be awarded to SWSs serving DACs and ESCWSs serving SDACs in the form of principal forgiveness. **Table 2** shows the amounts necessary for compliance with rules governing the allotment and use of DWSRF principal forgiveness. **Exhibit E** (page 50) identifies 16 additional subsidy projects funded in SFY 2017-18.

**Table 2: Additional Subsidization Funding**

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant <sup>5</sup>	Maximum Subsidy by FFY Grant	Committed Subsidy Amount by FFY Grant Assignment <sup>6</sup>	Uncommitted Subsidy Amount by FFY Grant Assignment <sup>7</sup>	Disbursed Subsidy Amount by SFY <sup>8</sup>	Undisbursed Subsidy Amount by SFY <sup>9</sup>
2010	10-11	\$126,958,000	\$38,087,400.00	\$38,087,400.00	\$38,087,400.00	\$0.00	\$414,626.02	\$0.00
2011	11-12	\$86,698,000	\$26,009,400.00	\$26,009,400.00	\$25,966,770.48	\$42,629.52	\$6,255,158.82	\$0.00
2012	12-13	\$85,358,000	\$17,071,600.00	\$25,607,400.00	\$25,338,970.08	\$268,429.92	\$8,893,728.16	\$0.00
2013	13-14	\$78,770,000	\$15,754,000.00	\$23,631,000.00	\$23,486,398.08	\$144,601.92	\$12,010,666.11	\$0.00
2014	14-15	\$83,521,000	\$16,704,200.00	\$24,966,300.00	\$24,829,239.42	\$137,060.58	\$15,904,188.06	\$0.00
2015	15-16	\$83,674,000	\$16,534,800.00	\$24,802,200.00	\$24,709,324.29	\$92,875.71	\$29,246,661.49	\$0.00
2016	16-17	\$78,215,000	\$15,643,000.00	\$39,107,500.00	\$39,060,240.71	\$47,259.29	\$31,118,653.91	\$0.00
2017	17-18	\$77,545,000	\$15,509,000.00	\$38,772,500.00	\$23,417,899.00	\$15,354,601.00	\$22,748,788.54	\$98,303,770.95
Totals		\$699,439,000	\$161,313,000	\$240,983,700.00	\$224,896,242.06	\$16,087,457.94	\$126,592,471.11	\$98,303,770.95



<sup>5</sup>USEPA, California Department of Public Health (CDPH) and the State Water Board have authorized a minimum amount of a DWSRF capitalization grant be awarded to recipients as "additional subsidy" (i.e. principal forgiveness) per governing State and federal rules.

<sup>6</sup>In accordance with USEPA procedures, these amounts represent the additional subsidy committed to eligible DWSRF projects and assigned under the additional subsidy authority of the respective DWSRF capitalization grant as of 6/30/2018.

<sup>7</sup>In accordance with USEPA procedures, these amounts represent the additional subsidy balances under the maximum authority of the respective DWSRF capitalization grant that have not been committed to eligible DWSRF projects as of 6/30/2018.

<sup>8</sup>These amounts represent the additional subsidy disbursements of the assigned projects per SFY. In accordance with USEPA Policy, the additional subsidy is encumbered and expended from any available funding sources within the DWSRF (i.e. federal capitalization grants, state match, repayment funds).

<sup>9</sup>This amount represents the total encumbering balance as well as the additional subsidy authority not yet encumbered as of 6/30/2018.



Besides additional subsidy, the State Water Board may also allocate a portion of a capitalization grant to projects with “green” benefits (Green Project Reserve). In SFY 2017-18, Green Project Reserve funding was awarded to recipients for projects that included the installation of water meters due to their water conservation and efficiency benefits. **Table 3** shows the amount of DWSRF funding assigned to current and prior year capitalization grants to satisfy the optional DWSRF Green Project Reserve. In SFY 2017-18, six (6) projects had been funded with a portion going toward installation or replacement of water meters.

**Table 3: Green Project Reserve Funding**

FFY Grant	SFY	Grant Award Amount	Minimum Green Project Reserve Amount by FFY Grant	Committed Green Project Reserve Amount Per FFY Grant Assignment	Disbursed Green Project Reserve Amount by SFY	Undisbursed Green Project Reserve Amount by SFY
2010	10-11	\$126,958,000	\$25,391,600	\$25,391,600	\$0	\$0
2011	11-12	\$86,698,000	\$17,339,600	\$26,013,832	\$12,457,278	\$0
2012	12-13	\$85,358,000	\$0	\$7,231,611	\$31,910,690	\$0
2013	13-14	\$78,770,000	\$0	\$1,193,500	\$7,037,464	\$0
2014	14-15	\$83,221,000	\$0	\$0	\$2,242,734	\$0
2015	15-16	\$83,674,000	\$0	\$521,670	\$2,715,139	\$0
2016	16-17	\$78,215,000	\$0	\$1,235,843	\$2,203,628	\$0
2017	17-18	\$77,545,000	\$0	\$30,865,800	\$6,842,316	\$27,044,157
Totals		\$700,109,00	\$42,731,200	\$92,453,406	\$65,409,249	\$27,044,157

## 8. Federal Funding Accountability and Transparency Act

The State Water Board reported one (1) project totaling \$173,141,875 into the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) in SFY 2017-18 to satisfy the FFATA reporting requirements for the FFY 2017 Capitalization Grant. The FFATA, along with associated Office of Management and Budget (OMB) directives, and interpretive guidance from USEPA, requires the State Water Board to report sub-recipient information on the use of capitalization grants awarded after October 1, 2010. The DWSRF

program began reporting FFATA data in FFY 2011 on an equivalency basis, by choosing loans that equaled the total DWSRF grant amount received from the USEPA. The DWSRF program continues to report FFATA loan data on an equivalency basis to the FSRS (**Exhibit F**, page 51).

## 9. Environmental Federal Cross-Cutters

The State Water Board used the [State Environmental Review Process](#) (SERP) to review the environmental impacts of projects in SFY 2017-18. While the SERP generally follows the requirements of the California

<sup>10</sup>USEPA requires the State Water Board to commit and expend a minimum amount of DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA’s “Green Project Reserve.”

<sup>11</sup>In accordance with USEPA procedures, these amounts represent the DWSRF project amounts committed and assigned under the Green Project Reserve authority of the respective DWSRF capitalization grant as of 6/30/2018.

<sup>12</sup>These amounts represent the Green Project Reserve disbursements for each respective SFY. Per USEPA policy, the Green Project Reserve funding is not necessarily encumbered and liquidated from DWSRF capitalization grants.

<sup>13</sup>This amount represents the total encumbering balance of Green Project Reserve funding as well as the minimum Green Project Reserve Authority not yet encumbered as of 6/30/2018.



Environmental Quality Act (CEQA), each applicant had to also complete and submit an [Evaluation Form for Federal Environmental Coordination](#) (Evaluation Form). DWSRF staff consulted with the appropriate federal agencies on projects with known or potential impacts under federal environmental regulations, consistent with the Operating Agreement between the State Water Board and USEPA.

## 10. Single Audit Act

The State Water Board continued to require recipients receiving an executed agreement in SFY 2017-18 to comply with applicable provisions of the federal Single Audit Act of 1984, OMB Circular No. A-133 and 2 CFR Part 200, subpart F, and updates or revisions, thereto.

The State Water Board included the applicable Single Audit Act requirements in all DWSRF financial assistance agreements executed in SFY 2017-18 and required reporting by funding recipients if the recipient received more than \$750,000 in combined federal funds for a given fiscal year. DAS also issued to DWSRF recipients in the summer of 2017 a summary of federal funds disbursed to those recipients in SFY 2016-17. DFA and DAS assisted the State Treasurer's Office in securing any required SFY 2016-17 Single Audit Act reports from DWSRF funding recipients by the deadline of March 2018. DFA and DAS also coordinated with DWSRF funding recipients and the State Treasurer's Office on any compliance concerns with the use of DWSRF federal funds disclosed in a Single Audit Act report.





## D. Financial Activity

### 1. Net Position

Net assets of the DWSRF program are shown below:

**Table 4**  
**DWSRF Statement of Net Position**  
**(Dollars in Thousands)**

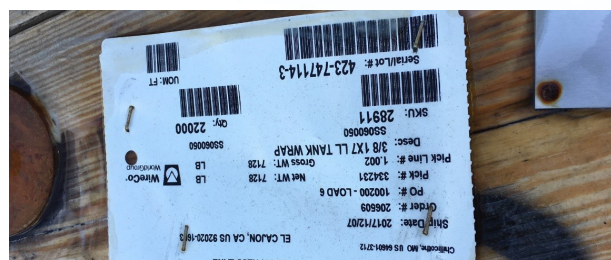
Assets	2018	2017
Current Assets	\$284,102	\$383,729
Other Assets	\$1,534,201	\$1,347,378
<b>Total Assets</b>	<b>\$1,818,303</b>	<b>\$1,731,107</b>
<b>Liabilities</b>		
Current Liabilities	\$8,919	\$2,232
Non-Current Liabilities	\$0	\$0
<b>Total Liabilities</b>	<b>\$8,919</b>	<b>\$2,323</b>
<b>Net Assets</b>		
Restricted	\$0	\$0
Unrestricted	\$1,809,384	\$1,728,875
<b>Total Net Assets</b>	<b>\$1,809,384</b>	<b>\$1,728,875</b>

### 2. Revenues

Revenue for the DWSRF program is described in its Financial Statements. The total revenues for SFY 2017-18 were \$126.8 million. Revenues for the period of this report were as follows:

**Table 5**  
**SFY 2017-18 DWSRF Revenues**  
**(Dollars in Thousands)**

Loan Interest Income:	\$20,278
Net Investment Income:	\$2,390
Capitalization Grant Contributions	\$82,000
Capitalization Grants Contributions – Principal Forgiveness	\$1,330
State Match Revenue- Loans	\$3,880
State Match Revenue – Principal Forgiveness:	\$17,000



### 3. Disbursements and Expenses

Total disbursements are based on Financial Statements and do not include matching funds provided by funding recipients. Total disbursements for SFY 2017-18 were \$294.6 million. Disbursements for the period of this report were made as follows:

**Table 6**  
**SFY 2017-18 DWSRF Disbursements and Expenses**  
**(Dollars in Thousands)**

Loan disbursements:	\$255,000
Grants disbursements:	\$1,600
Principal Forgiveness disbursements:	\$22,700
Employees' salaries and vendors' payments:	\$15,300



#### 4. Extended Term Financing and Reduced Interest Rate

In accordance with federal rules and regulations, the State Water Board continued to provide extended term financing (ETF) in the form of 30-year loan repayment terms to funding applicants that served DACs. The State Water Board also provided ETF to publicly owned PWSs for construction projects in accordance with USEPA's policy on ETF. In SFY 2017-18, six (6) projects received approximately \$93,121,831 in ETF as shown in **Exhibit G** (page 52).

ETF for DACs has historically proven to be more manageable financing for funding recipients than twenty-year financing. Providing ETF for DACs has not jeopardized the financial strength of the DWSRF program, but instead has led to an increased demand for funding. This has provided a steadier flow of funds returning to the program. This demand has been critical in the State Water Board's reduction of historical ULOs. Similarly, providing 30-year ETF to publicly owned PWSs serving non-DACs has attracted municipalities with excellent credit strength to further bolster the financial health of the DWSRF as well as ensure the timely and expeditious use of DWSRF funds.

Prior to 2015, state law permitted zero percent (0%) interest rate loans from the DWSRF if the funding applicant served a Disadvantaged Community (DAC), regardless of the water system size. In 2015, the California Legislature directed the State Water Board to provide zero percent (0%) interest rate financing if the funding recipient served a DAC with financial hardship. The State Water Board's DWSRF Policy defines financial hardship to mean the funding applicant is a SWS with high residential water rates. In its IUPs beginning in SFY 2015-16, to ensure the long-term financial growth of the fund while considering the financial

limitations of certain PWSs types, the State Water Board has limited zero percent (0%) interest rate financing to SWSs serving DACs and eligible ESCWSs serving SDACs.

#### 5. DWSRF Credit Risk

Each funding recipient must pledge or dedicate one or more sources of revenue toward the payment of its DWSRF financing. For publicly owned entities, dedicated sources of revenue are generally water rate revenues, but may also be any number of revenue sources, special tax pledges, or other pledgeable income. For privately owned entities, the dedicated source of repayment is generally a Uniform Commercial Code (UCC)-1 security interest by the State Water Board on all the entity's revenues, fixtures, and equipment.

In SFY 2017-18, the State Water Board restructured one agreement. The City of Delano (1510005-001C) a PWS serving an SDAC requested modification of their current term as the useful life of the project was determined to be greater than thirty (30) years and as an SDAC they qualified for thirty (30) year financing. The State Water Board approved the extension of the financing term from twenty (20) to thirty (30) years, with no change to the interest rate.

In SFY 2017-18, there was no allowance for uncollectible accounts as all repayments remained current and all repayable financings were anticipated to be repaid in accordance with the financing terms. As in prior years, there were no repayment defaults in the DWSRF program and State Water Board staff continued to work diligently to ensure funding agreements were secure, and all payments were made on time and in full. Staff efforts included using a variety of analysis and monitoring measures to reduce the possibility of non-payment and continually evaluating additional steps to ensure full and timely payments.



## IV. PUBLIC HEALTH BENEFITS

The contributions of the DWSRF program to public health and drinking water quality are diverse. The program has the strength and versatility to address a wide range of water quality issues. To the maximum extent possible, in SFY 2017-18, priority was given to projects that addressed the most serious risks to human health, were necessary to ensure compliance with SDWA requirements, and assisted water systems most in need on a per household basis. Projects were ranked by the categories below:

Public Health Category	Description
Category A:	Immediate Health Risk
Category B:	Untreated or At-Risk Sources
Category C:	Compliance or Shortage Problems
Category D:	Inadequate Reliability
Category E:	Secondary Risks
Category F:	Other Projects

### A. Projects in SFY 2017-18 Will Help Achieve and Maintain SDWA Goals

1. There were 26 projects funded by the DWSRF program.
2. An estimated 3.205 million people reside within the boundaries of the projects funded.
3. An estimated \$35.823 million principal forgiveness was provided to these projects.
4. Projects funded by the DWSRF program fall into the categories noted earlier, as defined in the DWSRF Policy, Section V.C. The projects funded, and their categories were as follows:

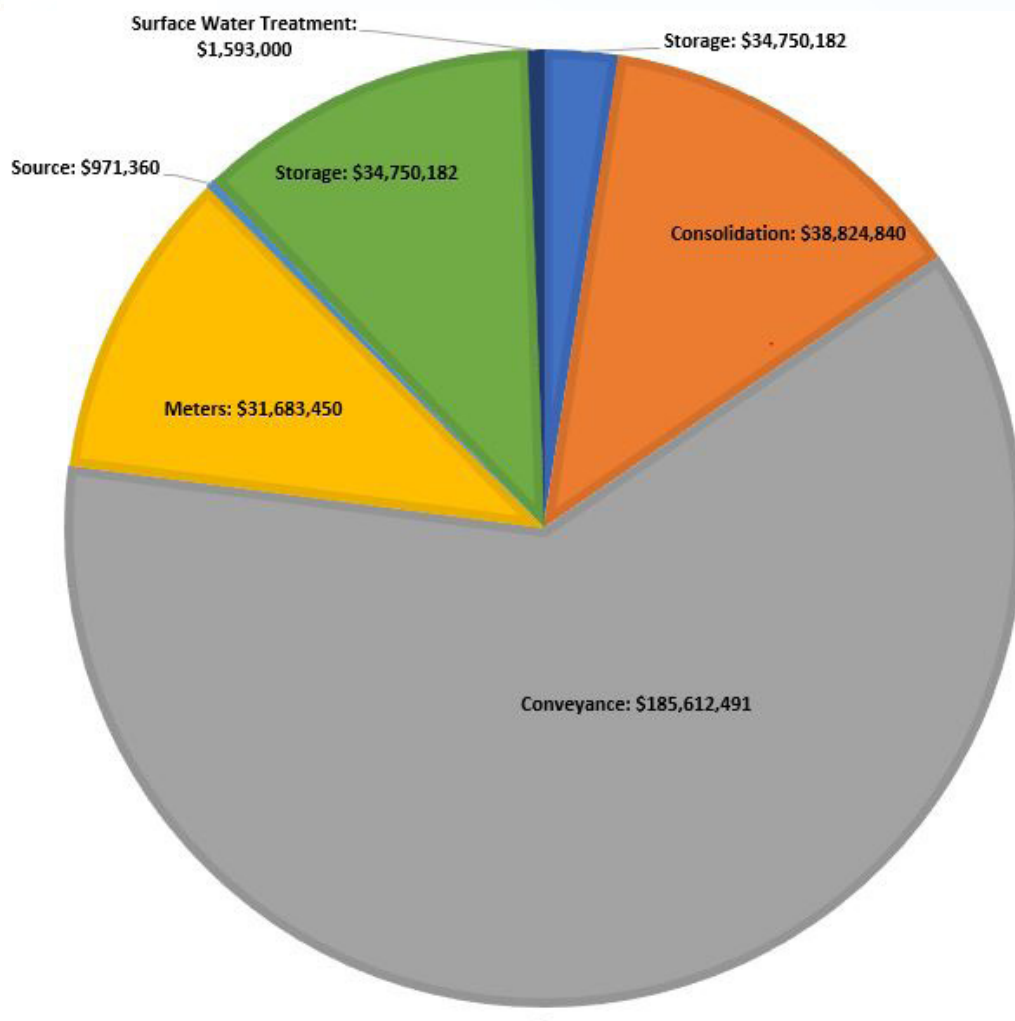
Public Health Category	Description	# of Projects
Category A:	Immediate Health Risk	1
Category B:	Untreated or At-Risk Sources	2
Category C:	Compliance or Shortage Problems	11
Category D:	Inadequate Reliability	3
Category E:	Secondary Risks	0
Category F:	Other Projects	9



