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Achieve the Goal
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Annual Report | 2013-2014

CLEAN WATER STATE REVOLVING FUND
State Fiscal Year 2013/2014 (July 1, 2013 – June 30, 2014)

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
STATE WATER RESOURCES CONTROL BOARD

Division of Financial Assistance
1001 I STREET • SACRAMENTO, CA 95814

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CALIFORNIA WATER BOARDS

Our Vision

Abundant clean water for human uses and environmental protection to sustain California's future.



Our Mission

To preserve, enhance, and restore the quality of California's water resources, and ensure their proper allocation and efficient use for the benefit of present and future generations.

helping



STATE WATER RESOURCES CONTROL BOARD
REGIONAL WATER QUALITY CONTROL BOARDS

About the State and Regional Water Boards

The State Water Resources Control Board (State Water Board) was created in 1967. The mission of the State Water Board is to ensure the state’s water quality and to balance its beneficial uses. Its comprehensive authority over allocation, planning, and enforcement enables the State Water Board to protect California’s water quality.

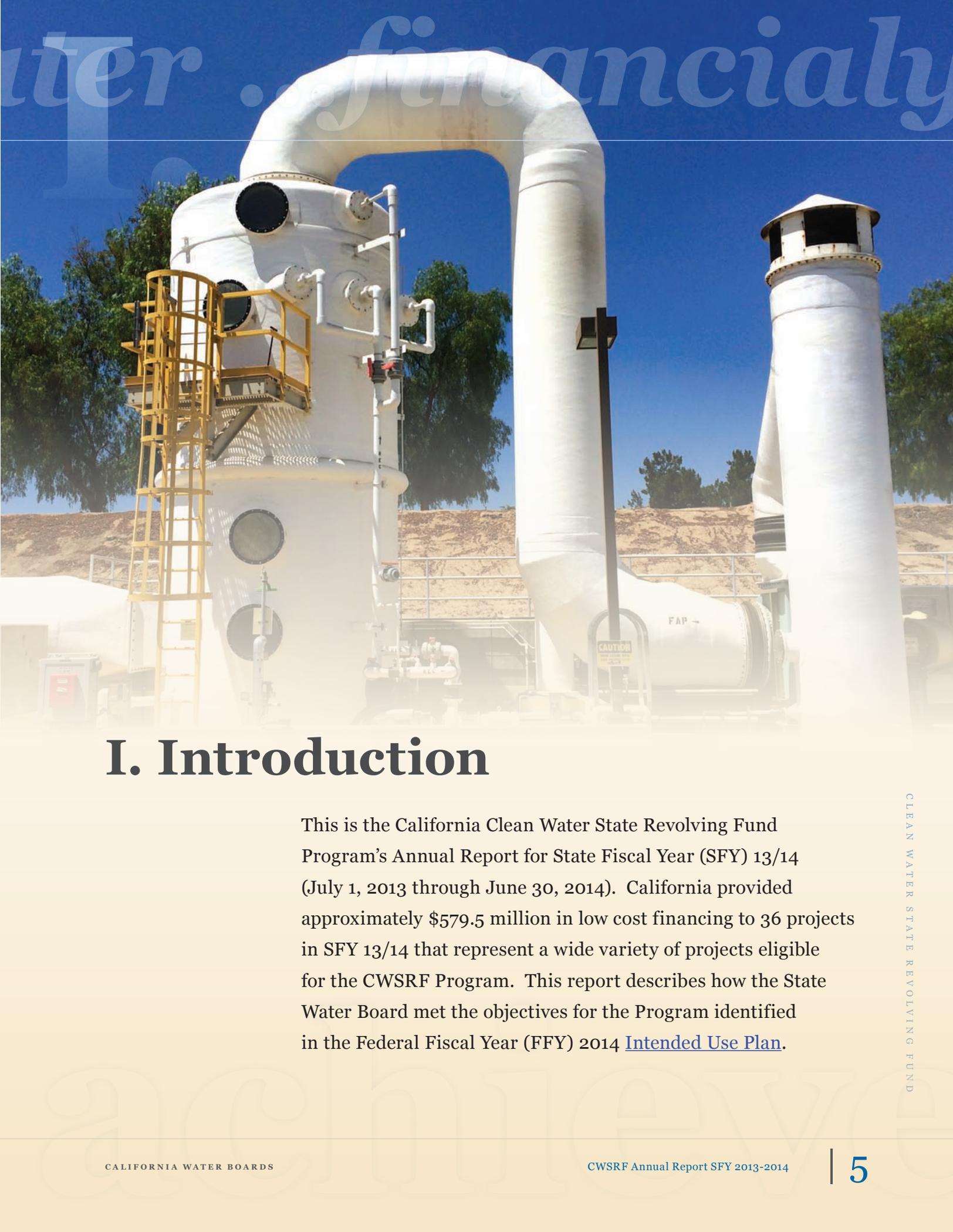
The State Water Board consists of five full-time salaried members, each filling a different specialty position. Each board member is appointed to a four-year term by the Governor and confirmed by the Senate.

There are nine Regional Water Quality Control Boards (Regional Water Boards). The mission of the Regional Water Boards is to 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.

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I. Introduction

This is the California Clean Water State Revolving Fund Program's Annual Report for State Fiscal Year (SFY) 13/14 (July 1, 2013 through June 30, 2014). California provided approximately \$579.5 million in low cost financing to 36 projects in SFY 13/14 that represent a wide variety of projects eligible for the CWSRF Program. This report describes how the State Water Board met the objectives for the Program identified in the Federal Fiscal Year (FFY) 2014 [Intended Use Plan](#).

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II. Program Summary



The federal Clean Water Act provides states the opportunity to establish a Clean Water State Revolving Fund (CWSRF) Program to help each state achieve the goal of clean water. The CWSRF is capitalized with federal and state funds. The CWSRF has historically provided affordable financing for publicly owned treatment works, non-point source (NPS) projects, and estuary projects. Further information about the Program can be found at the State Water Board's CWSRF website at http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/index.shtml.

The CWSRF has protected and promoted the health, safety, and welfare of Californians since 1989. Many CWSRF recipients use their financing to address water quality violations and associated enforcement actions by the Regional Water Boards. Every project financed by the CWSRF is directly related to improving water quality, public health, or both.