## B. DWSRF Projects Achieve Multiple Benefits

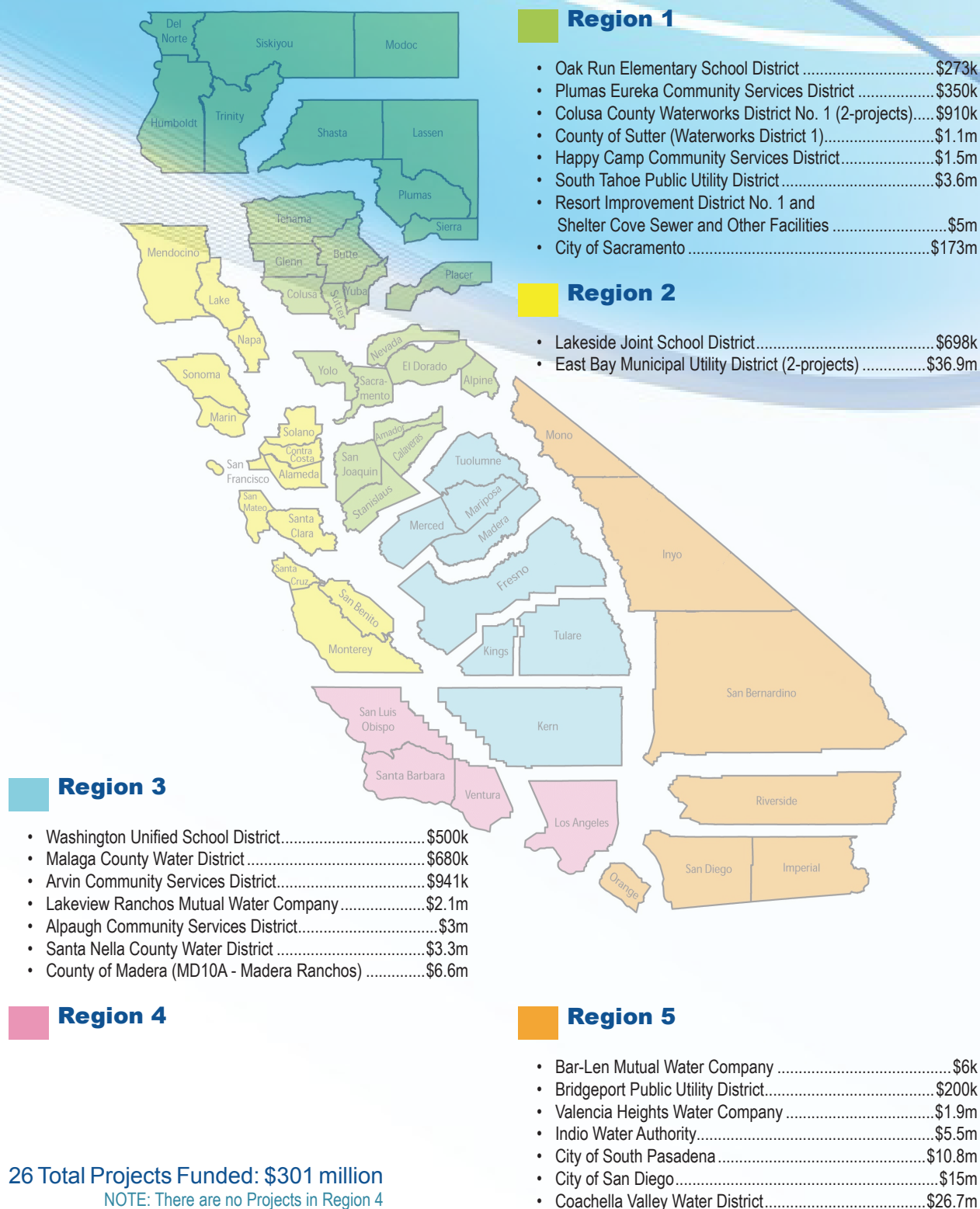
DWSRF projects provide multiple benefits to water systems including consolidation, ground water treatment of maximum contaminant levels (MCL) exceedance, surface water treatment compliance, and other deficiencies such as lack of meters, source reliability, storage capacity, and delivery capability. Figure 4 below shows the many benefits commonly provided by DWSRF projects.

**Figure 4**  
**Water System Improvements (Project Type by Cost)**





## C. Highlights of Projects Funded by DWSRF in SFY 2017-18







## V. ADMINISTRATIVE AND PROGRAMMATIC UPDATES

### A. General Comments

In SFY 2017-18, the State Water Board continued its efforts to finance DWSRF projects quickly and efficiently to reach the program's full potential as a water quality tool, and continued to pair DWSRF financing with other appropriated financing sources to achieve the overall objectives of the State Water Board.

### B. Performance Evaluation Report

On April 19, 2018, the USEPA presented the State Water Board a combined Program Evaluation Report (PER) for the Clean Water State Revolving Fund (CWSRF) and DWSRF programs for SFY 2017-18. The PER addressed California's performance and compliance as it pertains to the requirements of the base program elements. USEPA identified one (1) required follow-up action and six (6) recommended follow-up actions, specific to the DWSRF program. USEPA assessed the following required program and financial elements; those noted with a single asterisk (\*) indicate required follow-up action, those noted with a double asterisk (\*\*) indicate recommended follow-up action.

#### 1. Required Program Elements

- (a) Annual/Biennial Report
- (b) Funding Eligibility
- (c) Compliance with DBE Requirements
- (d) Compliance with Federal Requirements and Grant Conditions: i.e., Cross-Cutting Authorities, AIS, Davis Bacon, Additional Subsidy, and Green Projects and Reporting\*, \*\*
- (e) Compliance with Environmental Review Requirements
- (f) Operating Agreement
- (g) Staff Capacity\*\*
- (h) Set-aside Activity

#### 2. Required Financial Elements

- (a) State Match
- (b) Binding Commitment Requirements
- (c) Rules of Cash Draw (including improper payments)\*\*
- (d) Timely and Expeditious Use of Funds\*\*

Regarding Program Element Item 1(d) Compliance with Federal Requirements and Grant Conditions, USEPA identified a potential compliance issue with federal requirements and grant conditions pertaining to AIS. During USEPA's review of the Lanare Community Services District project file, USEPA noted that the file did not contain a copy of the AIS certification. The DWSRF inspection report did not address AIS compliance.

- Required Follow-up Action: The State Water Board must add an AIS certification to the file for the Lanare Community Services District project.
- State Water Board Response: The State Water Board responded to USEPA's required follow-up action item, on May 7, 2018, providing USEPA with copies of AIS certifications in question. On May 9, 2018, USEPA informed the State Water Board that its response satisfied the required follow-up action.

USEPA further noted process differences between DWSRF and CWSRF, specifically, the use of an CWSRF inspection report form which includes a checklist that directs project managers to inspect for certain AIS requirements. This resulted in the following recommendation.

- Recommended Follow-up: To ensure proper and accessible file documentation of a project's AIS compliance, the DWSRF program should adopt or design a project inspection checklist, such as the one used

by the CWSRF program, that guides the DWSRF project manager to review for AIS requirements.

- State Water Board Response: The State Water Board continues to work through and identify operational differences between the DWSRF and CWSRF programs, recognizing best practices and developing synergies between the programs to improve efficiency and operational consistency. In support of this effort, the State Water Board also conducts internal staff training sessions. A staff training session, specific to AIS, was conducted on January 18, 2018.

Regarding Program Element Item 1(g) above, Staff Capacity, USEPA acknowledged improvements that the State Water Board has made to the DWSRF Program involving outreach and financial planning, resulting in an increased demand for DWSRF assistance. USEPA expressed concern that increases in demand, over time, may outpace the Program's personnel resource capacity.

- Recommended Follow-up: Given the increasing demand for SRF financial assistance, USEPA suggests that the State Water Board monitor staffing levels and look for efficiencies in processes to ensure it has sufficient capacity to manage the increasing workload.
- State Water Board Response: The State Water Board actively monitors its resource capacity and understands the importance to augment workflow, assess processes, and maintain adequate staffing levels to accomplish administrative and project management activities efficiently and effectively. In an attempt to meet current and projected workload demands, the State Water Board recently implemented a reorganization of the technical sections, primarily responsible for DWSRF and CWSRF activities. Furthermore, the Loans and Grants Administration Section recently redirected certain positions to address changes in workload demands.

Regarding Financial Element Item 2(c), Rules of Cash Draw, USEPA tested four (4) DWSRF cash transactions selected through random sampling with a total draw of \$18.8 million from the federal treasury between July 2016 and June 2017. The review of these program financial transactions found no instances of cash draw rule violation and no improper payments. USEPA acknowledged that the State Water Board conducts effective analysis of the eligibility of DWSRF project construction, engineering/design, and administrative costs submitted for reimbursement. However, USEPA noted that several of the calculations and notations documenting cost adjustments and reimbursements were confusing and difficult to authenticate and required explanation by the DWSRF disbursement analysts for USEPA to confirm the adjustments were justified.

- Recommended Follow-up: USEPA recommends that the State Water Board develop or update standard operating procedures for the disbursement analysts and project managers to follow. A standard protocol to document cost adjustment calculations, and reasons for a project claim modification would help ensure a clear representation and history of a project claim adjustment and reimbursement payment that would be available to anyone reviewing a project claim file.
- State Water Board Response: The State Water Board understands the importance of ensuring staff perform efficiently and document cost adjustment calculations accurately, noting specific detail and rationale in the project claim files. The State Water Board has implemented improvements to its existing procedures in an effort to ensure a clear representation of project claim adjustments and reimbursement payments.

Regarding Financial Element Item 2(d), Timely and Expeditious Use of Funds, USEPA noted that during the on-site visit, the State Water Board expressed its intention to request USEPA to transfer approximately \$6.6 million from the 2015 DWSRF grant loan fund to the 15% local



assistance set-aside, remaining compliant with the ULO reduction strategy.

- **Recommended Follow-up:** In accordance with EPA's DWSRF ULO reduction strategy, once the State Water Board transfers the remaining funds in the FFY 2015 Capitalization Grant (#FS-98934915) to the set-asides, it should send USEPA a letter requesting additional time to expend the funds, but not later than September 30, 2018.

To transfer funds from the FFY 2015 Capitalization Grant loan fund to the set-aside fund, the State Water Board should submit to USEPA for review and approval, a grant amendment along with a letter requesting additional time to expend these set-aside funds.

- **State Water Board Response:** On March 15, 2018, the State Water Board submitted to USEPA a written request to transfer \$6,613,920.00 from the FFY 2015 Capitalization Grant loan fund to the 15% set-aside, followed by and amended grant submitted to USEPA on April 3, 2018.

Additionally, USEPA noted in SFY 2016-2017, the California DWSRF disbursement ratio was 75.5 percent (75.5%), which is an increase from its previous year's value of 69.9 percent (69.9%); however, the State's performance was below the national average of 84 percent (84%).

- **Recommended Follow-up:** USEPA suggests that the State Water Board revisit the functionality of the Loans and Grant Tracking System (LGTS) as a tool to track project budgets, record pay request details, and ensure the timely processing of disbursement claims.
- **State Water Board Response:** The State Water Board utilizes its LGTS database to track projects from application to completion. This includes tracking of project budgets and recording pay request details. The State Water Board continually

analyzes specific data elements to monitor its productivity. Based on the analytics of a combination of specific data elements, the State Water Board strives to maintain a high level of efficiency in all programmatic areas, while also identifying areas in need of improvement and developing and implementing solutions.

### C. Demand Management

Demand for DWSRF and Prop 1 Drinking Water funding from SWSs serving DACs, specifically principal forgiveness/grant, continued to outpace available funds. Available DWSRF principal forgiveness and Prop 1 Drinking Water grant funds were effectively fully committed as of June 30, 2018, with minor balances remaining for potential cost increases on existing commitments. While additional principal forgiveness/grant funding may be available in the future from the DWSRF and complementary funding sources, the State Water Board continues to track and implement the DWSRF prioritization system to maximize any available principal forgiveness/grant funds.

Demand for DWSRF repayable financing remained consistent with historical trends whereby the total commitment amount of repayable financings for SFY 2017-18 did not fully utilize available funding capacity. However, the State Water Board continued to market 30-year ETF in SFY 2017-18 for publicly owned PWSs to generate greater demand for DWSRF repayable financing.

Demand for DWSRF and complementary drinking water funding for DACs/SDACs also necessitated a re-organization of certain staff and management assignments and duties within DFA in SFY 2017-2018. Specifically, certain CWSRF and DWSRF staff and management were transferred to the OSWS to assist with DACs/SDACs. The OSWS was then reorganized into two sections to serve the drinking water and wastewater funding and technical assistance needs of DACs/SDACs in northern and southern California. The remaining CWSRF and DWSRF staff and

management were then re-organized into a new Clean Water/Drinking Water SRF Section to further consolidate the program management of the CWSRF and DWSRF within DFA, as well serve the funding needs of non-DAGs/SDACs.

#### **D. Comprehensive List**

The Comprehensive List identified projects potentially eligible for funding assistance from the DWSRF program. As DFA received applications, it assigned each project a category from Section V.C.1 of the DWSRF Policy, then recommended that the Executive Director of the State Water Board, in consultation with DDW, either add the project to the Comprehensive List or update an existing project. The Executive Director updated the Comprehensive List three times.

#### **E. Fundable List and Project Bypass**

There were 123 projects identified on the fundable list of projects in the SFY 2017-18 IUP, detailed in **Exhibit H** (page 53). Of these 123 projects, 53 were planning and 70 were

construction projects. The DWSRF program awarded funding to 5 planning projects and 21 construction projects. Prop 1 Drinking Water funds were awarded to 50 projects. The remaining projects' statuses is noted in **Exhibit C** (page 41). Several of the projects not funded in SFY 2017-18 are anticipated to be funded in SFY 2018-19.

#### **F. Marketing Updates**

State Water Board staff participated in six (6) California Financing Coordinating Committee (CFCC) funding fairs during SFY 2017-18. The funding fairs provide members of the public and infrastructure development professionals current information on funding options available for different project types.

State Water Board staff also participated in several conferences throughout the year to provide updated information on the DWSRF Program. These conferences included the League of California Cities 2017 Annual Conference and the Association of California Water Agencies 2018 Spring Conference.





## **G. Technical Assistance Updates**

The DWSRF program budgeted two percent (2%) of the FFY 2017 Capitalization Grant along with prior year capitalization grants for SWSTA. Its primary goals are to reduce the instances of non-compliance with drinking water standards and requirements, establish and assure safe and dependable water supplies, improve operational capability, and establish or improve the TMF capacity of SWSs.

The SWSTA set-aside funded technical and administrative staff within DFA to provide technical assistance to SWSs. Assistance by DFA staff included helping SWSs identify drinking water problems and potential solutions, assisting in the preparation of funding applications, reviewing TMF assessments, and evaluating potential funding eligibility. Staff also helped resolve ownership issues, right-of-way disputes, as well as interceded and mediated with adjacent water systems regarding potential water interties and consolidation projects. The SWSTA set-aside also provided partial funding for technical and administrative staff of the Proposition 84 (Prop 84) funding program. They prepared Prop 84 planning projects for SWSs that led to DWSRF construction funding.

The budgeting and expenditures of the SWSTA set-aside as of June 30, 2018 are shown in **Exhibit I** (page 58).

## **H. Proposition 1 Drinking Water Update**

The State Water Board and DFA continued to implement and award funding to planning and construction projects using DWSRF and Prop 1 Drinking Water funds. Due to extensive coordination between funding sources, \$301 million of DWSRF funding was awarded to 26 planning and construction projects in SFY 2017-18, of which approximately \$31.6 million was Prop 1 Drinking Water funds serving as State Match for the DWSRF program. As of June 30, 2018, approximately \$112.1 million of Prop 1 Drinking Water Funds had been encumbered as State Match for the DWSRF.

In SFY 2017-18, \$30.2 million of Prop 1 Drinking Water grant funds were also awarded to 50 planning and construction projects separately from the DWSRF. **Exhibit J** (page 62) lists the 50 projects funded exclusively by Prop 1 Drinking Water in SFY 2017-18. As of June 30, 2018, a cumulative amount of \$127.5 million of Prop 1 Drinking Water grant funds had been awarded to SWSs serving DACs/SDACs.

The State Water Board's co-management of DWSRF and Prop 1 Drinking Water funds further enabled California to capitalize and maximize state match for the DWSRF while simultaneously providing financial benefits to California's PWSs, especially those PWSs serving small DACs. The tremendous amount of funding provided through the DWSRF in SFY 2017-18 has also enabled the State Water Board to maintain a low and acceptable federal ULO balance for the near future.

## **I. Proposition 68 (Prop 68) Update**

On June 5, 2018, California voters approved Prop 68 The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Senate Bill 5, DeLeon), which provides general obligation bond funding to the State Water Board for various wastewater, drinking water, water recycling and other related projects that will complement the funding provided under the DWSRF. Prop 68 provided \$250 million for grants and loans for projects to improve access to safe drinking water (Prop 68 Drinking Water) and projects to improve water quality under the CWSRF SCG, with priority given to projects that help DACs. Prop 68 directed that Prop 68 Drinking Water funds be administered in accordance with the Prop 1 Drinking Water Program. The DWSRF 2018-2019 IUP was adopted in June of 2018 and reaffirmed the Prop 1 Drinking Water guidelines, expanding them to incorporate Prop 68 Drinking Water procedures.

## **J. Consolidation Incentive Program**

The Consolidation Incentive Program, as described in the SFY 2017-2018 IUP, did not receive requests during SFY 2017-18, but

was revised to draw potential projects. In June 2017, the State Water Board adopted the SFY 2017-2018 IUP, which increased the zero percent consolidation incentive program from up to \$5 million to up to \$10 million per project. Zero percent (0%) interest rate financing may be awarded for an eligible construction project (incentive project) that benefits an eligible PWS, if such PWS completes a full consolidation with a water system serving a DAC.

## K. DWSRF Source Water Protection Program

California established the DWSRF program with federal capitalization grants awarded by the USEPA. A portion of these funds was set-aside for SWP loans.

Funding for the SWP program provides loans to PWSs for the purchase of land or conservation

easements. PWSs may only purchase land or a conservation easement from willing parties. The purchase must be for the purposes of protecting the system's source water and ensuring compliance with national drinking water regulations. The DWSRF program evaluated all projects using the priority system described within the IUP in effect at the time such SWP loans were awarded.

As of SFY 2017-18, the program had set aside a total of \$24,889,390 from the FFY 2000-2005 Capitalization Grants for this program, but, due to lack of demand from PWSs, subsequent federal grant amendments returned \$22,889,390 from the FFY 2000-2005 Capitalization Grants to the DWSRF infrastructure loan fund. As shown in **Table 7**, \$2,000,000 has been committed and expended for SWP loans.

**Table 7: Source Water Protection Loan Set-Asides**

Funding Recipient	Project No.	Category	Population	Executed FA Date	Contract No.	Loan Amount	Grant Amount	Total Funding Assistance
Contra Costa Water District	0710003-017	SWP	201,100	9/1/2003	2001SWP101	\$2,000,000	\$0	\$2,000,000





## VI. SET-ASIDES

The DWSRF program used a percentage of each federal capitalization grant as “set-asides” in SFY 2017-18 to fund the administration of the DWSRF program as well as other activities critical to the success of the program. The set-aside accounts included DWSRF Administration, SWSTA, State Program Management, and Local Assistance Special Programs. These set-asides aided in either administering the DWSRF program or providing funding and other technical assistance to PWSs. The State Water Board budgeted 23 percent (23%) of the FFY 2017 Capitalization Grant for all four (4) set-asides, totaling \$17,835,350. As of June 30, 2018, the State Water Board had expended \$7.65 million of the funds budgeted for set-aside activities from the FFY 2017 Capitalization Grant. It is anticipated, that the remaining balance of the FFY 2017 Capitalization Grant set-aside funds will be liquidated no later than SFY 2018-19.

### A. Administration Set-Aside

The State Water Board budgeted four percent (4%) of the FFY 2017 Capitalization Grant, totaling \$3,101,800, along with prior years’ DWSRF Administration set-aside funds in SFY 2017-18 for the management of the DWSRF program by DFA, DAS, Division of Information Technology (DIT), and the Office of Chief Counsel. The State Water Board expended \$1.93 million from the Administration set-aside under the FFY 2017 Capitalization Grant. The DWSRF Administration set-aside funded technical and administrative personnel within DFA who prepared construction and planning approvals and agreements, inspected and evaluated projects, and processed claims for reimbursement. The Administration set-aside also funded personnel activities associated with various project tracking and reporting required by USEPA as well as other state and federal agencies. The Administration set-aside also funded legal activities within the State Water Board’s Office of Chief Counsel relating to the review of agreements and legal advising on a variety of programmatic issues including the IUP, anticipated revenue bond requirements, and implementation of various State and federal requirements. Finally, the DWSRF Administration set-aside funded a variety of administrative support from DAS and DIT, including accounting and budget office support as well IT support.

A portion of the Administration set-aside also funded state procurement contracts with other entities, such as the accounting

firm CliftonLarsonAllen. In SFY 2017-18, CliftonLarsonAllen completed the federal single-audit of the DWSRF program for SFY 2017-18 and produced audited financials for the DWSRF program which are included as **Exhibit K** (page 65).

The budgeting and expenditures of the DWSRF Administration set-aside, as of June 30, 2018, are shown in **Exhibit I** (page 58).

### B. Small Water System Technical Assistance Set-Aside

The State Water Board budgeted two percent (2%) of the FFY 2017 Capitalization Grant, totaling \$1,550,900, along with prior year SWSTA set-aside funds in SFY 2017-18. The State Water Board expended \$0 from the SWSTA set-aside under the FFY 2017 Capitalization Grant. The SWSTA set-aside funded DFA staff and their technical assistance provided to SWSs. The primary goal of DFA’s SWSTA is to assist SWSs to become eligible for DWSRF financing to reduce the instances of non-compliance with drinking water standards and requirements; establish and assure safe and dependable water supplies; improve operational capability and establish or improve their TMF capacities.

The SWSTA set-aside funded technical and administrative staff within DFA and their technical assistance to SWSs. Assistance by staff included helping SWSs identify drinking water problems and potential solutions, assisting in the preparation of funding

applications, reviewing TMF assessments, and evaluating potential funding eligibility. Staff also helped resolve ownership issues, right-of-way disputes, as well as interceded and mediated with adjacent water systems regarding potential water interties and consolidation projects. The SWSTA also enabled DFA technical and administrative staff to assist third-party technical assistance providers and their suite of tasks further described below.

The budgeting and expenditures of the SWSTA Set-Aside as of June 30, 2018, are shown in **Exhibit I** (page 58).

### **C. Local Assistance Set-Aside**

The State Water Board budgeted seven percent (7%) of the FFY 2017 Capitalization Grant, along with prior year capitalization grants in SFY 2017-18, for technical assistance to PWSs to support the State Water Board's TMF Capacity Development Strategy. The State Water Board expended \$365 thousand from the Local Assistance set-aside under the FFY 2017 Capitalization Grant. It is anticipated that the remaining balance of the 2017 Local Assistance set-aside will be liquidated over the next couple of years, especially since these funds will be made available to DDW for their technical assistance to PWSs in support of the State Water Board's Capacity Development Strategy.

A majority of the Local Assistance set-aside funds were expended for third-party technical assistance contracts with California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), Self-Help Enterprises (SHE), and California-Nevada chapter of the American Water Works Association (AWWA). CRWA, RCAC and SHE provided on-site technical assistance, including income surveys, water rate studies, and DWSRF application development. They also provided or participated in a variety of online and onsite workshops, symposiums and fairs, which benefited over 2,300 PWSs in SFY 2017-18. CRWA, RCAC, and SHE also provided TMF assistance in SFY 2017-18, including

mutual water company board training, PWS operation training, and water system ownership research. The California-Nevada chapter of AWWA provided technical assistance in the validation water audits for urban water suppliers in support of the State Water Board's Capacity Development Strategy.

In addition, RCAC developed and conducted statewide onsite and online training workshops that focused on building the TMF capacity of PWSs. In SFY 2017-18, RCAC held two CalTAP funding fairs. The fairs provided information on free services and materials available to the water systems and included two water symposiums that focused on regulation updates, sanitary surveys, and financial management. The CalTAP fairs averaged 57 attendees and the symposia averaged 28 attendees. In addition to the funding fairs, RCAC held 49 onsite and 73 online workshops. Board members, water system staff, and operators from more than 2,300 individual water systems participated in the training events. RCAC utilized feedback from training and workshop attendees to improve its organizations' effectiveness in communicating with the public and ability to provide helpful information.

The remaining expenditures of Local Assistance set-aside in SFY 2017-18 were for technical and administrative staff within DFA and their efforts to provide assistance to PWSs in support of the State Water Board's TMF Capacity Development Strategy. DFA staff oversaw and engaged third-party technical assistance contractors on the activities described above, as well as assisted funding applicants in achieving the TMF capacity necessary to be eligible for DWSRF funding; advised and reviewed proposed water system consolidations and interties; assisted and mediated in legal entity formation and water system ownership issues; and reviewed water rate studies. Also, DDW expended approximately \$5.5 million of the FFY 2015 Local Assistance set-aside in support of the Capacity Development Strategy by reimbursing staff costs associated with SWS TMF assistance performed during



their permitting, inspections, compliance and monitoring (PICM) activities.

The budgeting and expenditures of the DWSRF Local Assistance set-aside, as of June 30, 2018, are shown in **Exhibit I** (page 58).

#### **D. State Program Management Set-Aside**

The State Water Board budgeted ten percent (10%) of the FFY 2017 Capitalization Grant, along with prior year Capitalization Grants, for the State Program Management set-aside in SFY 2017-18. The State Water Board expended \$5.347 million from the State Program Management set-aside under the FFY 2017 Capitalization Grant. This set-aside funded DDW's PWSS regulatory program. In SFY 2017-18, the State Program Management set-aside subsidized a pro-rated portion of DDW's PICM activities as well as the general administration activities of DDW with the PWSS grant and California's safe drinking water cost-recovery account.

In general, DDW staff conducted inspections and surveys of both large and SWSs, evaluated treatment and infrastructure improvement needs, reviewed plans and specifications in relation to and for conformance with treatment requirements, and assisted PWSs with state and federal drinking water compliance issues. The State Program Management set-aside funds were used to enhance emergency preparedness and terrorism/disaster response preparedness of the PWSS program as well as California's PWSs. The DWSRF program also utilized this set-aside to enhance and manage its data reporting mechanisms, including the Safe Drinking Water Information System. The TMF capacity development activities inherent within the PICM activities of DDW were partially funded by the set-aside as well.

The budgeting and expenditures of the State Program Management set-aside as of June 30, 2018, are shown in **Exhibit I** (page 58).







## VII. ACRONYMS

AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application of Payments
AWWA	American Water Works Association
CalTap	California Technical Assistance Provider
CRWA	California Rural Water Association
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DACs	Disadvantaged Communities
DAS	Division of Administrative Services
DBE	Disadvantaged Business Enterprise
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DIT	Division of Information Technology
DWSRF	Drinking Water State Revolving Fund
ETF	Extended Term Financing
ESCWSs	Expanded Small Community Water Systems
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FSRS	Federal Funding Accountability and Transparency Act Subaward Reporting System
IUP	Intended Use Plan
LEFA	Legal Entity Formation Assistance



LGTS	Loans and Grants Tracking System
MCL	Maximum Contaminant Levels
MBE	Minority Owned Business Enterprise
OMB	Office of Management and Budget
OSWS	Office of Sustainable Water Solutions
PICM	Permitting, Inspection, Compliance, Monitoring
PWS	Public Water System
PWSs	Public Water Systems
PWSS	Public Water System Supervision
RCAC	Rural Community Assistance Corporation
SCO	State Controller's Office
SDAC	Severely Disadvantaged Community
SDACs	Severely Disadvantaged Communities
SDWA	Safe Drinking Water Act
SERP	State Environmental Review Process
SFY	State Fiscal Year
SHE	Self-Help Enterprises
SWP	Source Water Protection
SWS	Small Water System
SWsS	Small Water Systems
SWSTA	Small Water System Technical Assistance
TMF	Technical, Managerial, Financial
ULO	Unliquidated Obligation
USEPA	United States Environmental Protection Agency
WBE	Women Owned Business Enterprise





## VIII. EXHIBITS

Exhibit A	Small Water Systems Funding in SFY 2017-18
Exhibit B	Projects Funded by Public Health Needs Categories in SFY 2017-18
Exhibit C	Projects Not Funded in SFY 2017-18
Exhibit D	Disadvantaged Business Enterprise Report for SFY 2017-18
Exhibit E	Green and Additional Subsidy Projects Funded in SFY 2017-18
Exhibit F	Projects Reported to FFATA for FFY 2017 Grant
Exhibit G	Extended Term Financing Projects in SFY 2017-18
Exhibit H	SFY 2017-18 DWSRF Fundable List Update
Exhibit I	Cumulative DWSRF Set-Aside Expenditures
Exhibit J	Projects Funded by Prop 1 Drinking Water in SFY 2017-18
Exhibit K	SFY 2017-18 Audited Financial Statements

## EXHIBIT A: SMALL WATER SYSTEMS FUNDING IN SFY 2017-18

Funding Recipient	Project Number	Principal Forgiveness	Loan	Total SRF Funding	FA Execution Date	Financial Status
Madera, County of (MD10A - Madera Ranchos)	2010008-003C	\$6,596,815.00	\$0.00	\$6,596,815.00	2/8/2018	Severely Disadvantaged
Coachella Valley Water District	3310001-007C	\$5,000,000.00	\$21,703,000.00	\$26,703,000.00	6/19/2018	Severely Disadvantaged
Indio Water Authority	3310020-001C	\$5,525,025.00	\$0.00	\$5,525,025.00	6/27/2018	Severely Disadvantaged
Valencia Heights Water Company	1910163-001C	\$0.00	\$1,949,003.00	\$1,949,003.00	1/25/2018	Severely Disadvantaged
Santa Nella County Water District	2410018-002C	\$3,301,014.00	\$0.00	\$3,301,014.00	7/17/2017	Severely Disadvantaged
Sutter, County of (Waterworks District 1)	5100107-008C	\$1,060,000.00	\$0.00	\$1,060,000.00	4/5/2018	Severely Disadvantaged
Colusa County Waterworks District No. 1	0600008-001P	\$415,000.00	\$0.00	\$415,000.00	12/15/2017	Severely Disadvantaged
Washington Unified School District	1000204-001P	\$500,000.00	\$0.00	\$500,000.00	5/18/2018	Severely Disadvantaged
Lakeview Ranchos Mutual Water Company	1500525-001C	\$2,160,000.00	\$0.00	\$2,160,000.00	8/3/2017	Severely Disadvantaged
Bridgeport Public Utility District	2610003-005C	\$200,000.00	\$0.00	\$200,000.00	8/3/2017	Disadvantaged
Plumas Eureka Community Services District	3210011-005P	\$0.00	\$350,000.00	\$350,000.00	9/13/2017	Not Disadvantaged
Bar-Len Mutual Water Company	3600025-001P	\$6,000.00	\$0.00	\$6,000.00	6/11/2018	Disadvantaged
Alpaugh Community Services District	5410050-001C	\$3,000,000.00	\$0.00	\$3,000,000.00	1/10/2018	Severely Disadvantaged
Colusa County Waterworks District No. 1	0600008-002C	\$495,000.00	\$0.00	\$495,000.00	5/30/2018	Severely Disadvantaged
Malaga County Water District	1010042-014C	\$0.00	\$680,400.00	\$680,400.00	8/7/2017	Disadvantaged
Lakeside Joint School District	4300779-001C	\$698,360.00	\$0.00	\$698,360.00	6/18/2018	Severely Disadvantaged
Oak Run Elementary School District	4500190-001C	\$273,000.00	\$0.00	\$273,000.00	12/28/2017	Severely Disadvantaged
Resort Improvement District No. 1 and Shelter Cove Sewer and Other Facility	1210022-002C	\$5,000,000.00	\$0.00	\$5,000,000.00	2/8/2018	Severely Disadvantaged
Happy Camp Community Services District	4710012-002C	\$1,593,000.00	\$0.00	\$1,593,000.00	6/26/2018	Severely Disadvantaged



## EXHIBIT B: PROJECTS FUNDED BY PUBLIC HEALTH NEEDS CATEGORIES IN SFY 2017-18

Funding Recipient	Project Name	Category	Population	Connections	Initial Funding Date	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Status
Oak Run Elementary School District	Oak Run Well Replacement Project	A	102	1	12/28/2017	\$273,000	\$ -	\$273,000	Severely Disadvantaged
Lakeside Joint School District	Lakeside Joint School District Water Supply Project	B	110	1	6/18/2018	\$698,360	\$ -	\$698,360	Severely Disadvantaged
Happy Camp Community Services District	Happy Camp Water Treatment System Upgrade	B	1,190	457	6/26/2018	\$1,593,000	\$ -	\$1,593,000	Severely Disadvantaged
Colusa County Waterworks District No. 1	Arsenic Exceedance Feasibility Study	C	500	104	12/15/2017	\$415,000	\$ -	\$415,000	Severely Disadvantaged
Washington Unified School District	American Union Elementary School Uranium MCL Compliance	C	353	0	5/18/2018	\$500,000	\$ -	\$500,000	Severely Disadvantaged
Lakeview Ranchos Mutual Water Company	Arsenic Exceedance Compliance Project	C	120	74	8/3/2017	\$2,160,000	\$ -	\$2,160,000	Severely Disadvantaged
Arvin Community Services District	Arsenic Mitigation - Phase II Test Wells and Design	C	21563	3865	8/16/2017	\$ -	\$941,000	\$941,000	Severely Disadvantaged
Madera, County of (MD10A - Madera Ranchos)	Consolidation of Valley Teen Ranch and Golden Valley Unified School District	C	3039	925	2/8/2018	\$6,596,815	\$ -	\$6,596,815	Severely Disadvantaged
Bridgeport Public Utility District	Arsenic Removal Project	C	700	484	8/3/2017	\$200,000	\$ -	\$200,000	Disadvantaged
Plumas Eureka Community Services District	Arsenic Remediation Project	C	1,100	552	9/13/2017	\$ -	\$350,000	\$350,000	Not Disadvantaged
Coachella Valley Water District	Highway 86 Transmission Main and Pump Station Project	C	5480	2735	6/19/2018	\$5,000,000	\$21,703,000	\$26,703,000	Severely Disadvantaged
Indio Water Authority	Consolidation of Boe Del Heights & Weller Tract Mutual Water Associations into Indio Water Authority	C	1131	213	6/27/2018	\$5,525,025	\$ -	\$5,525,025	Severely Disadvantaged
Bar-Len Mutual Water Company	Water Quality (arsenic) and Infrastructure Efficiency	C	124	44	6/11/2018	\$6,000	\$ -	\$6,000	Disadvantaged
Alpaugh Community Services District	Arsenic Treatment Project	C	1,026	390	1/10/2018	\$3,000,000	\$ -	\$3,000,000	Severely Disadvantaged
Colusa County Waterworks District No. 1	Installation of Customer Meters	D	500	104	5/30/2018	\$495,000	\$ -	\$495,000	Severely Disadvantaged
Sacramento, City of	Meter and Pipe Installation	D	407018	135,639	12/5/2017	\$ -	\$173,141,875	\$173,141,875	Not Disadvantaged
Sutter, County of (Waterworks District 1)	Robbins Water Meter Installation and Water Main Repairs	D	350	93	4/5/2018	\$1,060,000	\$ -	\$1,060,000	Severely Disadvantaged
East Bay Municipal Utility District	South Reservoir Replacement	F	16500	388,419	12/14/2017	\$ -	\$18,946,632	\$18,946,632	Not Disadvantaged
East Bay Municipal Utility District	Macarthur Davenport Pipeline Replacement Project	F	1,390,000	388,419	4/18/2018	\$ -	\$18,041,600	\$18,041,600	Not Disadvantaged