As of June 30, 2014, the total funds available to the CWSRF for financial assistance and other valid program purposes since inception of the Program were \$6.964 billion. The State Water Board has committed to projects through executed financing agreements (binding commitments) an amount equal to approximately 102 percent of all available funds. The State Water Board has disbursed to financing recipients or expended for valid program purposes about 95 percent of all available funds as of June 30, 2014. Cumulative Program activity from program inception through the end of SFY 13/14 is shown in Table 1 below.

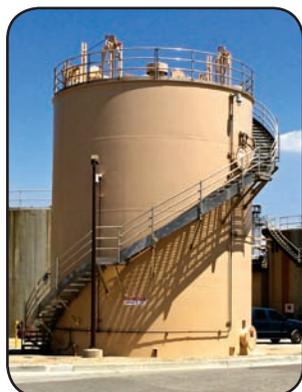


Table 1: Cumulative Activity Since Program Inception ¹

Activity	Life of Program
Number of Financing Agreements	676
Value of All Financing Agreements	\$7.141 billion ²
Cumulative Disbursements and Expenditures	\$6.611 billion ²

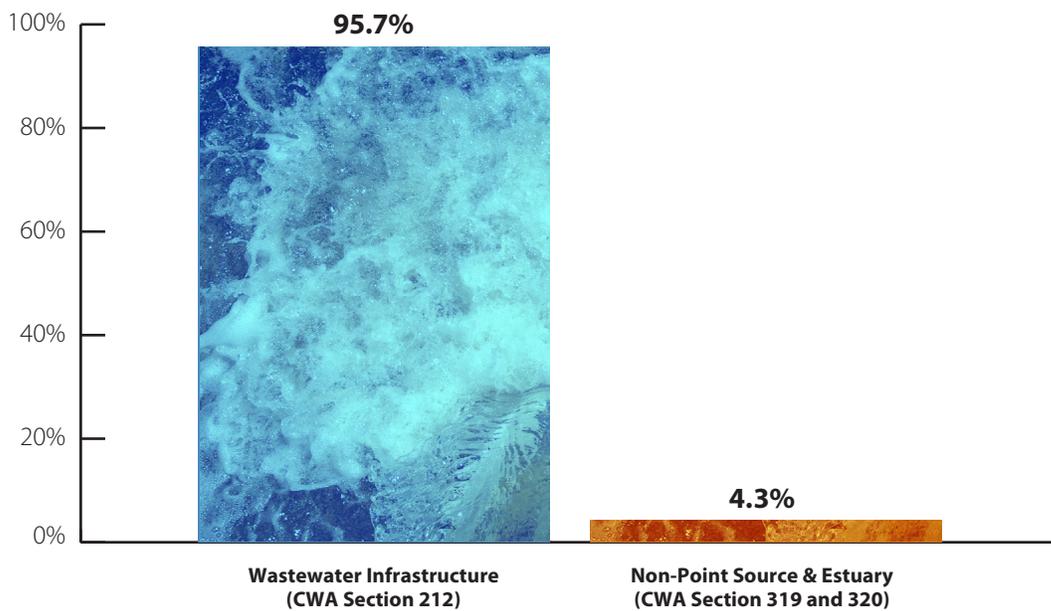
(1) Program activity includes matching funds provided by financing recipients.
 (2) Amount includes ARRA funds.

The State Water Board operates the CWSRF Program on a cash flow basis. It continuously accepts, reviews, and approves new financing applications. State Water Board staff is currently working with numerous applicants to finance additional projects. The CWSRF Intended Use Plan (IUP), updated at least yearly, forecasts the projects likely to be financed over the short term. The most recent IUP is posted at http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/pubs.shtml#annual.

The CWSRF is used for a broad range of projects. Figure 1 illustrates comparative funding since Program inception for the two main categories of projects: 1) wastewater infrastructure, and 2) NPS and estuary pollution prevention and reduction projects. NPS and estuary funding are combined into one category in Figure 1 because they are closely related.

As seen in Figure 1, most funds were used to construct and improve wastewater infrastructure, with the remainder of the funds used for NPS and estuary projects.

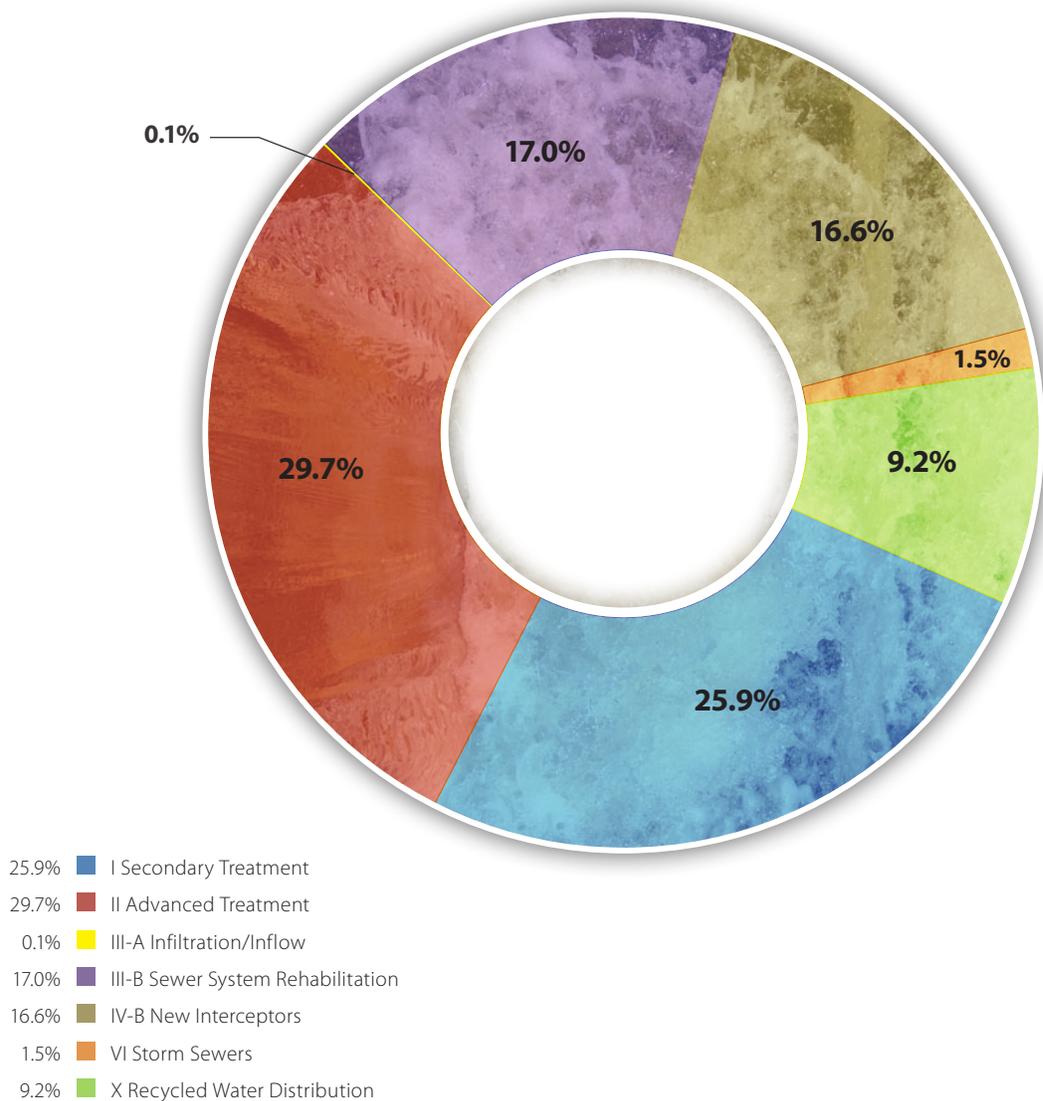
FIGURE 1: CWSRF Funding By Project Type*