## EXHIBIT B: PROJECTS FUNDED BY PUBLIC HEALTH NEEDS CATEGORIES IN SFY 2017-18 (continued)

Funding Recipient	Project Name	Category	Population	Connections	Initial Funding Date	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Status
South Tahoe Public Utility District	Waterline Replacement Program	F	33679	14024	2/2/2018	\$ -	\$3,627,005	\$3,627,005	Not disadvantaged
Malaga County Water District	Malaga County Water District Water Meters	F	1300	552	8/7/2017	\$ -	\$680,400	\$680,400	Severely Disadvantaged
Resort Improvement District No. 1 and Shelter Cove Sewer and Other Facility	Shelter Cove Water Tank Replacement Construction Project	F	1500	620	2/8/2018	\$5,000,000	\$ -	\$5,000,000	Severely Disadvantaged
South Pasadena, City of	GRAVES RESERVOIR REPLACEMENT PROJECT	F	26,174	6,154	4/27/2018	\$ -	\$10,803,550	\$10,803,550	Not Disadvantaged
Valencia Heights Water Company	Reservoir No. 2 Pump Station and Water Line	F	7,500	1,633	1/25/2018	\$ -	\$1,949,003	\$1,949,003	Not Disadvantaged
Santa Nella County Water District	Mobile Home Park Water Metering Project	F	1,308	653	7/17/2017	\$3,301,014	\$ -	\$3,301,014	Severely Disadvantaged
San Diego, City of	69th Street and Mohawk Pump Station	F	1,300,000	278,694	10/30/2017	\$ -	\$15,000,044	\$15,000,044	Not Disadvantaged

# EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18

Small Water Systems: Population <= 10,000 (Planning)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment Explanation why it was not funded in SFY 2017-18
6/10/2016	Ballico Community Services District	C	2400167-001P	Planning	Merced	\$468,000	Severely Disadvantaged	Secondary Well Construction	360	72	Financing agreement is being prepared for issuance in SFY 18-19
8/27/2015	Bighorn-Desert View Water Agency	F	3610009-003P	Planning	San Bernardino	\$365,570	Severely Disadvantaged	Combined w/ 002P - Bighorn-Desert View/Imp. Dist Goat Mtn Integration	5,000	1,903	Project was combined with Project No. 3610009-002P with an executed agreement dated 10/17/2017
12/14/2016	Camp Nelson Water Company	B	5410022-001P2	Planning	Visalia	\$170,100	Not Disadvantaged	Water Treatment Plant Improvement	150	300	Non-DAC community and applicant cannot afford loan
10/10/2016	Cascadel Mutual Water Company	C	2000509-006P	Planning	Merced	\$174,328	Severely Disadvantaged	Well replacement, radionuclide contamination ER	300	116	Waiting for a new income survey to verify that the community is disadvantaged
3/21/2016	Crows Landing Community Services District	F	5000005-002P	Planning	Stockton	\$300,000	Severely Disadvantaged	Crows Landing CSD Water System Improvement Planning Project	355	138	Project was withdrawn because the applicant decided to submit an application for construction instead
11/10/2016	Davenport County Sanitation District	F	4400571-006P	Planning	Monterey	\$475,000	Severely Disadvantaged	Davenport Diversion Facility Upgrade Feasibility Study	350	130	Incomplete Application
12/9/2016	Frazier Park Public Utility District	A	1510007-001P	Planning	Tehachapi	\$1,000,000	Disadvantaged	Frazier Park/Lake of the Woods Regional Consolidation Planning Project	3,686	1,878	Working on reducing the project cost and scope of work. FA anticipated in SFY 18-19.
11/17/2015	Joshua Basin Water District	C	3610025-001P	Planning	San Bernardino	\$1,516,000	Disadvantaged	Chromium VI Remediation Project	9,514	4,422	FA is being amended for issuance in SFY 18-19. FA executed 1/18/2017
	Journey's End Mobile Home Park	C	4900688-001P	Planning	Sonoma	\$205,000	Severely Disadvantaged	Journey's End Mobile Home Park Consolidation Planning Project	180	161	Project was withdrawn from fire damage to the mobile home park
10/20/2016	Lake Shastina Community Services District	F	4710013-001P	Planning	Klamath	\$500,000	Disadvantaged	Lake Shastina Drinking Water Rehabilitation and Upgrade Project	2,400	1,268	Evaluating eligibility as a DAC
9/27/2017	Markleeville Water Company	D	0202504-002P	Planning	Visalia	\$500,000	Disadvantaged	Water Line Replacement	200	198	All project reviews were completed by 3/2/2018 and the Master file started routing; but, Prop 1 funds were exhausted and the Master File was put on hold. Expected agreement execution on 11/1/2018



# EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18 (continued)

Small Water Systems: Population <= 10,000 (Planning)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
	Mitchell's Camp Family Association	D	1300555-002P	Planning	San Diego	\$100,000	Severely Disadvantaged	Mitchell's Camp - Storage and water source construction	169	69	Project status is inactive. Applicant is not eligible for grant funding. More than 50% of the population isn't considered permanent residents. The applicant is not interested in a loan
8/18/2016	Needles, City of	F	3610032-001P	Planning	San Bernardino	\$504,865	Severely Disadvantaged	Lily Hill Boosting Station Replacement/Relocation	4,909	1,870	Incomplete Application
8/9/2016	Oasis Gardens Water Company	C	3303100-001P	Planning	Riverside	\$26,000	Severely Disadvantaged	Oasis Gardens and Water Company Chrome 6 Contamination & Consolidation	314	157	Planning application withdrawn; Coachella Valley Water District applying for construction funding for the project
2/6/2015	Pinion Valley Water Company	D	1500540-008P	Planning	Tehachapi	\$95,000	Disadvantaged	Pinion Valley Water Company Sustainable Infrastructure Project	90	42	Incomplete application
12/29/2016	Plainview Mutual Water Company	A	5400682-002P	Planning	Visalia	\$500,000	Severely Disadvantaged	Plainview MWC-Central Water System Nitrate Remediation Feasibility Study	138	42	FA executed 5/16/2017
3/31/2015	Shady Oaks Mobile Home Park	C	2000828-002P	Planning	Merced	\$390,000	Severely Disadvantaged	Uranium MCL Exceedance	33	21	Application complete with FA estimated in SFY 2018/19
4/20/2016	Sierraville Public Utility District	D	4600018-001P	Planning	Lassen	\$320,000	Severely Disadvantaged	New Water Source	200	102	Revised project scope under review
1/5/2016	Skyview County Water District	C	5200562-001P	Planning	Valley	\$500,000	Severely Disadvantaged	Reliable Source Project	120	98	Revised project scope under review
11/9/2016	West Water Company	F	4900893-001P	Planning	Sonoma	\$300,000	Disadvantaged	Water Main Replacement	50	16	Does not meet funding reqs. Application denied pending revised financial information
6/17/2016	Yosemite Forks Estates Mutual Water Company	C	2000527-001P	Planning	Merced	\$135,000	Severely Disadvantaged	Arsenic MCL Compliance Planning Project	110	99	Application complete with FA estimated in SFY 2018/19
Small Water Systems: Population <= 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 17-18
7/8/2016	Bass Lake Water Company	C	2010003-003C	Construction	Merced	\$4,600,000	Severely Disadvantaged	Willow Creek Surface Water Treatment Plant	2,800	995	Incomplete Application

# EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18

## (continued)

Small Water Systems: Population <= 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
12/2/2016	Big Rock Community Services District	F	0800532-003C	Construction	Klamath	\$688,589	Disadvantaged	Big Rock CSD Water Tank Replacement Project	650	101	Income survey needed to determine DAC eligibility
7/27/2015	Biggs, City of	D	0410001-001C	Construction	Valley	\$353,000	Disadvantaged	Water Meter Installation	1,805	650	Incomplete Application
8/24/2015	Bighorn-Desert View Water Agency	F	3610009-001C	Construction	San Bernardino	\$400,000	Severely Disadvantaged	Alternate Power Improvements	3,000	1,903	Application withdrawn
1/27/2016	Caruthers Community Services District	D	1010039-002C	Construction	Fresno	\$1,984,400	Disadvantaged	Installation of Arsenic Treatment Plant Components and Water Meters	2,103	672	Financing agreement is being prepared for issuance in SFY 18-19.
6/3/2016	Davenport County Sanitation District	D	4400571-005C	Construction	Monterey	\$240,066	Disadvantaged	Old Coast Water Line Extension	350	130	Incomplete Application
12/30/2016	Fresno, County of	C	1000359-005C	Construction	Fresno	\$7,000,000	Severely Disadvantaged	Westside Groundwater Project	230	81	Executed agreement July 2018
11/29/2016	Greenfield County Water District	C	1510024-001C	Construction	Visalia	\$5,000,000	Disadvantaged	Arsenic Mitigation Project	6,500	2,522	Inactive/Withdrawn: Recipient needs to raise their rates consistent with Prop 218 requirements to be eligible for funding, but they have decided to look elsewhere for funding instead.
8/6/2016	Hughson, City of	C	5010008-012C	Construction	Stockton	\$4,116,274	Disadvantaged	Hughson Water System Extension Improvements (Cobles Corner/County Villa)	6,082	1,779	Incomplete Application
	Huron, City of	C	1010044-001C	Construction	Fresno	\$7,992,250	Severely Disadvantaged	Surface Water Treatment Facility	7,306	862	FA is being prepared for issuance in SFY 18-19.
12/18/2015	Lake Morena Oak Shore Mutual Water Company	F	3700923-002C	Construction	San Diego	\$720,000	Severely Disadvantaged	Distribution System Improvements for Lake Morena Oak Shores MWC	700	205	Application complete with FA anticipated SFY 18-19
6/16/2016	Loma Rica Water Company	C	5800803-001C	Construction	Valley	\$217,409	Not Disadvantaged	Loma Rica Reservoir Replacement and Source Improvement Project	140	68	Executed agreement July 2018
4/13/2016	London Community Services District	C	5410017-003C	Construction	Visalia	\$4,944,655	Severely Disadvantaged	London Community Services District Water System Reliability Project	1,638	432	Application complete and in final review, but with limited grant funds available in SFY 18-19 and because the project is a lower priority (Category F) project, FA is not anticipated until SFY 19-20

# EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18 (continued)

Small Water Systems: Population <= 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
10/23/2015	Lost Hills Utility District	F	1510046-008C	Construction	Visalia	\$1,361,000	Severely Disadvantaged	Well Number Three	2,722	373	Incomplete Application
2/19/2015	Lukins Brothers Water Company	D	0910007-001C	Construction	Sacramento	\$1,220,000	Disadvantaged	Phase 2 Waterline Project - James Avenue	250	947	Incomplete Application
9/11/2015	Madera, County of	C	2000737-002C	Construction	Merced	\$2,138,584	Disadvantaged	Pipeline Construction and Consolidation	100	34	The income survey results show the water system is not disadvantaged and the community is not interested in loan funding
11/23/2015	Mendota, City of	F	1010021-001C	Construction	Fresno	\$2,698,100	Severely Disadvantaged	Mendota AMR	8,656	1,680	Incomplete Application, waiting for grant funding to be replenished
5/5/2016	Reef-Sunset Unified School District	C	1600048-001C	Construction	Visalia	\$306,000	Disadvantaged	Water and Irrigation System Modification Project	350	12	FA executed on 7/11/2018 using State Prop 84 Funds.
10/17/2016	Sierra East Homeowner's Association, Inc.	B	2600622-001C	Construction	San Bernardino	\$993,400	Severely Disadvantaged	Water System Improvement Project	50	29	FA with applicant for review; FA anticipated SFY 18-19
8/5/2016	Sierra Linda Mutual Water Company	D	2000506-001C	Construction	Merced	\$4,159,000	Severely Disadvantaged	Sierra Linda Mutual Water Company Consolidation, Metering, and Water Treatment	180	89	Incomplete Application
7/13/2016	Tulare, County of	A	5400550-001C	Construction	Tulare	\$5,000,000	Severely Disadvantaged	Seville Water Companys Distribution System Replacement	400	77	FA with applicant for review; FA anticipated SFY 18-19
7/13/2016	Tulare, County of	C	5400550-002C	Construction	Tulare	\$4,000,000	Severely Disadvantaged	Seville Water Co. Consolidation with Yettem Water System	400	77	Application incomplete
9/21/2016	Tuolumne Utilities District	F	5510003-001C	Construction	Merced	\$292,948	Pending	Apple Colony & Mt. Eaton Rd. Waterline Extension Project	1,576	668	Application incomplete



## EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18 (continued)

Small Water Systems: Population <= 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
	Tuolumne Utilities District	F	5510003-010C	Construction	Merced	\$2,700,000	Pending	Cuesta Heights Tank	3,646	1,545	Application complete and in final review. However, with limited grant funds available in SFY 18-19 and because the project is a lower priority (Category F) project, FA is not anticipated until SFY 19-20
	Water Resources, Department of	A	0054005-001C	Construction	Tulare	\$1,600,000	Disadvantaged	Okieville Highland Acres Emergency Water Supply Project	300	80	Agreement Executed 5/17/2017
5/22/2015	Yosemite Unified School District	C	2000567-002C	Construction	Merced	\$1,230,000	Severely Disadvantaged	Yosemite High School Uranium, Fluoride, and Arsenic Exceedance- Remediation Project	1,200	1	Application complete; FA anticipated SFY 18-19
1/4/2016	Yurok Tribe	B	090605003-001C	Construction	Klamath	\$224,300	Severely Disadvantaged	Kenek Water Treatment Facility	43	10	Application incomplete

# EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18 (continued)

Large Water Systems: Population > 10,000 (Planning)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
6/4/2015	Huntington Park, City of	E	1910049-001P	Planning	Angeles	\$500,000	Severely Disadvantaged	Miles Avenue Water Quality Improvement Project	18,569	5,574	Financing agreement is being prepared for issuance in SFY 18-19
10/20/2015	Los Angeles County Waterworks District 29	C	1910204-009P	Planning	Central	\$2,024,000	Not Disadvantaged	Sweetwater Mesa System Improvements	27,807	7,773	Incomplete application - missing scope of work, along with financial and environmental packages
2/23/2016	Twentynine Palms Water District	F	3610049-005P	Planning	San Bernardino	\$1,800,000	Disadvantaged	Potable Groundwater Management Project	17,500	7,704	Agreement expected in SFY 18-19
Large Water Systems: Population > 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
8/25/2015	Apple Valley Ranchos Water Company	F	3610003-001C	Construction	San Bernardino	\$7,992,016	Severely Disadvantaged	Consolidation and Rehabilitation of Yermo Water System	52,879	18,744	Agreement expected in SFY 18-19
7/21/2016	Arvin Community Services District	C	1510001-003C	Construction	Visalia	\$12,914,000	Severely Disadvantaged	Arsenic Mitigation Project - Phase II	11,847	3,446	Incomplete Application
4/25/2016	Coachella Valley Water District	C	3310001-006C	Construction	Riverside	\$216,000,000	Severely Disadvantaged	Chromium-6 Treatment Project (CVWD and ID-8 system)	206,152	103,076	Applicant requested withdrawal of application due to pending of Chrome 6 MCL
8/19/2016	Fallbrook Public Utility District	F	3710008-003C	Construction	San Diego	\$45,000,000	Not Disadvantaged	Santa Margarita Conjunctive Use Project	32,000	8,752	Unresolved water rights
6/16/2016	Greenfield, City of	C	2710008-001C	Construction	Monterey	\$389,000	Severely Disadvantaged	Apple Avenue Water System Consolidation	17,547	3,469	Incomplete Application
10/20/2015	Los Angeles County Waterworks District 29	F	1910204-001C	Construction	Central	\$1,510,000	Not Disadvantaged	Malibu Branch Feeder 30-inch Realignment	27,807	7,733	Incomplete Application - missing financial and environmental packages
4/14/2016	Los Angeles County Waterworks District 29	F	1910204-002C	Construction	Central	\$2,025,000	Not Disadvantaged	Coastline Drive 12-inch Waterline Replacement	27,807	7,733	Incomplete Application - missing financial and environmental documents

## EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18 (continued)

Large Water Systems: Population > 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
3/29/2017	Los Angeles County Waterworks District 29	C	1910204-003C	Construction	Central	\$3,306,320	Not Disadvantaged	Owen Tank Replacement	27,807	7,733	Missing financial documents
10/20/2015	Los Angeles County Waterworks District 29	F	1910204-006C	Construction	Central	\$1,945,000	Not Disadvantaged	Creek Crossing Repairs	27,807	1,910,204	Incomplete Application - missing financial and environmental documents
10/20/2015	Los Angeles County Waterworks District 29	F	1910204-004C	Construction	Central	\$6,090,000	Not Disadvantaged	Pacific Coast Hwy 8-in Water Line Replacement, Zumbie Dr. to Escondido Beach Rd.	27,807	7,733	Incomplete Application - missing financial and environmental packages
10/20/2015	Los Angeles County Waterworks District 29	F	1910204-005C	Construction	Central	\$2,405,000	Not Disadvantaged	Lower Busch Tank	27,807	7,733	Incomplete Application - missing financial and environmental packages
9/23/2015	Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-054C	Construction	Metropolitan	\$22,471,652	Not Disadvantaged	Elysian Reservoir Water Quality Improvement Project	4,071,873	680,607	Extended negotiation of contract terms with applicant-Project funded in SFY 2018-19
4/11/2016	Los Angeles, City of Acting by and through the Department of Water & Power	C	1910067-035C	Construction	Metropolitan	\$18,731,841	Not Disadvantaged	99th Street Wells Ammonization Station	4,071,873	680,607	Extended negotiation of contract terms with applicant-Project to be funded in SFY 2018-19
9/12/2017	Los Angeles, City of Acting by and through the Department of Water & Power	B	1910067-048C	Construction	Metropolitan	\$153,969,200	Not Disadvantaged	Headworks West Reservoir	4,071,873	680,607	Extended negotiation of contract terms with applicant-Project to be funded in SFY 2018-19
12/7/2016	Los Angeles, City of Acting by and through the Department of Water & Power	D	1910067-011C	Construction	Metropolitan	\$42,540,823	Not Disadvantaged	Upper Stone Canyon Reservoir WQIP	4,071,873	680,607	Extended negotiation of contract terms with applicant-Project to be funded in SFY 2018-19



## EXHIBIT C: PROJECTS NOT FUNDED IN SFY 2017-18 (continued)

Large Water Systems: Population > 10,000 (Construction)											
General Package Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/Explanation why it was not funded in SFY 2017-18
12/28/2016	Placer County Water Agency	F	3110005-006C	Construction	Lassen	\$1,768,423	Disadvantaged	Castle City MHP Consolidation	27,199	8,242	Application review incomplete
2/24/2016	San Diego, City of	F	3710020-071C	Construction	San Diego	\$16,000,000	Not Disadvantaged	La Jolla View Reservoir	1,266,731	271,962	Applicant is still working on completing the application
6/7/2016	Santa Ana, City of	F	3010038-001C	Construction	Santa Ana	\$10,800,000	Not Disadvantaged	Water Distribution Improvements	353,428	44,610	Incomplete Application
6/7/2016	Santa Ana, City of	F	3010038-002C	Construction	Santa Ana	\$13,700,000	Not Disadvantaged	Automated Meter Infrastructure	353,428	44,610	Incomplete Application
11/23/2016	Watsonville, City of	C	4410011-002C	Construction	Monterey	\$20,500,000	Disadvantaged	Hexavalent Chromium Well Treatment	65,739	14,774	Incomplete Application
8/26/2016	Yuba City, City of	F	5110002-016C	Construction	Valley	\$2,383,651	Severely Disadvantaged	Barry Elementary School Water Service	51,504	13,550	Incomplete Application

## EXHIBIT D: DISADVANTAGED BUSINESS ENTERPRISE REPORT FOR SFY 2017-18

		MBE	WBE	TOTAL
Annual Total	October 1, 2016-September 30, 2017	\$11,582,671.00	\$2,306,129.00	\$13,888,800.00
Total Disbursements	October 1, 2016-September 30, 2017			\$309,685,552.00
Percentage to Total Disbursements	October 1, 2016-September 30, 2017	4.0%	1.0%	5.0%

## EXHIBIT E: GREEN AND ADDITIONAL SUBSIDY PROJECTS FUNDED IN SFY 2017-18

Funding Recipient	Project Number	Principal Forgiveness	Loan	GPR Funding Amount	Total SRF Funding	FA Execution Date	Status
Alpaugh Community Services District	5410050-001C	\$3,000,000.00	\$0.00	\$0.00	\$3,000,000.00	1/10/2018	Severely Disadvantaged
Bar-Len Mutual Water Company	3600025-001P	\$6,000.00	\$0.00	\$0.00	\$6,000.00	6/11/2018	Disadvantaged
Bridgeport Public Utility District	2610003-005C	\$200,000.00	\$0.00	\$0.00	\$200,000.00	8/3/2017	Disadvantaged
Coachella Valley Water District	3310001-007C	\$5,000,000.00	\$21,703,000.00	\$0.00	\$26,703,000.00	6/19/2018	Severely Disadvantaged
Colusa County Waterworks District No. 1	0600008-002C	\$495,000	\$0	\$495,000	\$495,000	5/30/2018	Severely Disadvantaged
Colusa County Waterworks District No. 1	0600008-001P	\$415,000.00	\$0.00	\$0.00	\$415,000.00	12/15/2017	Severely Disadvantaged
Happy Camp Community Services District	4710012-002C	\$1,593,000.00	\$0.00	\$0.00	\$1,593,000.00	6/26/2018	Severely Disadvantaged
Indio Water Authority	3310020-001C	\$5,525,025.00	\$0.00	\$0.00	\$5,525,025.00	6/27/2018	Severely Disadvantaged
Lakeside Joint School District	4300779-001C	\$698,360.00	\$0.00	\$0.00	\$698,360.00	6/18/2018	Severely Disadvantaged
Lakeview Ranchos Mutual Water Company	1500525-001C	\$2,160,000.00	\$0.00	\$0.00	\$2,160,000.00	8/3/2017	Severely Disadvantaged
Madera, County of (MD10A - Madera Ranchos)	2010008-003C	\$6,596,815.00	\$0.00	\$0.00	\$6,596,815.00	2/8/2018	Severely Disadvantaged
Malaga County Water District*	1010042-014C	\$0	\$680,400	\$680,400	\$680,400	8/7/2017	Severely Disadvantaged
Oak Run Elementary School District	4500190-001C	\$273,000.00	\$0.00	\$0.00	\$273,000.00	12/28/2017	Severely Disadvantaged
Resort Improvement District No. 1 and Shelter Cove Sewer and Other Facility	1210022-002C	\$5,000,000.00	\$0.00	\$0.00	\$5,000,000.00	2/8/2018	Severely Disadvantaged
Sacramento, City of	3410020-034C	\$0	\$173,141,875	\$30,000,000	\$173,141,875	12/5/2017	Not Disadvantaged
Santa Nella County Water District	2410018-002C	\$3,301,014	\$0	\$137,250	\$3,301,014	7/17/2017	Severely Disadvantaged
South Tahoe Public Utility District	0910002-027C	\$0	\$3,627,005	\$127,600	\$3,627,005	2/2/2018	Not disadvantaged
Sutter, County of (Waterworks District 1)	5100107-008C	\$1,060,000	\$0	\$243,200	\$1,060,000	4/5/2018	Severely Disadvantaged
Washington Unified School District	1000204-001P	\$500,000.00	\$0.00	\$0.00	\$500,000.00	5/18/2018	Severely Disadvantaged



## EXHIBIT F: PROJECTS REPORTED TO FFATA FOR FFY 2017 CAPITALIZATION GRANT

Funding Recipient	Project Number	Agreement Date	FFATA Due Date	FFATA Report Date	FFATA Reporting Amount
Sacramento, City of	3410020-034C	12/5/2017	1/31/2018	5/1/2018	\$173,141,875
Total:					\$173,141,875

\* Based on the FFY 2017 Capitalization Grant of \$77,545,000

## EXHIBIT G: EXTENDED TERM FINANCING PROJECTS IN SFY 2017-18

Funding Recipient	Project Number	Total SRF Funding	FA Execution Date	Loan Term
Coachella Valley Water District	3310001-007C	\$26,703,000	6/19/2018	30
East Bay Municipal Utility District	0110005-012C	\$18,946,632	12/14/2017	30
East Bay Municipal Utility District	0110005-013C	\$18,041,600	4/18/2018	30
San Diego, City of	3710020-074C	\$15,000,044	10/30/2017	30
South Pasadena, City of	1910154-001C	\$10,803,550	4/27/2018	30
South Tahoe Public Utility District	0910002-027C	\$3,627,005	2/2/2018	30

# EXHIBIT H: SFY 2017-18 DWSRF FUNDABLE LIST UPDATE

Small Water Systems: Population <= 10,000 (Planning Projects)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Apple Valley Heights County Water District	F	3600009-001P	Planning	San Bernardino	\$377,900.00	Disadvantaged	550	324	Prop 1
Ballico Community Services District	C	2400167-001P	Planning	Merced	\$468,000.00	Severely Disadvantaged	309	72	Prop 1
Bar-Len Mutual Water Company	C	3600025-001P	Planning	San Bernardino	\$429,300.00	Disadvantaged	124	39	Prop 1
Bighorn-Desert View Water Agency	F	3610009-002P	Planning	San Bernardino	\$24,145.00	Severely Disadvantaged	5000	1903	Prop 1
Bighorn-Desert View Water Agency	F	3610009-003P	Planning	San Bernardino	\$365,570.00	Severely Disadvantaged	5000	1903	Prop 1
Camp Nelson Water Company	B	5410022-001P2	Planning	Visalia	\$170,100.00	Not Disadvantaged	150	300	DWSRF
Cascadel Mutual Water Company	C	2000509-006P	Planning	Merced	\$174,328.00	Severely Disadvantaged	300	137	Prop 1
Colusa Co. W.D. #1 - Grimes	C	0600008-001P	Planning	Valley	\$500,000.00	Severely Disadvantaged	500	104	Prop 1
Crows Landing Community Services District	C	5000005-001P	Planning	Stockton	\$500,000.00	Severely Disadvantaged	500	138	Prop 1
Crows Landing Community Services District	F	5000005-002P	Planning	Stockton	\$300,000.00	Severely Disadvantaged	500	138	Prop 1
Davenport County Sanitation District	F	4400571-006P	Planning	Monterey	\$475,000.00	Severely Disadvantaged	350	130	Prop 1
Dunsmuir, City of	F	4710002-002P	Planning	Klamath	\$500,000.00	Severely Disadvantaged	1923	1285	Prop 1
El Portal Mobile Estates	C	4900799-001P	Planning	Sonoma	\$175,000.00	Disadvantaged	200	123	Prop 1
Frazier Park Public Utility District	A	1510007-001P	Planning	Tehachapi	\$1,000,000.00	Disadvantaged	2348	1362	DWSRF
Hi-Desert Mutual Water Company	F	3600123-001P	Planning	San Bernardino	\$500,000.00	Disadvantaged	112	32	Prop 1
Joshua Basin Water District	C	3610025-001P	Planning	San Bernardino	\$1,516,000.00	Disadvantaged	9000	4370	
Joshua Basin Water District	C	3610025-001P	Planning	San Bernardino	\$500,000.00	Disadvantaged	9000	4370	Prop 1
Journey's End Mobile Home Park	C	4900688-001P	Planning	Sonoma	\$205,000.00	Severely Disadvantaged	180	161	Prop 1
Lake Shastina Community Services District	F	4710013-001P	Planning	Klamath	\$500,000.00	Disadvantaged	2400	1013	Prop 1
Lemon Cove Sanitary District	A	5400616-001P	Planning	Tulare	\$500,000.00	Severely Disadvantaged	200	50	Prop 1
Lindsay, City of	C	5410006-007P	Planning	Tulare	\$500,000.00	Disadvantaged	12400	2542	Prop 1
Lukins Brothers Water Company	C	0910007-002P	Planning	Sacramento	\$150,000.00	Disadvantaged	250	947	Prop 1
Markleeville Water Company	D	0202504-002P	Planning	Visalia	\$500,000.00	Disadvantaged	40	16	Prop 1
Mitchell'S Camp Family Association	D	1300555-002P	Planning	San Diego	\$100,000.00	Severely Disadvantaged	80	62	Prop 1
Mojave Public Utility District	F	1510014-002P	Planning	Tehachapi	\$500,000.00	Severely Disadvantaged	3900	1306	Prop 1
Mt. Shasta, City of	F	4710008-002P	Planning	Klamath	\$500,000.00	Severely Disadvantaged	3642	1675	Prop 1
Mt. Shasta, City of	F	4710008-003P	Planning	Klamath	\$500,000.00	Severely Disadvantaged	3642	1675	Prop 1
Muller Mutual Water Company	D	5500064-001P	Planning	Merced	\$175,000.00	Disadvantaged	120	54	Prop 1
Myers Flat M.W.S. Inc.	D	1200538-002P	Planning	Klamath	\$230,000.00	Severely Disadvantaged	400	102	Prop 1
Needles, City of	F	3610032-001P	Planning	San Bernardino	\$504,865.00	Severely Disadvantaged	3631	1832	
North Yuba Water District	F	5810006-001P	Planning	Valley	\$500,000.00	Disadvantaged	5303	695	Prop 1
Oasis Gardens Water Company	C	3303100-001P	Planning	Riverside	\$26,000.00	Severely Disadvantaged	314	157	Prop 1



# EXHIBIT H: SFY 2017-18 DWSRF FUNDABLE LIST

## UPDATE (continued)

Small Water Systems: Population <= 10,000 (Planning Projects)								
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections
Orleans Community Services District	B	1200729-003P	Planning	Klamath	\$160,500.00	Disadvantaged	430	139
Patterson Tract Community Service District	D	5402038-001P	Planning	Tulare	\$285,000.00	Severely Disadvantaged	550	114
Pinion Valley Water Company	D	1500540-008P	Planning	Tehachapi	\$95,000.00	Disadvantaged	75	37
Placer County Water Agency-Dutch Flat	F	3110005-007P	Planning	Lassen	\$480,000.00	Disadvantaged	350	101
Plainview Mutual Water Company	A	5400682-002P	Planning	Visalia	\$500,000.00	Severely Disadvantaged	170	42
Plaza Mobile & RV Park	C	4900787-001P	Planning	Sonoma	\$205,000.00	Disadvantaged	125	71
Rio Dell, City of	F	1210012-008P	Planning	Klamath	\$475,700.00	Severely Disadvantaged	3174	1134
Sativa-L.A. County Water District	E	1910147-011P	Planning	Angeles	\$500,000.00	Disadvantaged	6813	1488
Shady Oaks Mobile Home Park	C	2000828-002P	Planning	Merced	\$390,000.00	Severely Disadvantaged	40	21
Sierra County (Calpine) Waterworks District No. 1	C	4600019-001P	Planning	Lassen	\$301,400.00	Severely Disadvantaged	225	142
Sierraville Public Utility District	D	4600018-001P	Planning	Lassen	\$320,100.00	Severely Disadvantaged	200	102
Sky View County Water District	C	5200562-001P	Planning	Valley	\$500,000.00	Severely Disadvantaged	120	98
Washington Unified School District	C	1000204-001P	Planning	Fresno	\$425,300.00	Severely Disadvantaged	250	4
Weed, City of	C	4710009-001P	Planning	Klamath	\$425,300.00	Severely Disadvantaged	2963	1042
West Water Company	F	4900893-001P	Planning	Sonoma	\$300,000.00	Disadvantaged	50	16
Western Mobile Home Park	C	4900791-001P	Planning	Sonoma	\$160,000.00	Disadvantaged	225	73
Yosemite Forks Estates Mutual Water Company	C	2000527-001P	Planning	Merced	\$135,000.00	Severely Disadvantaged	110	99
				TOTAL:	\$19,241,508.00			
Large Water Systems: Population > 10,000 (Planning Projects)								
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections
Arvin Community Services District	C	1510001-004P	Planning	Tehachapi	\$941,000.00	Severely Disadvantaged	11847	3865
Huntington Park, City of	E	1910049-001P	Planning	Angeles	\$500,000.00	Severely Disadvantaged	18569	5574
Los Angeles County Waterworks District 29	C	1910204-009P	Planning	Central	\$2,024,000.00	Not Disadvantaged	27807	7733
Twentynine Palms Water District	F	3610049-005P	Planning	San Bernardino	\$1,800,000.00	Disadvantaged	17500	7704
				TOTAL:	\$5,265,000.00			
Small Water Systems: Population <= 10,000 (Construction Projects)								
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections
Alpaugh Community Services District	C	5410050-001C	Construction	Visalia	\$3,000,000.00	Severely Disadvantaged	1091	340
Alpaugh Community Services District	C	5410050-001C	Construction	Visalia	\$3,000,000.00	Severely Disadvantaged	1091	340
Bass Lake Water Company	C	2010003-003C	Construction	Merced	\$4,600,000.00	Severely Disadvantaged	2800	995