*Percentages were calculated based on total funding amounts for each category.

Figure 2 (below) illustrates the categories of projects funded in SFY 13/14. The seven uses are all infrastructure categories. This demonstrates the CWSRF's vital role in maintaining California's water quality infrastructure.

FIGURE 2: CWSRF Funding Categories*



*Percentages were calculated based on total funding amounts for each category in SFY 2013/14.

III. Program Goals & Financial Results

A. SHORT-TERM GOALS

The State Water Board established the following short-term goals in the FFY 2014 IUP. The FFY 2014 IUP was adopted on October 22, 2013. This section discusses the results of the CWSRF Program's efforts to meet those goals.

1. Prepare and review cash management reports

Effective cash flow management requires careful and regular monitoring of cash balances, disbursements, and receipts. State Water Board staff reviews management reports at bi-monthly internal finance/audit committee meetings that summarize the CWSRF's current finances.

State Water Board staff also routinely monitors cash flow as part of the financing approval process. The effect of each project's estimated disbursements on the Program's overall cash flow is analyzed before financing is approved for the project.

2. Continue regular finance/audit committee meetings

State Water Board staff conducted finance/audit committee meetings on July 25 and September 26, 2013, January 28, March 28, and May 20, 2014. Standing topics at these meetings included:

- Reviewing cash flow of projects under contract, short and long-term cash flow projections, and cash flow needs for upcoming projects;
- Comparing actual performance with target performance measures; and
- Reviewing audit issues, program control issues, and plan for upcoming audits.

3. Continue regular project staging meetings

State Water Board staff conducted monthly staging meetings during SFY 13/14 to identify and resolve process delays affecting active project applications.

4. Apply for and accept the FFY 2014 Capitalization Grant

The State Water Board submitted its FFY 2014 Capitalization Grant application on February 13, 2014. The United States Environmental Protection Agency (US EPA) awarded the grant for \$100,277,000 to the State Water Board on August 22, 2014. The State Water Board will provide the necessary state match through excess state bond funds and local match contributions to the Program.

5. Prepare Annual Report and Audit for SFY 13/14

Audited financial statements for the year ending June 30, 2014, were completed September 26, 2014, and are included in this report as Exhibit A. This report with audited financial statements completes the Annual Report requirement for SFY 13/14.

6. Provide funds for projects that support the Water Boards' priorities

Section IV and Exhibit B provide further details about the projects funded by the CWSRF Program in SFY 13/14.

7. Adopt the FFY 2014 IUP

The 2014 IUP was adopted by the State Water Board on October 22, 2013. It guided the marketing and assistance efforts targeting the Water Boards' highest priorities in SFY 13/14.

8. Provide CWSRF funds in the form of Extended Term Financing (ETF)

ETF makes financing more affordable for communities by reducing debt service. On January 17, 2014, US EPA approved the State Water Board's request to offer ETF to all projects. Prior to January 17, the State Water Board had approval to offer ETF to small, disadvantaged communities, communities regionalizing their facilities, and communities in financial distress. The State Water Board provided ETF on 12 of the 36 financing agreements executed during SFY 13/14.

9. Report activities supporting the State Water Board's Strategic Plan, the Cal/EPA Strategic Vision, and the US EPA Strategic Plan

During SFY 13/14, the State Water Board continued to report activities that support US EPA strategic goals via its CWSRF Annual Report, Clean Water Benefits Reporting System (CBR), and Clean Water National Information Management System (CWNIMS). State Water Board staff reported via the Federal Funding Accountability and Transparency Act (FFATA) Reporting System for an amount equal to the FFY 2013 Capitalization Grant.

10. Marketing and Outreach

State Water Board staff participated in five 2013 California Financing Coordinating Committee (CFCC) funding fairs and one 2014 CFCC funding fair during SFY 13/14, with six additional fairs scheduled for the remainder of 2014. 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 attended and participated in the Association of California Water Agencies (ACWA) 2013 Fall Conference, The Seminar Group's Annual Conference: Investing in California's Water, California Water Environment Association (CWEA) 2014 Annual Conference, the 2014 WaterReuse California Annual Conference, the 2014 Design-Build for Water/Wastewater Conference, the 2014 California Rural Water Association Expo, the League of California Cities 2013 Annual Conference, the Central Valley Clean Water Association (CVCWA) 2014 Annual Conference, the Central Valley American Public Works Association (APWA) Chapter Meeting, the Golden State Water Summit, and the American Water Works Association's Whole Water Conference.

11. Application Improvements

In May 2013, the [CWSRF Policy](#) was amended and revamped financing application forms were posted on the [CWSRF website](#) to streamline the process, and reduce the application review time. During SFY 13/14, all new applications were submitted using the new application forms. These changes have been well received, and applicants indicate that the new application forms and process resulted in projects being financed more quickly and efficiently.

12. Modify Online Application System

The modifications to the State Water Board's online application system, the Financial Assistance Application Submittal Tool (FAAST), are complete, and became available for use in January 2014. To assist applicants in using FAAST, State Water Board staff developed FAAST video tutorials, which are available on the CWSRF website.

B. LONG-TERM GOALS

In its FFY 2014 IUP, California identified the following long-term goals. This section discusses the results of the CWSRF Program’s efforts to meet these goals.

1. Maximize cash flow management

Ideally, CWSRF disbursements should be equal to the Program’s receipts, less a \$25 million minimum cash balance and restricted assets for bond payments and expenses, to get the most water quality benefit from the available CWSRF funds.

Throughout the year, the Program receives cash through loan repayments, capital contributions, and investment earnings, and disburses cash to financing recipients, bond holders, and for Program expenses. Although the net cash flow varies throughout the year, the program’s cash balances in recent years indicate that the Program has a higher financing capacity. During SFY 13/14, the State Water Board made commitments equal to approximately 102 percent of all available funds to increase the disbursement rate and reduce the amount of cash held by the program. Although this is below the “funds utilization rate” of at least 105 percent established in the FFY 2014 IUP, the cash balance decreased from \$430,756,566 on July 1, 2013, to \$353,232,513 on June 30, 2014. Staff continues to monitor cash flow trends through its management reports and finance/audit committee meetings and aggressively market the CWSRF to ensure that the cash balance is not increasing and that sufficient funds are available to fulfill disbursement requests.

Staff also continued to monitor project disbursement levels relative to the projects’ schedules, and periodically reviewed projects to ensure that final disbursements are made no later than six months after completion of construction to ensure that funds are disbursed in a timely manner.

2. Effectively use revenue and new capital

The CWSRF has sizeable revenue that can be leveraged to fund more projects at current costs and address California’s large water quality needs.

The Program did not need additional capital this year. Staff are closely monitoring cash flow and financing forecasts to see whether additional capital will be needed to fund future projects.

3. Maintain financial integrity

The State Water Board continued its credit review and borrower surveillance this year to ensure that loans are repaid on time and in full. The State Water Board analyzes each applicant’s financial capabilities and may impose special conditions on applicants to lower the credit risk. Recipients may be required to provide ongoing financial information after loan closing or to complete public outreach if there was significant disapproval during the public rate setting process. State Water Board staff also maintained its “watch list” of financing recipients and potential applicants that show signs of financial weakness.

All supervisors and managers associated with the Program are required yearly to file a “Statement of Economic Interest” with the California Fair Political Practices Commission, and complete mandatory ethics training biennially.

Financial statements were prepared by State Water Board staff and audited by an independent auditor in accordance with Government Auditing Standards. A copy of the audited financial statements is included in this report (Exhibit A) and is posted on the CWSRF website.

4. To achieve statewide compliance with water quality objectives and maximize the environmental benefits from CWSRF funded projects

The State Water Board continued its efforts to set and enforce water quality objectives. The State Water Board provided financial assistance from the CWSRF to correct point source and NPS pollution problems to help meet these objectives. The environmental benefits of the projects financed by the CWSRF during SFY 13/14 are summarized in Section IV of this report.

5. Finance infrastructure that supports US EPA’s Sub-Objective 2.2.1 (Improve Water Quality on a Watershed Basis)

CWSRF financed approximately \$579.5 million of infrastructure improvements during the previous year that support the Regional Water Boards’ efforts to implement water quality control plans in their respective regions. Water quality control plans are developed on a watershed basis.

6. Assist with the State Water Board’s Plan For California’s Nonpoint Source Pollution Control Program and estuary Comprehensive Conservation and Management Plans

The State Water Board financed one project in SFY 13/14 to address non-point pollution, storm water, and estuaries. CWSRF provided the Orange County Water District with \$3,633,400 for the Fletcher Basin Improvement Project in order to reduce the amount of urban storm water and NPS runoff from the Santa Ana River, a 303(d) listed water body.

7. Provide good service with a special emphasis on Disadvantaged Communities (DACs)

The State Water Board assisted small and/or DACs with wastewater needs consistent with the Small Community Wastewater Strategy (Strategy). The Strategy provides an overview of the problems faced by these communities and the potential solutions.

On March 21, 2014, the State Water Board executed a contract with Rural Community Assistance

Corporation (RCAC) to provide up to \$500,000 in wastewater-related technical assistance to small disadvantaged communities (SDACs) statewide. The types of technical assistance include: preparation of financial assistance applications; compliance audits and troubleshooting to address permit violations or improve operations; review of proposed project alternatives to assist in identifying low-cost, sustainable approaches; assistance with planning and budgets, including capital improvement planning; and assistance with community outreach, awareness, and education, especially with regard to rate setting and Proposition 218 compliance. The technical assistance provided under this contract is intended to be targeted and specific, with each SDAC allotted 30 hours of technical assistance. Division of Financial Assistance (DFA) staff may approve additional time on a case-by-case basis.

As identified in Exhibit B, 22 percent of the projects funded during SFY 13/14 will assist DACs.

8. Ensure application forms and review procedures are clear, flexible, and efficient

Development of a transparent and uniform application with a clear instruction booklet was completed during SFY 12/13. During SFY 13/14, State Water Board staff released the revamped application and implemented the policy and procedure changes approved by the Board on May 7, 2013. Based on survey responses from applicants, the new application forms are easy to complete and the application instructions are clear. Applicants also indicated that the overall application process was efficient. Responses from returning applicants stated that the efficiency of the process was greatly improved.

9. Ensure staff is well trained and ready to help communities resolve technical, legal, environmental, and financial issues

The CWSRF management conducted regular staff meetings to ensure that staff received up-to-date information about the current policies and procedures affecting the CWSRF Program.

C. OPERATING AGREEMENT & CAPITALIZATION GRANT CONDITIONS

The State Water Board agreed to a number of conditions in the Operating Agreement and the Federal Capitalization Grant Agreements. These conditions were met as described below.