# EXHIBIT H: SFY 2017-18 DWSRF FUNDABLE LIST

## UPDATE (continued)

Small Water Systems: Population <= 10,000 (Planning Projects)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Big Rock Community Services District	F	0800532-003C	Construction	Klamath	\$688,589.00	Disadvantaged	650	101	Prop 1
Biggs, City of	D	0410001-001C	Construction	Valley	\$353,000.00	Disadvantaged	1805	650	DWSRF
Bighorn-Desert View Water Agency	F	3610009-001C	Construction	San Bernardino	\$400,000.00	Severely Disadvantaged	5000	1903	Prop 1
Bridgeport Public Utility District	C	2610003-005C	Construction	San Bernardino	\$1,689,671.00	Disadvantaged	3000	227	Prop 1
Caruthers Community Services District	D	1010039-002C	Construction	Fresno	\$1,984,400.00	Disadvantaged	2103	672	DWSRF
Caruthers Community Services District	D	1010039-002C	Construction	Fresno	\$1,984,400.00	Disadvantaged	2103	672	DWSRF
Chiriaco Summit Water Dist.	C	3301115-001C	Construction	Riverside	\$2,415,300.00	Severely Disadvantaged	400	24	Prop 1
Colusa Co. W.D. #1 - Grimes	D	0600008-002C	Construction	Valley	\$518,100.00	Severely Disadvantaged	500	104	DWSRF
Davenport County Sanitation District	D	4400571-005C	Construction	Monterey	\$240,066.00	Disadvantaged	350	130	Prop 1
Fresno, County of	C	1000359-005C	Construction	Fresno	\$7,000,000.00	Pending	230	81	DWSRF
Greenfield County Water District	C	1510024-001C	Construction	Visalia	\$5,000,000.00	Disadvantaged	6500	2522	Prop 1
Happy Camp Community Services District	B	4710012-002C	Construction	Klamath	\$854,000.00	Severely Disadvantaged	1100	334	Prop 1
Hughson, City of	C	5010008-012C	Construction	Stockton	\$4,116,274.00	Disadvantaged	6082	1779	DWSRF
Huron, City of	C	1010044-001C	Construction	Fresno	\$7,992,250.00	Severely Disadvantaged	7306	862	
Lake Morena Oak Shore Mutual Water Company	F	3700923-002C	Construction	San Diego	\$720,000.00	Severely Disadvantaged	700	205	DWSRF
Lake, County of (CSA 20)	F	1710022-008C	Construction	Mendocino	\$161,328.00	Disadvantaged	1342	596	DWSRF
Loma Rica Water Company	C	5800803-001C	Construction	Valley	\$217,409.00	Not Disadvantaged	140	68	DWSRF
London Community Services District	C	5410017-003C	Construction	Visalia	\$4,944,655.00	Severely Disadvantaged	1638	432	DWSRF
Los Molinos Community Services District	C	5210003-001C	Construction	Valley	\$1,444,000.00	Severely Disadvantaged	1500	358	DWSRF
Lost Hills Utility District	F	1510046-008C	Construction	Visalia	\$1,361,000.00	Severely Disadvantaged	2772	373	
Lukins Brothers Water Company	D	0910007-001C	Construction	Sacramento	\$1,330,000.00	Disadvantaged	250	947	DWSRF
Madera, County of	C	2000737-002C	Construction	Merced	\$2,138,584.00	Disadvantaged	100	34	Prop 1
Madera, County of (Maintenance District 10A)	C	2010008-003C	Construction	Merced	\$2,955,000.00	Severely Disadvantaged	50	4	DWSRF
Malaga County Water District	F	1010042-014C	Construction	Merced	\$1,635,500.00	Severely Disadvantaged	900	446	DWSRF
Mendota, City of	F	1010021-001C	Construction	Fresno	\$2,698,100.00	Severely Disadvantaged	8656	1680	DWSRF
Reef-Sunset Unified School District	C	1600048-001C	Construction	Visalia	\$306,000.00	Disadvantaged	350	12	DWSRF
Santa Nella County Water District	F	2410018-002C	Construction	Merced	\$3,301,014.00	Severely Disadvantaged	1500	454	DWSRF
Sierra East Homeowners' Association, Inc.	B	2600622-001C	Construction	San Bernardino	\$993,400.00	Pending	50	29	DWSRF
Sierra Linda Mutual Water Company	D	2000506-001C	Construction	Merced	\$4,159,000.00	Severely Disadvantaged	180	89	DWSRF
TLC Child and Family Services	A	4901267-001C	Construction	Sonoma	\$75,000.00	Severely Disadvantaged	35	4	DWSRF
Tulare, County of	A	5400550-001C	Construction	Tulare	\$5,000,000.00	Severely Disadvantaged	400	77	DWSRF

# EXHIBIT H: SFY 2017-18 DWSRF FUNDABLE LIST

## UPDATE (continued)

Small Water Systems: Population <= 10,000 (Planning Projects)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Tulare, County of	C	5400550-002C	Construction	Tulare	\$4,000,000.00	Pending	400	77	DWSRF
Tuolumne Utilities District	F	5510003-001C	Construction	Merced	\$292,948.00	Pending	1576	668	DWSRF
Tuolumne Utilities District	F	5510013-010C	Construction	Merced	\$2,700,000.00	Pending	3646	1545	DWSRF
Valencia Heights Water Company	F	1910163-001C	Construction	Central	\$1,578,800.00	Not Disadvantaged	5500	1581	DWSRF
Water Resources, Department of	A	0054005-001C	Construction	Tulare	\$1,600,000.00	Disadvantaged	300	80	DWSRF
Yosemite Unified School District	C	2000567-002C	Construction	Merced	\$1,230,000.00	Severely Disadvantaged	1200	1	Prop 1
Yurok Tribe	B	090605003-001C	Construction	Klamath	\$224,300.00	Severely Disadvantaged	43	10	
				TOTAL:	\$90,902,088.00				
Large Water Systems: Population > 10,000 (Construction Projects)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Apple Valley Ranchos Water Company	F	3610003-001C	Construction	San Bernardino	\$7,992,016.00	Severely Disadvantaged	52879	18744	DWSRF
Arvin Community Services District	C	1510001-003C	Construction	Visalia	\$12,914,000.00	Severely Disadvantaged	11847	3446	DWSRF
Coachella Valley Water District	C	3310001-006C	Construction	Riverside	\$221,000,000.00	Severely Disadvantaged	206152	103076	
Coachella Valley Water District	C	3310001-007C	Construction	Riverside	\$26,703,000.00	Severely Disadvantaged	206152	103076	
East Bay Municipal Utility District	F	0110005-012C	Construction	San Francisco	\$22,215,600.00	Not Disadvantaged	1300000	386065	DWSRF
East Bay Municipal Utility District	F	0110005-013C	Construction	San Francisco	\$11,290,000.00	Not Disadvantaged	1300000	386065	DWSRF
Fallbrook Public Utility District	F	3710008-003C	Construction	San Diego	\$45,000,000.00	Not Disadvantaged	32000	8752	DWSRF
Greenfield, City of	C	2710008-001C	Construction	Monterey	\$389,000.00	Severely Disadvantaged	17547	3469	DWSRF
Indio Water Authority	C	3310020-001C	Construction	Riverside	\$5,525,025.00	Severely Disadvantaged	58823	19453	DWSRF
Los Angeles County Waterworks District 29	F	1910204-001C	Construction	Central	\$1,510,000.00	Not Disadvantaged	27807	7733	DWSRF
Los Angeles County Waterworks District 29	F	1910204-002C	Construction	Central	\$2,025,000.00	Not Disadvantaged	27807	7733	DWSRF
Los Angeles County Waterworks District 29	C	1910204-003C	Construction	Central	\$3,306,320.00	Not Disadvantaged	27807	7733	DWSRF
Los Angeles County Waterworks District 29	F	1910204-006C	Construction	Central	\$1,945,000.00	Not Disadvantaged	27807	7733	DWSRF
Los Angeles County Waterworks District 29	F	1910204-004C	Construction	Central	\$6,090,000.00	Not Disadvantaged	27807	7733	DWSRF
Los Angeles County Waterworks District 29	F	1910204-005C	Construction	Central	\$2,405,000.00	Not Disadvantaged	27807	7733	DWSRF
Los Angeles, City of Acting by and through the Department of Water & Power	F	1910067-054C	Construction	Metropolitan	\$22,471,652.00	Not Disadvantaged	4071873	680607	DWSRF
Los Angeles, City of Acting by and through the Department of Water & Power	C	1910067-035C	Construction	Metropolitan	\$18,731,841.00	Not Disadvantaged	4071873	680607	DWSRF



# EXHIBIT H: SFY 2017-18 DWSRF FUNDABLE LIST UPDATE (continued)

Large Water Systems: Population > 10,000 (Construction Projects)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Los Angeles, City of Acting by and through the Department of Water & Power	B	1910067-048C	Construction	Metropolitan	\$153,969,200.00	Not Disadvantaged	4071873	680607	DWSRF
Los Angeles, City of Acting by and through the Department of Water & Power	D	1910067-011C	Construction	Metropolitan	\$42,540,823.00	Not Disadvantaged	4071873	680607	DWSRF
Placer County Water Agency	F	3110005-006C	Construction	Lassen	\$1,768,423.00	Disadvantaged	27199	8242	Prop 1
Sacramento, City of	D	3410020-034C	Construction	Sacramento	\$173,141,875.00	Not Disadvantaged	407018	135639	DWSRF
San Diego, City of	F	3710020-074C	Construction	San Diego	\$18,800,000.00	Not Disadvantaged	1266731	271962	DWSRF
San Diego, City of	F	3710020-071C	Construction	San Diego	\$16,000,000.00	Not Disadvantaged	1266731	271962	DWSRF
Santa Ana, City of	F	3010038-001C	Construction	Santa Ana	\$10,800,000.00	Not Disadvantaged	353428	44610	DWSRF
Santa Ana, City of	F	3010038-002C	Construction	Santa Ana	\$13,700,000.00	Not Disadvantaged	353428	44610	DWSRF
South Pasadena, City of	F	1910154-001C	Construction	Central	\$10,000,000.00	Not Disadvantaged	25899	6221	DWSRF
South Tahoe Public Utility District	F	0910002-027C	Construction	Sacramento	\$3,627,000.00	Disadvantaged	60000	13635	DWSRF
Watsonville, City of	C	4410011-002C	Construction	Monterey	\$20,500,000.00	Disadvantaged	65739	14774	DWSRF
Yuba City, City of	F	5110002-016C	Construction	Valley	\$2,383,651.00	Severely Disadvantaged	51504	13550	Prop 1
				TOTAL:	\$878,744,426.00				

# EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES

## DWSRF Administrative Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$3,027,304	\$0	\$3,027,304	\$0
1998	\$77,108,200	\$3,084,328	\$0	\$3,084,328	\$0
1999	\$80,816,700	\$3,232,668	\$0	\$3,232,668	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$3,373,600	\$0	\$3,373,600	\$0
2002	\$82,460,900	\$3,298,436	\$68,553	\$3,229,883	\$0
2003	\$81,966,200	\$3,278,648	\$0	\$3,278,648	\$0
2004	\$85,027,600	\$6,679,752	\$70,000	\$6,609,752	\$0
2005	\$84,847,500	\$2,781,076	\$0	\$2,781,076	\$0
2006	\$67,153,678	\$2,684,166	\$30,000	\$2,654,166	\$0
2007	\$67,105,000	\$2,684,200	\$0	\$2,684,200	\$0
ARRA 2009	\$159,008,000	\$5,364,472	\$0	\$5,364,472	\$0
2008	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0
2009	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0
2010	\$126,958,000	\$5,078,320	\$0	\$5,078,320	\$0
2011	\$86,698,000	\$3,467,920	\$0	\$3,467,920	\$0
2012	\$85,358,000	\$3,414,320	\$300,000	\$3,114,320	\$0
2013	\$78,770,000	\$3,150,800	\$426,867	\$2,723,933	\$0
2014	\$83,221,000	\$3,328,840	\$0	\$3,328,840	\$0
2015	\$82,674,000	\$3,306,960	\$395,000	\$2,911,960	\$0
2016	\$78,215,000	\$3,128,600	\$75,000	\$3,053,600	\$0
2017	\$77,545,000	\$3,101,800	\$0	\$1,937,209	\$1,164,591
<b>Total</b>	<b>\$1,861,679,585</b>	<b>\$72,780,130</b>	<b>\$1,365,420</b>	<b>\$70,250,119</b>	<b>\$1,164,591</b>

# EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES (continued)

## Small Water Technical Assistance Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$68,245	\$0	\$68,245	\$0
1998	\$77,108,200	\$1,542,164	\$0	\$1,542,164	\$0
1999	\$80,816,700	\$1,616,334	\$0	\$1,616,334	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$1,686,800	\$0	\$1,686,800	\$0
2002	\$82,460,900	\$1,649,218	\$0	\$1,649,218	\$0
2003	\$81,966,200	\$1,639,324	\$0	\$1,639,324	\$0
2004	\$85,027,600	\$3,339,876	\$0	\$3,339,876	\$0
2005	\$84,847,500	\$1,390,538	\$0	\$1,390,538	\$0
2006	\$67,153,678	\$1,342,083	\$0	\$1,342,083	\$0
2007	\$67,105,000	\$1,342,100	\$0	\$1,342,100	\$0
ARRA 2009	\$159,008,000	\$2,787,147	\$0	\$2,787,147	\$0
2008	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0
2009	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0
2010	\$126,958,000	\$2,539,160	\$0	\$2,539,160	\$0
2011	\$86,698,000	\$1,733,960	\$0	\$1,733,960	\$0
2012	\$85,358,000	\$1,707,160	\$0	\$1,707,160	\$0
2013	\$78,770,000	\$1,575,400	\$0	\$1,575,400	\$0
2014	\$83,221,000	\$1,664,420	\$0	\$1,664,420	\$0
2015	\$82,674,000	\$1,653,480	\$0	\$1,653,480	\$0
2016	\$78,215,000	\$1,564,300	\$0	\$1,293,059	\$271,241
2017	\$77,545,000	\$1,550,900	\$0	\$0	\$1,550,900
<b>Total</b>	<b>\$1,861,679,585</b>	<b>\$35,049,569</b>	<b>\$0</b>	<b>\$33,227,428</b>	<b>\$1,822,141</b>



# EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES (continued)

## State Program Management Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$4,157	\$0	\$4,157	\$0
1998	\$77,108,200	\$308,433	\$0	\$308,433	\$0
1999	\$80,816,700	\$323,267	\$0	\$323,267	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$2,000,000	\$0	\$2,000,000	\$0
2002	\$82,460,900	\$2,000,000	\$0	\$2,000,000	\$0
2003	\$81,966,200	\$2,000,000	\$0	\$2,000,000	\$0
2004	\$85,027,600	\$2,400,000	\$0	\$2,400,000	\$0
2005	\$84,847,500	\$4,077,000	\$0	\$4,077,000	\$0
2006	\$67,153,678	\$4,704,000	\$0	\$4,704,000	\$0
2007	\$67,105,000	\$4,934,400	\$0	\$4,934,400	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2009	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2010	\$126,958,000	\$9,318,717	\$0	\$9,318,717	\$0
2011	\$86,698,000	\$8,669,800	\$0	\$8,669,800	\$0
2012	\$85,358,000	\$8,535,800	\$0	\$8,535,800	\$0
2013	\$78,770,000	\$7,089,300	\$0	\$7,089,300	\$0
2014	\$83,221,000	\$8,322,100	\$300,000	\$8,022,100	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0
2016	\$78,215,000	\$7,821,500	\$0	\$7,821,500	\$0
2017	\$77,545,000	\$7,754,500	\$0	\$5,347,940	\$2,406,560
<b>Total</b>	<b>\$1,861,679,585</b>	<b>\$98,294,702</b>	<b>\$0</b>	<b>\$95,588,142</b>	<b>\$2,406,560</b>

# EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES (continued)

## Local Assistance Set-Aside

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$6,831,577	\$0	\$6,831,577	\$0
1998	\$77,108,200	\$0	\$0	\$0	\$0
1999	\$80,816,700	\$0	\$0	\$0	\$0
2000	\$83,993,100	\$2,000,000	\$0	\$2,000,000	\$0
2001	\$84,340,000	\$0	\$0	\$0	\$0
2002	\$82,460,900	\$0	\$0	\$0	\$0
2003	\$81,966,200	\$0	\$0	\$0	\$0
2004	\$85,027,600	\$0	\$0	\$0	\$0
2005	\$84,847,500	\$0	\$0	\$0	\$0
2006	\$67,153,678	\$0	\$0	\$0	\$0
2007	\$67,105,000	\$0	\$0	\$0	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$0	\$0	\$0	\$0
2009	\$66,424,000	\$0	\$0	\$0	\$0
2010	\$126,958,000	\$0	\$0	\$0	\$0
2011	\$86,698,000	\$2,600,940	\$0	\$2,600,940	\$0
2012	\$85,358,000	\$4,267,900	\$0	\$4,267,900	\$0
2013	\$78,770,000	\$2,507,007	\$0	\$2,507,007	\$0
2014	\$83,221,000	\$4,993,260	\$0	\$4,993,260	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$7,217,939	\$1,049,461
2016	\$78,215,000	\$7,821,500	\$0	\$7,794,665	\$26,835
2017	\$77,545,000	\$5,428,150	\$0	\$365,082	\$5,063,068
<b>Total</b>	<b>\$1,861,679,585</b>	<b>\$44,717,734</b>	<b>\$0</b>	<b>\$38,578,370</b>	<b>\$6,139,364</b>