1. Assistance Activity

A total of \$579.5 million was financed in SFY 13/14. All funding was utilized to enhance wastewater treatment, collection systems, wastewater recycling, or to provide storm water reduction. No funds were used to fund NPS or estuary projects in SFY 13/14.

In SFY 13/14, 42 of 68 projects listed in the IUP were not funded (see Exhibit C for the reasons that projects listed in the IUP were not funded). High demand for water quality improvement funding in California requires the State Water Board to fund projects on a ready-to-proceed basis and substitute projects as needed. The reason(s) projects in the IUP do not get funded is typically one or more of the following:

- Change to the project's scope or objectives
- Application requires additional studies, more documentation, and/or more hearings
- Changes in design
- Delays in the bidding process
- Financed with other (non-CWSRF) financing
- Application withdrawn
- Funded as part of another CWSRF financing agreement

2. Eligible Categories of Projects and Financing Terms

The State Water Board offered funding to all eligible categories of projects. The types of assistance include installment sales agreements and purchase of debt for the construction of treatment works or implementation of NPS or estuary projects.

Principal forgiveness was provided to those applicants that met the conditions specified by the State Water Board in Section III and Table 4 of the IUP.

The State Water Board offered planning and design financing during SFY 13/14. Planning and design financing may be amortized over five or 10 years unless rolled into a construction financing agreement. Construction or implementation financing is generally amortized for periods up to 30 years. The terms associated with financial assistance vary by applicant and the date the project is approved.

The interest rate applied to financing agreements is established at the time the project's financing agreement is prepared. The interest rate generally will be one-half the state's most recent general obligation bond rate, rounded up to the nearest one-tenth of a percent. SDACs may receive lower interest rates upon approval by the State Water Board and/or under certain conditions where necessary to make a project affordable.

The CWSRF is over-matched as of this date as explained below. Therefore, the State Water Board did not offer the match financing option during SFY 13/14.

3. Provide a State Match

The State Water Board meets its match requirement by identifying state funds equal to at least 20 percent of each capitalization grant amount. As of the end of SFY 13/14, the total of the capitalization grants awarded to the State Water Board was \$2.757 billion. Of this amount, \$280 million did not require the 20 percent match because the funds were from ARRA. As of June 30, 2014, the State Water Board drew \$2.431 billion in CWSRF federal grants that required a 20 percent match. The required match for the federal grants drawn by the State Water Board was \$486 million.

California uses a combination of state general obligation bonds repaid outside the CWSRF and funds contributed by applicants to the CWSRF to meet the 20 percent match requirement. A total of \$630 million in matching funds has been contributed to the CWSRF. Therefore, California contributed \$144 million more to the CWSRF than is required to match grants drawn as of June 30, 2014. (Note: The National Information Management System [NIMS] Report includes all state match contributed to the CWSRF.)

4. Binding Commitments within One Year

The State Water Board must make binding commitments, in the form of executed financing agreements, to provide assistance in an amount equal to 120 percent of each federal quarterly payment within one year of that payment. As of June 30, 2014, executed binding commitments totaled \$7.141 billion, or 263 percent of the \$2.712 billion in federal payments received as of June 30, 2014.

5. Expeditious and Timely Expenditure

Numerous factors contribute to meeting this objective. The State Water Board's standard practice is to encumber and disburse federal funds before other sources of funds. The State Water Board also set a goal in its FFY 2014 IUP to over commit available funds at a rate of 105 percent. Both factors contribute to the goal of efficiently using cash available to the Program.

Expenditure (disbursement) of CWSRF funds usually begins soon after a binding commitment (i.e., an executed financing agreement) is made. Typically, financing recipients request disbursement of past planning and design costs shortly after their initial agreements are executed. These requests are quickly followed by requests for disbursement of construction or implementation costs. Financing recipients can request disbursements as often as they like. State Water Board staff also periodically compares the rate at which applicants are requesting disbursements with the progress of construction on their projects. Applicants are given appropriate reminders if they appear to be falling behind with their forecasted disbursements.

Disbursement requests are processed promptly to ensure that they are fulfilled within 30 days or less. DFA staff review and approve complete disbursement requests, and then the request is transmitted to the State Water Board's accounting department. The accounting department processes the request within seven calendar days after receipt and transmits the request to the State Controller's Office (SCO). The SCO then has 10 calendar days to issue the warrant (check) to the applicant.

The State Water Board draws federal funds from the US Treasury via the Automated Standard Application for Payments (ASAP) system as warrants are issued by the SCO. Draw requests are made within one week of a warrant being issued. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the US Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board is able to draw funds in an expeditious and timely manner from US EPA for expenditures incurred by the CWSRF. Requested funds are deposited electronically the next business day to the account(s) specified by the State Water Board.

Federal draws are requested through ASAP on a monthly basis for the prior month's administration costs if taken from the federal grants.

One way to measure the expeditious and timely expenditure of funds is to compare the amount of federal funds disbursed (drawn from the US Treasury) with the total federal payments and grant awards to the State Water Board. As of June 30, 2014, \$2.712 billion in federal funds were disbursed. The CWSRF Program received \$2.757 billion in federal payments and \$2.757 billion in federal grant awards. Therefore, as of June 30, 2014, 98 percent of the total federal payments were disbursed and 98 percent of the total federal grant awards were disbursed.

6. Eligible Activities

California requires each applicant to submit a detailed application to ensure that US EPA's eligibility requirements are met. All activities financed were eligible under Section 212, Section 319, or Section 320 of the [Clean Water Act](#).

7. Disadvantaged Business Enterprise (DBE) Objectives and Davis-Bacon and American Iron and Steel Requirements

The State Water Board negotiated a total fair share DBE objective with the US EPA beginning FFY 2013/2014 for the CWSRF Program. The objective was 2.0 percent for the minority owned business enterprises (MBE) and 1.0 percent for women owned business enterprises (WBE) participation for a combined 3.0 percent goal. The participation on CWSRF financing agreements reported by financing recipients in SFY 13/14 was 4.75 percent for MBE and 0.002 percent for WBE. The overall DBE participation was 4.752 percent. While not meeting the actual WBE goal, the State Water Board exceeded the combined goal of 3.0 percent. Exhibit D 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 projects financed during SFY 13/14 were required to comply with Davis-Bacon prevailing wage requirements. Each financing agreement included provisions requiring applicants to follow Davis-Bacon requirements. Staff review reports and verify that sub-recipients have complied with all Davis-Bacon requirements. Staff maintains tracking mechanisms to ensure that federal quarterly baseline monitoring requirements are met. Records of all documents and site inspection reports are maintained in the project files. State Water Board staff review the quarterly site inspection reports annually to determine whether the number of site inspections is satisfactory and modifications to the control activities are needed.

CWSRF recipients were required to use American made iron and steel products for projects involving the construction, alteration, maintenance, or repair of a public treatment works funded after January 16, 2014, unless a national or project specific waiver from the US EPA was applicable.

8. Use of Capitalization Grant Administration Allowance

A portion of the CWSRF may be used for administration of the Program. Up to 4.0 percent of the amount in capitalization grants awarded to the Program may be used for administration. Total capitalization funds awarded to the State Water Board as of June 30, 2014, were \$2.757 billion.

The capitalization grant administration cost (administrative expenses) incurred by the CWSRF during SFY 13/14 was \$1.7 million. This amount included Personnel Services of \$816,000, Operating Expenses of \$923,000, and Bond Fees of \$9,000. Other administration expenses were paid from the SRF Administration Fund held outside the CWSRF.

As of June 30, 2014, the cumulative total expended from the CWSRF for administration is \$95 million. The maximum available for administration from the capitalization grants is \$110 million. Therefore, cumulatively 3.45 percent of the capitalization grants have been incurred in administering the Program. The balance available for future administrative expenses from the 4.0 percent administrative set aside is \$15 million. The balance will be banked for potential use in the future.

The administrative expenses for SFY 99/00 through SFY 13/14 are shown in Table 2.

Table 2: Administrative Expenses for SFY 1999/2000 through 2013/2014

FFY Grant Year	Capitalization Grant	4% Admin. Allowance	Actual Admin. Costs	Difference between Allowance & Expenses	Admin. Surplus	Cumulative Grant Amount including in kind	Cumulative Admin. Costs	Percent of Grants
2000	\$ 95,987,727	\$ 3,839,509	\$ 4,099,786	\$ (260,277)	\$ 10,259,772	\$ 1,329,586,055	\$ 42,923,670	3.23%
2001	\$ 95,134,446	\$ 3,805,378	\$ 4,851,968	\$ (1,046,590)	\$ 9,213,182	\$ 1,424,720,501	\$ 47,775,638	3.35%
2002	\$ 95,346,405	\$ 3,813,856	\$ 5,251,394	\$(1,437,538)	\$ 7,775,644	\$ 1,520,066,906	\$ 53,027,032	3.49%
2003	\$ 94,726,665	\$ 3,789,067	\$ 4,168,440	\$ (379,373)	\$ 7,396,271	\$ 1,614,793,571	\$ 57,195,472	3.54%
2004	\$ 94,783,887	\$ 3,791,355	\$ 4,274,162	\$ (482,807)	\$ 6,913,464	\$ 1,709,577,458	\$ 61,469,634	3.60%
2005	\$ 82,745,541	\$ 3,309,822	\$ 4,102,135	\$ (792,313)	\$ 6,121,151	\$ 1,792,322,999	\$ 65,571,769	3.66%
2006	\$ 46,383,876	\$ 1,855,355	\$ 3,422,947	\$ (1,567,592)	\$ 4,553,559	\$ 1,838,706,875	\$ 68,994,716	3.75%
2007	\$ 92,791,710	\$ 3,711,668	\$ 4,540,867	\$ (829,199)	\$ 3,724,360	\$ 1,931,498,585	\$ 73,535,583	3.81%
2008	\$ 329,208,091	\$13,168,324	\$ 4,009,832	\$ 9,158,492	\$12,882,852	\$ 2,260,706,676	\$ 77,545,415	3.45%
2009	\$ 48,667,707	\$ 1,946,708	\$ 7,019,543	\$ (5,072,835)	\$ 7,810,017	\$ 2,309,374,383	\$ 84,564,958	3.65%
2010	\$ 145,721,000	\$ 5,828,840	\$ 4,891,000	\$ 937,840	\$ 8,747,857	\$ 2,455,095,383	\$ 89,455,958	3.66%
2011	\$ 105,570,800	\$ 4,222,832	\$ 2,860,000	\$ 1,362,832	\$ 10,110,689	\$ 2,560,666,183	\$ 92,315,958	3.60%
2012	\$ 101,080,000	\$ 4,043,200	\$ 1,055,000	\$ 2,988,200	\$ 13,098,889	\$ 2,661,746,183	\$ 93,370,958	3.51%
2013	\$ 95,485,000	\$ 3,819,400	\$ 1,739,000	\$ 2,080,400	\$ 15,179,289	\$ 2,757,231,183	\$ 95,109,958	3.45%

9. Additional Subsidy and Green Requirements

A portion of each capitalization grant must be used for subsidization and funding green project reserve projects. The tables below show the applicable amounts necessary to comply.

Table 3: Additional Subsidization Funding³

Federal Fiscal Year Grant	Grant Award	Minimum Subsidy By FFY Grant Agreement	Maximum Subsidy By FFY Grant Agreement*	Subsidy Disbursed	Subsidy Undisbursed
2010	\$145,721,000	\$21,824,382	\$72,747,939	\$51,497,877	\$12,548,716
2011	\$105,570,800	\$9,786,446	\$32,621,486	\$25,572,341	\$5,624,817
2012	\$101,080,000	\$5,617,660	\$8,426,490	\$3,288,620	\$5,606,199
2013	\$95,485,000	\$4,497,751	\$6,746,627	\$259,899	\$4,621,438
Totals	\$447,856,800	\$41,726,239	\$120,542,542	\$80,618,737	\$28,401,170

* The State Water Board directed staff to utilize the full maximum additional subsidy of the capitalization grant allowed.