## EXHIBIT J: PROJECTS FUNDED BY PROP 1 DRINKING WATER IN SFY 2017-18

Funding Recipient	Project Number	Principal Forgiveness	Loan	Total Funding	FA Execution Date	Financial Status
Mountain House School District	0105009-001P	\$0.00	\$380,000.00	\$380,000.00	11/30/2017	Severely Disadvantaged
Lukins Brothers Water Company	0910007-002P	\$137,000.00	\$0.00	\$137,000.00	7/26/2017	Disadvantaged
Malaga County Water District	1010042-014C	\$955,100.00	\$0.00	\$955,100.00	8/7/2017	Severely Disadvantaged
Myers Flat Mutual Water System, Inc.	1200538-002P	\$230,000.00	\$0.00	\$230,000.00	9/13/2017	Severely Disadvantaged
Orleans Community Services District	1200729-003P	\$170,000.00	\$0.00	\$170,000.00	8/1/2017	Disadvantaged
Rio Dell, City of	1210012-008P	\$433,300.00	\$0.00	\$433,300.00	2/14/2018	Severely Disadvantaged
Mojave Public Utility District	1510014-002P	\$500,000.00	\$0.00	\$500,000.00	2/8/2018	Severely Disadvantaged
Cobb Area County Water District	1710012-002P	\$500,000.00	\$0.00	\$500,000.00	3/13/2018	Disadvantaged
Lake, County of (CSA 20)	1710022-008C	\$161,328.00	\$0.00	\$161,328.00	12/18/2017	Disadvantaged
Bell Gardens, City of	1910108-008P	\$471,000.00	\$0.00	\$471,000.00	3/20/2018	Disadvantaged
Sativa-L.A. County Water District	1910147-011P	\$253,000.00	\$0.00	\$253,000.00	2/22/2018	Disadvantaged
Tract 349, Mutual Water Company	1910160-009C	\$3,086,318.00	\$0.00	\$3,086,318.00	10/30/2017	Disadvantaged
Madera, County of (MD46 - Ahwahnee Resorts)	2000293-002P	\$500,000.00	\$0.00	\$500,000.00	8/2/2017	Disadvantaged
Leisure Acres Mutual Water Company	2000534-001P	\$400,000.00	\$0.00	\$400,000.00	8/28/2017	Disadvantaged
Madera, County of	2000544-002P	\$280,000.00	\$0.00	\$280,000.00	7/26/2017	Severely Disadvantaged
Madera, County of	2010004-002P	\$500,000.00	\$0.00	\$500,000.00	7/10/2017	Severely Disadvantaged
Mendocino Unified School District	2300584-001P	\$500,000.00	\$0.00	\$500,000.00	5/25/2018	Severely Disadvantaged
Bridgeport Public Utility District	2610003-005C	\$2,586,894.00	\$0.00	\$2,586,894.00	8/3/2017	Disadvantaged
Placer County Water Agency	3110005-007P	\$480,000.00	\$0.00	\$480,000.00	3/15/2018	Disadvantaged
Indian Valley Community Services District	3210001-005P	\$280,000.00	\$0.00	\$280,000.00	2/13/2018	Severely Disadvantaged
Chiriaco Summit Water District	3301115-001C	\$2,963,400.00	\$0.00	\$2,963,400.00	1/23/2018	Severely Disadvantaged
Coachella Valley Water District	3310001-008P	\$500,000.00	\$0.00	\$500,000.00	1/2/2018	Severely Disadvantaged
Apple Valley Heights County Water District	3600009-001P	\$372,900.00	\$0.00	\$372,900.00	12/18/2017	Disadvantaged
Bar-Len Mutual Water Company	3600025-001P	\$474,800.00	\$0.00	\$474,800.00	6/11/2018	Disadvantaged
Hi-Desert Mutual Water Company	3600123-001P	\$484,500.00	\$0.00	\$484,500.00	5/11/2018	Disadvantaged
Bighorn-Desert View Water Agency	3610009-002P	\$500,000.00	\$0.00	\$500,000.00	10/17/2017	Severely Disadvantaged



# EXHIBIT J: PROJECTS FUNDED BY PROP 1 DRINKING WATER IN SFY 2017-18 (continued)

Funding Recipient	Project Number	Principal Forgiveness	Loan	Total Funding	FA Execution Date	Financial Status
Shasta, County of	4500006-001P	\$500,000.00	\$0.00	\$500,000.00	3/2/2018	Disadvantaged
Alleghany County Water District	4600012-006C	\$900,000.00		\$900,000.00	7/20/2017	Severely Disadvantaged
Sierra County (Calpine) Waterworks District No. 1	4600019-001P	\$300,000.00	\$0.00	\$300,000.00	8/3/2017	Severely Disadvantaged
Dunsmuir, City of	4710002-002P	\$500,000.00	\$0.00	\$500,000.00	10/17/2017	Severely Disadvantaged
Mt. Shasta, City of	4710008-002P	\$489,000.00	\$0.00	\$489,000.00	1/2/2018	Severely Disadvantaged
Mt. Shasta, City of	4710008-003P	\$500,000.00	\$0.00	\$500,000.00	1/2/2018	Disadvantaged
Weed, City of	4710009-001P	\$542,000.00	\$0.00	\$542,000.00	11/27/2017	Severely Disadvantaged
Weed, City of	4710009-002P	\$500,000.00	\$0.00	\$500,000.00	11/28/2017	Severely Disadvantaged
Yreka, City of	4710011-001P	\$393,000.00	\$0.00	\$393,000.00	2/2/2018	Severely Disadvantaged
Musser Properties L.P.	4900787-001P	\$205,000.00	\$0.00	\$205,000.00	1/2/2018	Disadvantaged
Musser Properties L.P.	4900791-001P	\$160,000.00	\$0.00	\$160,000.00	11/15/2017	Disadvantaged
Janice Patterson and Laurie Parish	4900799-001P	\$175,000.00	\$0.00	\$175,000.00	3/29/2018	Disadvantaged
TLC Child and Family Services	4901267-001C	\$75,000.00	\$5,000.00	\$80,000.00	10/12/2017	Severely Disadvantaged
Crows Landing Community Services District	5000005-001P	\$500,000.00	\$0.00	\$500,000.00	11/7/2017	Severely Disadvantaged
Turlock Unified School District	5000116-001P	\$500,000.00	\$0.00	\$500,000.00	4/27/2018	Severely Disadvantaged
Los Molinos Community Services District	5210003-001C	\$1,600,000.00	\$0.00	\$1,600,000.00	3/8/2018	Severely Disadvantaged
Lewiston Community Services District	5301003-001C	\$1,200,000.00	\$0.00	\$1,200,000.00	4/5/2018	Severely Disadvantaged
Lemon Cove Sanitary District	5400616-001P	\$500,000.00	\$0.00	\$500,000.00	7/20/2017	Severely Disadvantaged
Patterson Tract Community Service District	5402038-001P	\$285,000.00	\$0.00	\$285,000.00	4/23/2018	Severely Disadvantaged
Lindsay, City of	5410006-007P	\$500,000.00	\$0.00	\$500,000.00	7/31/2017	Disadvantaged
Muller Mutual Water Company	5500064-001P	\$175,000.00	\$0.00	\$175,000.00	4/5/2018	Disadvantaged
Davis Joint Unified School District	5700623-001C	\$600,000.00	\$0.00	\$600,000.00	12/19/2017	Severely Disadvantaged
Knights Landing Community Services District	5710004-002P	\$473,000.00	\$0.00	\$473,000.00	5/31/2018	Disadvantaged
North Yuba Water District	5810006-001P	\$500,000.00	\$0.00	\$500,000.00	9/28/2017	Disadvantaged



212 883	105 823
25 1	23
23	2A
13	3,71
13	71,77
6	321,39
6	275,44
929	206,82
136	059,72
53	520,83
1 607	455,97
	174,45

# **EXHIBIT K: SFY 2017-18 AUDITED FINANCIAL STATEMENTS**

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

FINANCIAL STATEMENTS  
and SINGLE AUDIT REPORTS

June 30, 2018 and 2017



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
California State Water Resources Control Board  
Sacramento, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to an express opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Safe Drinking Water Revolving Fund as of June 30, 2018 and 2017, and the respective changes in financial and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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 of 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, 2018 and 2017, 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 States of America. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV through VIII be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Safe Drinking Water Revolving Fund's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.



Board of Directors  
California State Water Resources Control Board

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, 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 Safe Drinking Water Revolving Fund's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
October 1, 2018

**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, 2018 and 2017. 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 \$80.5 million to a total of \$1.8 billion in 2018, which was \$57.8 million less than the increase of \$138.3 million in 2017. The smaller increase in net position is primarily due to lower capital contributions available for loan disbursements from the U.S. Environmental Protection Agency (EPA) which is a direct result of reducing unliquidated obligations in prior years.
- Capital contributions decreased by \$65 million to \$104.2 million as compared to \$169.2 million in 2017. The decrease in capital contributions was mostly a result of lower capital available for loan disbursements from EPA capitalization grants. Capital contributions from EPA capitalization grant funds that were forgiven decreased by \$6 million to \$1 million as compared to \$7 million in 2017.
- Cash and cash equivalents decreased by \$108.4 million in 2018 as compared to a decrease of \$50 million in 2017. The decrease in 2018 was mostly the result of a decrease in capital contributions for loan disbursements.
- Loans receivable increased by \$189 million to \$1.6 billion in 2018 and increased by \$189 million in 2017. The increase in 2018 was primarily due to an increase in loan disbursements.

**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, 2018 and 2017 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 2018, the DWSRF's net position continued to strengthen increasing by \$80.5 million, or 4.7%, to \$1.8 billion at June 30, 2018 as compared to an increase of \$138.3 million, or 8.7% the previous year. The increase in net position was \$57.8 million lower than in the previous year, mostly reflecting the lower capital contributions available for loan disbursements from EPA capitalization grants.

The current portion of the DWSRF's liabilities was \$9 million in 2018 and \$2 million in 2017. Current liabilities primarily correspond to administrative expenses, which include employee salary and benefits.



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

		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 218,760	\$ 327,134	\$ 377,393
Loans receivable	1,585,511	1,396,908	1,208,063
All other assets	14,032	7,065	11,079
<b>Total assets</b>	<b>1,818,303</b>	<b>1,731,107</b>	<b>1,596,535</b>
<b>LIABILITIES</b>			
Current liabilities	8,919	2,232	5,933
<b>Total liabilities</b>	<b>8,919</b>	<b>2,232</b>	<b>5,933</b>
<b>NET POSITION</b>			
Unrestricted	1,809,384	1,728,875	1,590,602
<b>Total net position</b>	<b>\$ 1,809,384</b>	<b>\$ 1,728,875</b>	<b>\$ 1,590,602</b>

**Changes in Net Position**

Program revenue for the DWSRF in 2018 was \$20.3 million, which was an increase of \$2.5 million or 14% when compared to \$17.8 million in 2017. In 2018 and 2017, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2018, general revenue was \$2.4 million, which was an increase of \$0.4 million or 18%, when compared to \$2 million in 2017. In 2017, general revenue increased \$0.8 million or 60.3% when compared to \$1.2 million in 2016. The increase in investment income during 2018 and 2017 mostly reflects the higher interest earnings from the Surplus Money Investment Fund (SMIF).

Total expenses decreased by \$4.4 million in 2018 as compared to a decrease of \$1.6 million in 2017. The decrease in 2018 was primarily due to a decrease in principal forgiveness expenses while the decrease in 2017 was primarily due to an decrease in administrative expenses.

Administrative expenses increased by \$4.8 million to \$23.6 million in 2018 compared to 2017. Administrative expenses decreased by \$4.1 million to \$18.8 million in 2017 compared to 2016. The increase of administrative expenses charged to the DWSRF during 2018 primarily reflects an increase in capital available from EPA capitalization grants for administrative activities. The decrease in 2017 primarily reflects lower capital available from EPA capitalization grants for administrative activities.

Capital contributions to the DWSRF decreased by \$65.9 million, or 43.4%, in 2018 when compared to 2017. The decrease in 2018 was due to a decrease in capital contributions available for loan disbursements from EPA capitalization grants. In 2017, capital contributions increased by \$5.6 million, or 4% when compared to 2016. The increase in 2017 was primarily due to an increase in contributions from Proposition 1 State Match funding.

In 2018, the DWSRF received principal forgiveness funds from EPA capitalization grants and Proposition 1 State Match funding of \$1.3 million and \$17 million, respectively. In 2017, the DWSRF received principal forgiveness funds from EPA capitalization grants and Proposition 1 State Match funding of \$6.8 and \$10.7 million, respectively. 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,		
	2018	2017	2016
<b>Revenues</b>			
Program revenues:			
Loan interest income	\$ 20,278	\$ 17,784	\$ 16,301
General revenues:			
Investment income	2,397	2,032	1,268
<b>Total revenues</b>	<b>22,675</b>	<b>19,816</b>	<b>17,569</b>
<b>Expenses</b>			
Program expenses:			
Administrative expenses	23,638	18,801	22,906
Principal Forgiveness expense	22,768	31,955	29,510
State match loan expenses	-	22	-
<b>Total expenses</b>	<b>46,406</b>	<b>50,778</b>	<b>52,416</b>
<b>Decrease in net position before contributions</b>	<b>(23,731)</b>	<b>(30,962)</b>	<b>(34,847)</b>
<b>Capital contributions:</b>			
EPA capitalization grant	82,017	138,178	146,219
EPA capitalization grant Principal Forgiveness	1,331	6,750	22,353
State and other contributions	3,887	13,610	-
State and other contributions Principal Forgiveness	17,005	10,697	1,552
<b>Subtotal capital contributions</b>	<b>104,240</b>	<b>169,235</b>	<b>170,124</b>
<b>Change in net position</b>	<b>80,509</b>	<b>138,273</b>	<b>135,277</b>
<b>Net position - beginning of year</b>	<b>1,728,875</b>	<b>1,590,602</b>	<b>1,455,325</b>
<b>Net position - end of year</b>	<b>\$ 1,809,384</b>	<b>\$ 1,728,875</b>	<b>\$ 1,590,602</b>

## **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.

## **Economic Conditions and Outlook**

In 2018 new binding loan commitments (encumbrances) were \$441 million, an increase of 71% above the new commitments made in 2017. The higher level of financing activity reflects an increase in the project size of eligible planning and construction projects that were ready-to-proceed with financing. A steady demand in DWSRF financing activity is 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 2018, the EPA allocated \$98 million to the DWSRF. The 2018 grant allocation is an increase of 26.4% compared to the 2017 grant allocation of \$77.5 million. Presently available information indicates that the 2019 grant will be approximately equal to the 2018 grant, but could be lower as a result of ongoing congressional budget negotiations.

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 in order to be prepared to quickly sell a revenue bond if needed to meet required cash flows or to ensure sufficient encumbrances and disbursement rates to maintain acceptable liquidation of federal funds.