Table 4: Green Project Reserve Funding³

Federal Fiscal Year	Grant Award	Minimum Green Projects Required By Grant Agreement**	Green Project Reserve Disbursed	Green Project Reserve Undisbursed
2010	\$145,721,000	\$29,144,200	\$27,039,965	\$4,098,597
2011	\$105,570,800	\$21,114,160	\$114,660,074	\$22,782,701
2012	\$101,080,000	\$10,108,000	\$20,896,310	\$2,183,190
2013	\$95,485,000	\$9,548,500	\$4,012,407	\$179,077,161
Totals	\$447,856,800	\$69,914,860	\$166,608,756	\$208,141,649

**Minimum Green Projects required by Grant Agreement were 20% for FFYs 2010 and 2011, and 10% for FFYs 2012 and 2013.

Exhibit E identifies the 16 additional subsidy and green projects funded in SFY 13/14.

³Amounts shown are as of June 30, 2014.

10. Federal Cross-Cutters

Projects funded by the CWSRF Program must comply with certain federal laws known as “cross-cutters.” The State Water Board ensured that CWSRF financing recipients complied with applicable federal laws through a variety of program procedures.

CWSRF financing agreements include a list of applicable federal statutes and requirements taken from the most recent Capitalization Grant. The financing recipient agrees to comply with these federal requirements by signing the financing agreement.

The State Water Board used its [State Environmental Review Process](#) (SERP) to review the environmental impacts of projects during FFY 2014. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant must also complete and submit an [Evaluation Form for Environmental Review and Federal Coordination](#). Based on the Evaluation Form and State Water Board staff’s review of the application documents, staff will distribute environmental analysis documents and consult with relevant federal agencies on projects with known or suspected effects under federal environmental regulations, consistent with the Operating Agreement between the State Water Board and US EPA.

DFA required compliance with DBE and Davis-Bacon wage requirements for all CWSRF financing, except planning and design financing, and requires Single Audit (Office of Management and Budget Circular A-133) compliance and reporting on all agreements that received over \$500,000 in federal funds in any one year. DFA also required compliance with American Iron and Steel requirements beginning in 2014, as required by the Consolidated Appropriations Act of 2014 (Public Law 113-76), unless the project qualified for a waiver.

The Federal Funding Accountability and Transparency Act (FFATA) along with associated Office of Management and Budget (OMB) directives, requires non- ARRA recipients of federal dollars to report recipient and sub-recipient information into the FFATA Subaward Reporting System (FSRS) by the end of the month following recipient or sub-recipient award for any amount equaling \$25,000 or greater, starting October 1, 2010.

The CWSRF Program began reporting FFATA data in FFY 2011 based on an equivalency basis, by choosing loans that equaled the total CWSRF grant amount received from EPA. The CWSRF Program continues to report FFATA loan data, on an equivalency basis, to the FSRS (see Exhibit F).

D. FINANCIAL ACTIVITY

1. Net Assets

Net assets of the program are shown below.

STATEMENT OF NET ASSETS

June 30, 2014 and 2013
(\$ in thousands)

	2014	2013
Assets		
Current Assets	537,915	596,365
Other Assets	3,158,861	2,981,360
Total Assets	3,696,776	3,577,725

Liabilities		
Current Liabilities	15,004	15,382
Non Current Liabilities	44,897	59,236
Total Liabilities	59,901	74,618

Net Assets		
Restricted	351,435	360,534
Unrestricted	3,285,440	3,142,573
Total Net Assets	3,636,875	3,503,107

2. Revenues

Revenue for the State Water Board's CWSRF is reflected in the Financial Statements. The total revenues for SFY 13/14 were \$157 million. Revenues for the period of this report were as follows:

- Interest income - \$54.1 million
- Net investment income - \$855 thousand
- Principal Forgiveness receipts - \$21.7 million
- ARRA capitalization grant - \$1.0 million
- Capitalization grant - \$79.6 million
- State match revenue - \$283 thousand

3. Disbursements and Expenses

Total disbursements are based on the Financial Statements and do not include matching funds provided by financing recipients. Total disbursements for SFY 13/14 were \$424 million. Disbursements for the period of this report were made as follows:

- Financing agreement disbursements - \$385 million
- Employees' salaries and vendors' payments - \$1.7 million
- Principal Forgiveness - \$21.7 million
- Bond fees paid - \$9 thousand
- Principal paid on revenue bonds - \$13.0 million
- Interest paid on revenue bonds - \$2.1 million

4. Extended Term Financing and Reduced Interest Rate

Recognizing the effect that ETF has on reducing the cost of financing water quality projects, on January 7, 2014, US EPA approved the State Water Board's request to implement ETF for all CWSRF eligible projects.

US EPA approved the State Water Board's request based on the CWSRF's strong financial position and its ability to continue to meet its historic financing level even providing ETF to all communities.

During SFY 13/14, 12 projects received approximately \$400 million in ETF as outlined in Exhibit B.

The current financial analysis of the CWSRF program has the capacity to finance agreements with extended terms without jeopardizing the financial strength of the fund.

The State Water Board provides direction regarding the provision of reduced interest rates in the CWSRF IUP. The FFY 2014 IUP specifies that DFA may approve a reduced interest rate (not less than zero percent) for:

- A small disadvantaged community qualifying for principal forgiveness/grants under Category 1, if the total amount of CWSRF financing to be repaid is less than \$10 million, and the community is unable to afford all or a portion of the interest payments.
- An NPS or estuary management project, if the total amount of CWSRF financing to be repaid is less than \$10 million, and the project has at least one sustainability point (see Section IV.A.3 of the CWSRF Policy).

During SFY 13/14, the State Water Board did not provide reduced interest rate financing, except for the four water recycling projects described as follows:

On March 18, 2014, the State Water Board approved offering \$800 million in one-percent financing for water recycling projects that can be completed within three years of the Governor's January 17, 2014, declaration of a state of emergency due to the drought. During SFY 13/14, four water recycling projects received one-percent financing under this directive: Inland Empire Utilities Agency (Project No. 5318-110), Napa County Department of Public Works (Project No. 5210-110), and Victor Valley Wastewater Reclamation Authority (Projects No. 4806-110 and 4807-110).

5. Service Charges⁴ for Administration and Small Community Grant Fund

State law allows the State Water Board to collect two service charges on CWSRF financing: one to provide a secondary source of revenue for administration in addition to the administrative allowance from the Capitalization Grants, and the other to provide revenue for the CWSRF Small Community Grant (SCG) Fund; the SCG Fund can provide wastewater grants to SDACs.