Although favorable economic conditions, as well as the mitigation of the California drought, has reduced the number of local entities experiencing strained revenue flows, the DWSRF diligently works with loan recipients to ensure full 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, Manager, Accounting Branch, Division of Administrative Services, P.O. Box 100, Sacramento, California 95812 or [Heather.Bell@waterboards.ca.gov](mailto: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, 2018 and 2017**  
(in thousands)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 218,760	\$ 327,134
Receivables:		
Loan interest	4,771	4,426
Investment interest	552	618
Due from other funds and other governments	8,709	2,021
Loans receivable:		
Current portion	51,310	49,530
Total current assets	<u>284,102</u>	<u>383,729</u>
<b>OTHER ASSETS</b>		
Loans receivable:		
Noncurrent	<u>1,534,201</u>	<u>1,347,378</u>
Total other assets	<u>1,534,201</u>	<u>1,347,378</u>
<b>TOTAL ASSETS</b>	<u>1,818,303</u>	<u>1,731,107</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Due to other funds	<u>8,919</u>	<u>2,232</u>
Total current liabilities	<u>8,919</u>	<u>2,232</u>
Total liabilities	<u>8,919</u>	<u>2,232</u>
 <b>NET POSITION</b>		
Unrestricted	<u>1,809,384</u>	<u>1,728,875</u>
Total net position	<u>\$ 1,809,384</u>	<u>\$ 1,728,875</u>

See accompanying Notes to 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, 2018 and 2017**  
(in thousands)

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUE</b>		
Loan interest income	\$ 20,278	\$ 17,784
Total operating revenue	<u>20,278</u>	<u>17,784</u>
<b>OPERATING EXPENSES</b>		
Principal Forgiveness	22,768	31,955
Personnel services	12,641	9,222
Other expenses	9,353	7,506
Grants and Subventions - setasides	1,644	2,073
Total operating expenses	<u>46,406</u>	<u>50,756</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(26,128)</u>	<u>(32,972)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	2,397	2,032
State match loan expense	-	(22)
Total nonoperating revenue (expense)	<u>2,397</u>	<u>2,010</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>(23,731)</u>	<u>(30,962)</u>
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	82,017	138,178
EPA capitalization grant - Principal Forgiveness	1,331	6,750
State match revenue	3,887	13,610
State match revenue - Principal Forgiveness	17,005	10,697
Total contributions	<u>104,240</u>	<u>169,235</u>
<b>CHANGE IN NET POSITION</b>	80,509	138,273
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,728,875</u>	<u>1,590,602</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,809,384</u>	<u>\$ 1,728,875</u>

See accompanying Notes to Financial Statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2018 and 2017**  
(in thousands)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants disbursed	\$ (1,644)	\$ (2,073)
Cash paid to employees and vendors	(15,307)	(20,430)
Cash flows provided (required) by operating activities	<u>(16,951)</u>	<u>(22,503)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA capitalization grant	76,661	148,631
Funds received from the State of California	20,891	24,307
State Match loan proceeds	-	36,000
Principal paid for State Match loan	-	(36,000)
State Match Fees paid	-	(2)
Interest paid on State Match Loan	-	(20)
Cash flows provided (required) by noncapital financing activities	<u>97,552</u>	<u>172,916</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest on loans	19,933	18,294
Loans disbursed	(255,558)	(254,098)
Principal forgiveness disbursed	(22,768)	(31,955)
Principal received on loans receivable	66,956	65,252
Net investment income received	2,462	1,835
Net cash provided (required) by investing activities	<u>(188,975)</u>	<u>(200,672)</u>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(108,374)	(50,259)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>327,134</u>	<u>377,393</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 218,760</u></u>	<u><u>\$ 327,134</u></u>
<b>Reconciliation of operating income to net cash provided (required) by operating activities</b>		
Loss from operations	\$ (26,128)	\$ (32,972)
Adjustments to reconcile income from operations to net cash required by operating activities		
Cash received from interest on loans	(19,933)	(18,294)
Loans disbursed	255,558	254,098
Principal forgiveness disbursed	22,768	31,955
Principal received on loans receivable	(66,956)	(65,252)
Effect of changes in operating assets and liabilities:		
Loans receivable	(188,603)	(188,846)
Loan interest receivable	(345)	510
Due to other funds	6,688	(3,702)
Net cash provided (required) by operating activities	<u><u>\$ (16,951)</u></u>	<u><u>\$ (22,503)</u></u>

See accompanying Notes to Financial Statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**  
(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 20-years, not to exceed the useful life of the facilities. Public water systems that serve "disadvantaged" communities can have repayment terms up to 30-years, not to exceed the useful life of the facilities. Standard planning financing has repayment terms of 5-years. Both planning and construction financing have a standard interest rate that is half of the State of California's (State) general obligation bond rate from the prior calendar year. Public water systems that serve "disadvantaged" communities and have financial hardship may be eligible for 0 percent interest rate financing. 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). States are required to provide matching funds equal to 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. As of June 30, 2018 and 2017, the EPA has awarded cumulative capitalization grant funding of \$1,701,945 and \$1,624,400, respectively to the State of California (State), for which the State is required to provide \$340,389 and \$324,880, respectively, of cumulative match funding to the Fund. As of June 30, 2018 and 2017, the Fund has designated \$246,485 and \$222,036, respectively, of the cumulative capitalization grant for Set-aside funding, including \$90,540 and \$90,540, respectively, under the State Program Management Set-aside. As such, as of June 30, 2018 and 2017, the State is also required to provide \$90,540 and \$90,540, respectively, in cumulative 1:1 matching funds. In addition, in June 2009, the EPA awarded \$159,008 in ARRA grant funding, including \$8,152 of Set-aside funding, for which there is no State Match requirement.

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 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) implanting 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 program under the primacy authority now delegated to the Board by USEPA.



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**  
(Dollar Amounts Expressed in Thousands)

**NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)**

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 Comprehensive Annual 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 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.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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, 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.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Standard construction loans are amortized over periods up to 20 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 30-years, also not to exceed the useful life of the facilities. Planning loans are amortized over periods up to 5-years. Interest only repayments begin within 6 months of the first disbursement with principal repayments beginning within 6 months after project completion date and are made on a semi-annual basis.

DWSRF loans funded by principal forgiveness are advanced to local agencies 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.

**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 Comprehensive Annual Financial Report of the State of California.

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.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
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**NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)**

At June 30, 2018 and 2017, the Fund's cash deposits had a carrying balance of \$96,246 and \$72,995, respectively.

Investments held by the State Treasurer are stated at fair value.

<u>Investments</u>	<u>2018</u>	<u>2017</u>
Treasury/Trust Portfolio	\$ 122,514	\$ 254,139
Total cash deposits and investments	\$ 218,760	\$ 327,134

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, 2018 and 2017, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

Cash deposits and cash equivalents are reflected on the June 30, 2018 and 2017 statements of net position as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 218,760	\$ 327,134
Total cash deposits and cash equivalents	\$ 218,760	\$ 327,134

**NOTE 4 - LOANS RECEIVABLE**

Loans are made to qualified agencies 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, and revolving loan funds. Interest rates vary between 0.0 percent and 4.0 percent and loans are repaid over 30 years or less starting with interest only repayments within 6 months of the first disbursement and principal repayments beginning within 6 months after project 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 project is completed.

As of June 30, 2018 and 2017, the Fund had total binding commitments of \$3,245,863 and \$2,804,380, respectively, since program inception. As of June 30, 2018, the remaining commitment on these loans amounted to \$879,290, of which \$337,576 is federal funds. The federal loan commitments included capitalization funds of \$24,428 which will be forgiven.



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
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**NOTE 4 - LOANS RECEIVABLE (CONTINUED)**

As of June 30, 2017, the remaining commitment on these loans amounted to \$716,134, of which \$647,617 is federal funds. The federal loan commitments included capitalization funds of \$34,198 which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

At June 30, 2018 and 2017 the unpaid balance on all loans receivable outstanding amounted to \$1,585,511 and \$1,396,908, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 16,362	\$ 51,310	\$ 67,672
2020	21,001	78,075	99,076
2021	19,858	80,843	100,701
2022	18,661	81,498	100,159
2023	17,442	81,504	98,946
2024-2028	68,693	404,509	473,202
2029-2033	40,390	328,472	368,862
2034-2038	22,020	226,504	248,524
2039-2043	11,040	134,467	145,507
2044-2048	4,224	107,693	111,917
2049-2053	120	10,636	10,756
Total	<u>\$ 239,811</u>	<u>1,585,511</u>	<u>\$ 1,825,322</u>
Loans not yet in repayment		-	
Total loans receivable		<u>\$ 1,585,511</u>	

**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. The combined outstanding loan balances at June 30, 2018 and 2017 of these major local agencies represent approximately 67.2 and 63.4 percent of the total loans receivable.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
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**NOTE 4 - LOANS RECEIVABLE (CONTINUED)**

	<b>2018</b>	
<b><u>Borrower</u></b>	<b><u>Authorized Loan Amount</u></b>	<b><u>Outstanding Loan Balance</u></b>
Los Angeles, City of (acting by and through the Department of Water & Power)	\$ 825,451	\$ 558,413
Fresno, City of	418,382	308,898
Santa Barbara, City of	124,515	95,665
Woodland-Davis Clean Water Agency	111,359	103,294
	<u>\$ 1,479,707</u>	<u>\$ 1,066,270</u>

	<b>2017</b>	
<b><u>Borrower</u></b>	<b><u>Authorized Loan Amount</u></b>	<b><u>Outstanding Loan Balance</u></b>
Los Angeles, City of (acting by and through the Department of Water & Power)	\$ 901,197	\$ 543,438
Fresno, City of	418,382	161,641
Woodland-Davis Clean Water Agency	111,358	101,646
Santa Barbara, City of	99,515	79,524
	<u>\$ 1,530,452</u>	<u>\$ 886,249</u>

**NOTE 5 - CAPITAL CONTRIBUTIONS**

The Fund is capitalized by annual grants from the EPA. The State must also contribute an amount equal to 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, 2018 and 2017 the EPA has awarded to the State cumulative capitalization grants, including in-kind of, \$1,701,945 and \$1,624,400, respectively. As of June 30, 2018 and 2017, the State has drawn, cumulatively \$1,690,412 and \$1,607,064, respectively, for loans, and administrative expenses. The State has provided matching funds of \$377,201 and \$356,310, respectively.

In addition, as of June 30, 2018, the EPA has awarded the ARRA grant of \$159,008 to the fund for which there is no State matching requirements. As of June 30, 2018 \$159,008 has been drawn, cumulatively, for loans and administrative expenses, of which \$121,290 was for principal forgiveness (See Note 4). There were no State matching requirements for the grant which was fully drawn as of June 30, 2015.

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2018 and 2017, and balances available for future loans as of June 30, 2018. Table 2 summarizes the state match amounts paid by the state as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, the state match required is \$338,082 and \$321,413, respectively. As of June 30, 2018 and 2017, the state match available for potential future state match is 39,119 and \$34,897, respectively.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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(Dollar Amounts Expressed in Thousands)

**NOTE 5 - CAPITAL CONTRIBUTIONS (CONTINUED)**

<b>Year</b>	<b>Grant Award</b>	<b>Funds Drawn As of June 30, 2016</b>	<b>Funds Drawn During Year Ended June 30, 2017</b>	<b>Funds Drawn As of June 30, 2017</b>	<b>Funds Drawn During Year Ended June 30, 2018</b>	<b>Funds Drawn As of June 30, 2018</b>	<b>Available for Loans and Setasides as of June 30, 2018</b>
1997-2012	\$ 1,301,478	\$ 1,301,478	\$ -	\$ 1,301,478	\$ -	\$ 1,301,478	\$ -
2013	77,916	74,082	3,834	77,916	-	77,916	-
2014	82,921	74,801	8,120	82,921	-	82,921	-
2015	82,279	10,109	65,316	75,425	5,805	81,230	1,049
2016	78,140	-	67,658	67,658	10,184	77,842	298
2017	77,545	-	-	-	67,359	67,359	10,186
	<u>\$ 1,700,279</u>	<u>\$ 1,460,470</u>	<u>\$ 144,928</u>	<u>\$ 1,605,398</u>	<u>\$ 83,348</u>	<u>\$ 1,688,746</u>	<u>\$ 11,533</u>
In-kind (Direct Payment)							
Made by EPA	1,666	1,591	75	1,666	-	1,666	-
	<u>\$ 1,701,945</u>	<u>\$ 1,462,061</u>	<u>\$ 145,003</u>	<u>\$ 1,607,064</u>	<u>\$ 83,348</u>	<u>\$ 1,690,412</u>	<u>\$ 11,533</u>
2008-ARRA	159,008	159,008	-	159,008	-	159,008	-
	<u>\$ 1,860,953</u>	<u>\$ 1,621,069</u>	<u>\$ 145,003</u>	<u>\$ 1,766,072</u>	<u>\$ 83,348</u>	<u>\$ 1,849,420</u>	<u>\$ 11,533</u>

**TABLE 2**

	<b>State Match Paid As of June 30, 2016</b>	<b>State Match Paid During Year Ended June 30, 2017</b>	<b>State Match Paid As of June 30, 2017</b>	<b>State Match Paid During Year Ended June 30, 2018</b>	<b>State Match Paid As of June 30, 2018</b>
State Disbursed	\$ 243,053	\$ 24,307	\$ 267,360	\$ 20,891	\$ 288,251
State Interest Disbursed	52,950	36,000	88,950	-	88,950
	<u>\$ 296,003</u>	<u>\$ 60,307</u>	<u>\$ 356,310</u>	<u>\$ 20,891</u>	<u>\$ 377,201</u>

On October 6, 2016, the Fund borrowed \$36,000 with interest at .234 percent for the purpose of providing the state match. The loan was repaid on October 12, 2016.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**  
(Dollar Amounts Expressed in Thousands)

**NOTE 6 - 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, 2018 and 2017, Comprehensive Annual Financial Reports.

**NOTE 7 - 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, 2018 and 2017 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, 2018 and 2017 the Fund had restricted net position of \$0.

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.



## SINGLE AUDIT REPORTS

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER STATE REVOLVING FUND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2018**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Direct Programs:			
Capitalization Grants for State Revolving Funds	66.468	\$ 83,348,546 (*)	\$ 61,353,771
		<u>\$ 83,348,546</u>	<u>\$ 61,353,771</u>

(\*) Tested as a Major Program

See notes to Schedule of Expenditures of Federal Awards.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER STATE REVOLVING FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the California State Water Resources Control Board, Safe Drinking Water State Revolving Fund under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Expenditures**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Safe Drinking Water State Revolving Fund of the California State Water Resources Control Board has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Code.

**NOTE 3 - DISBURSEMENTS TO SUBRECIPIENTS**

Capitalization Grants for Safe Drinking Water State Revolving Fund CFDA# 66.468 include \$59,709,650 of expenditures that were disbursed as loan awards, which includes \$1,331,386 of principal forgiveness loans and \$1,644,121 of expenditures that were disbursed as grant awards to qualifying subrecipients.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements 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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Safe Drinking Water Revolving Fund's basic financial statements, and have issued our report thereon dated October 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Safe Drinking Water Revolving Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Safe Drinking Water Revolving Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Safe Drinking Water Revolving Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Safe Drinking Water Revolving Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
October 1, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited California State Water Resources Control Board, Safe Drinking Water Revolving Fund's (Safe Drinking Water Revolving Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Safe Drinking Water Revolving Fund's major federal programs for the year ended June 30, 2018. Safe Drinking Water Revolving Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Safe Drinking Water Revolving Fund's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Safe Drinking Water Revolving Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Safe Drinking Water Revolving Fund's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Safe Drinking Water Revolving Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

Management of Safe Drinking Water Revolving Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Safe Drinking Water Revolving Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Safe Drinking Water Revolving Fund's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
October 1, 2018

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER REVOLVING FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**PART I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified  
not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements  
noted? ☐ yes ☒ no

**Federal Awards**

Internal control over major program:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified  
not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance  
for major program: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major program:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
66.458	Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish between  
Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS**

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**PART III - FINDINGS RELATED TO FEDERAL AWARDS**

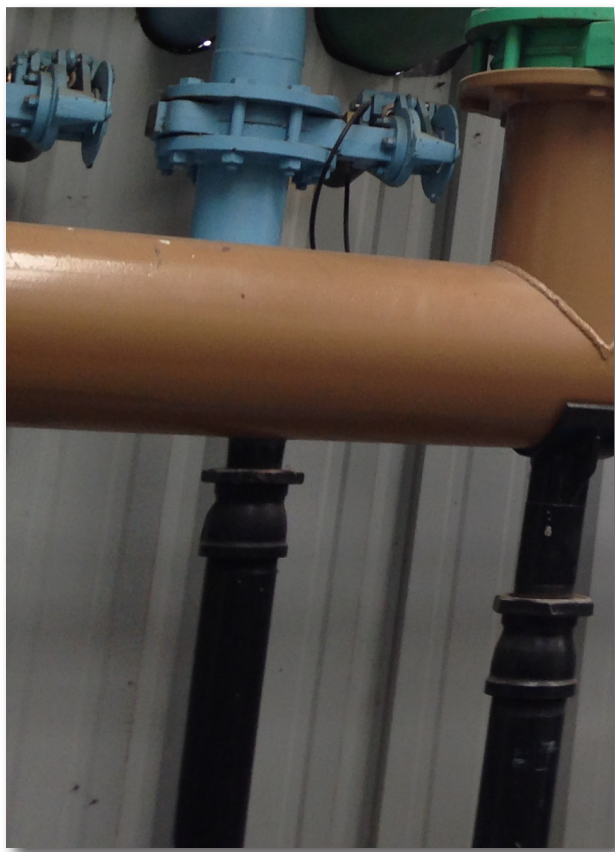
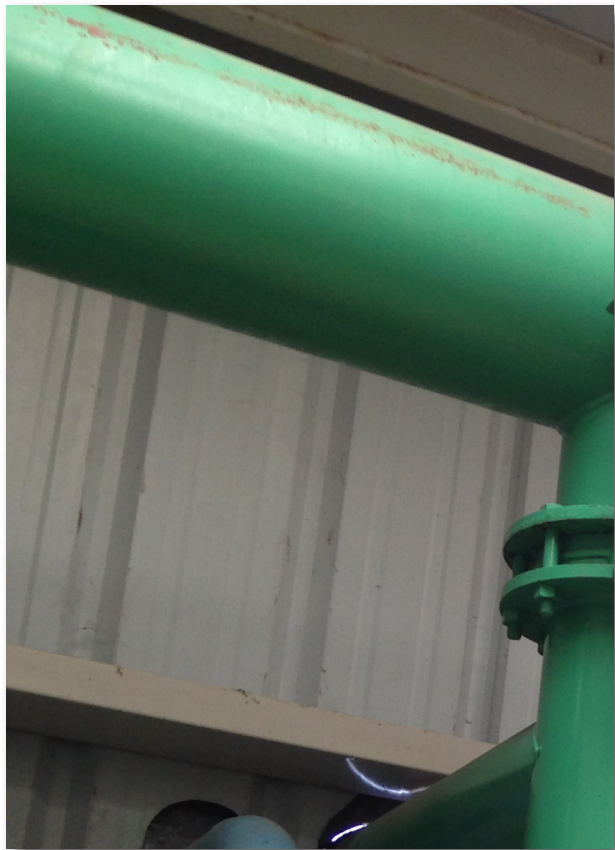
Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER REVOLVING FUND  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2018**

**PART IV - PRIOR YEAR FINDINGS**

There were no findings in the prior year that are required to be reported.





DIVISION OF FINANCIAL ASSISTANCE - 1001 I STREET - SACRAMENTO, CA 95814

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