The total service charge collected for administration revenue during SFY 13/14 was \$7.0 million, and was expended as follows:

- Administrative Fee Revenue - \$7,093,484.07
- Administrative Fee Expenses -
 - Personal Services (Salaries, Benefits and Paid Time Off) = \$4,008,005.90
 - Operating Expenses (Contractors, Supplies, and Operating IDC) = \$2,477,028.78

⁴ For federal purposes, the Administrative Fund service charge is a fee "other than program income not included as principal in CWSRF financing." The service charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement. The service charge is offset by the reduction in the interest rate so that financing recipients' payments remain the same whether or not they pay the service charge.

Like the service charge, the SCG charge is also a fee "other than program income not included as principal in CWSRF financing" for federal purposes. The SCG charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement.

SCG service charge revenue was originally limited to \$50 million, with the SCG service charge expiring in 2014. During 2013, State law was amended to eliminate the 2014 sunset date and the \$50 million cap on deposits into the SCG fund. The total service charge collected for wastewater grant revenue during SFY 13/14 was \$7.9 million, and was expended as follows:

- Grant Fee Revenue - \$7,976,942.00
- Grants Disbursed - \$3,026,495.09
- Grants Encumbered - \$17,884,753.57

Exhibit G identifies the fee rates charged to recipients that were assessed under the Administration Service Fee and/or Small Community Grant Fee funds.

6. Credit Risk of the CWSRF

Each financing recipient must pledge one or more dedicated sources of revenue toward payment of its CWSRF obligation. Dedicated sources of revenue are generally sewer rate revenue pledges, but may also be any number of other revenue sources, special tax pledges, or other pledgeable income.

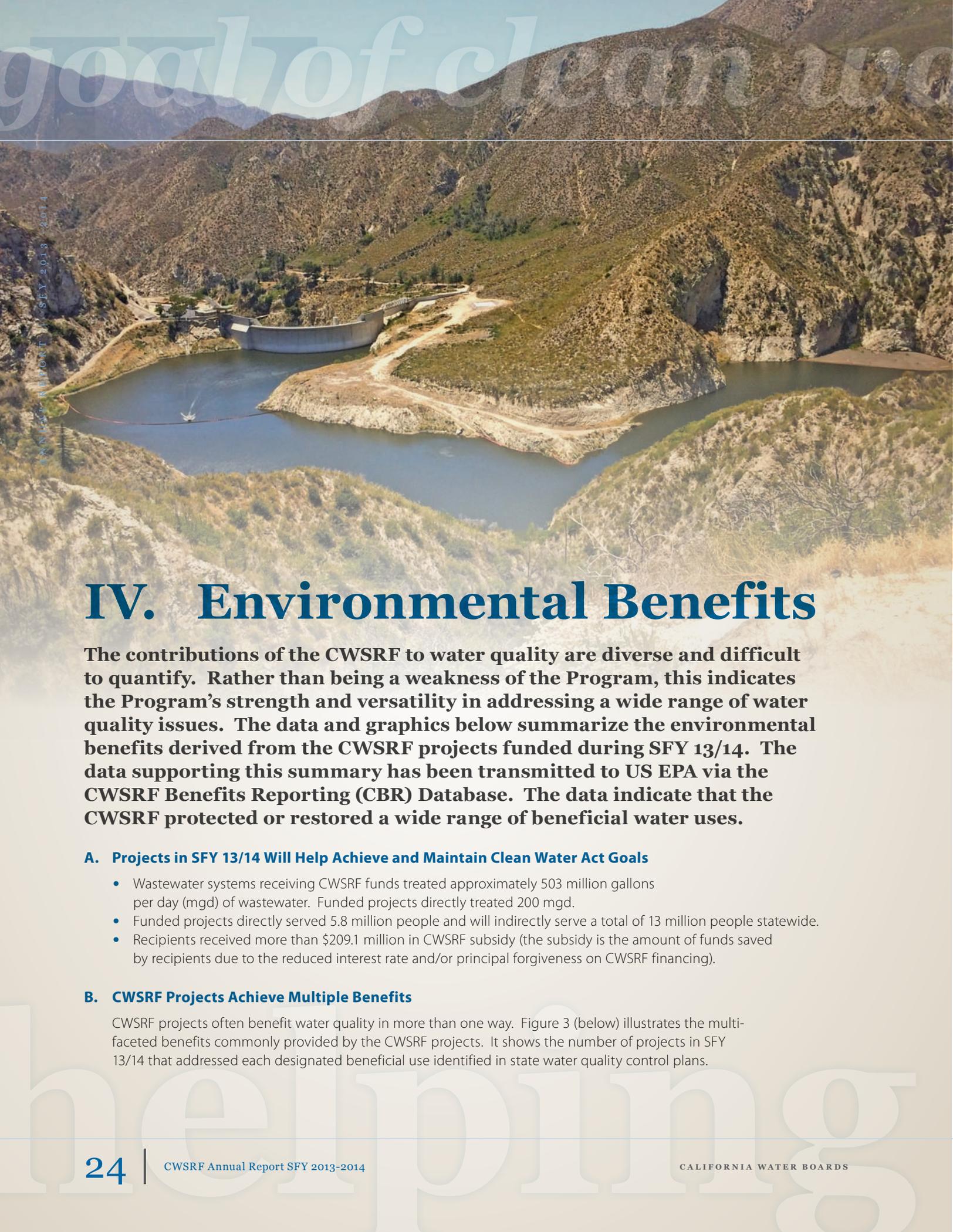
During SFY 13/14, the CWSRF did not restructure any agreements.

In 2014, the allowance for bad debt remains the same as 2013, at \$9.36 million.

State Water Board staff continued efforts to ensure that the CSWRF's financing agreements are secure and that all payments are made on time and in full. The State Water Board uses a variety of analysis and monitoring measures to reduce the possibility of non-payment, and continues to evaluate additional steps to ensure full and timely payment of all agreements.







ANNUAL REPORT SFY 2013-2014

IV. Environmental Benefits

The contributions of the CWSRF to water quality are diverse and difficult to quantify. Rather than being a weakness of the Program, this indicates the Program's strength and versatility in addressing a wide range of water quality issues. The data and graphics below summarize the environmental benefits derived from the CWSRF projects funded during SFY 13/14. The data supporting this summary has been transmitted to US EPA via the CWSRF Benefits Reporting (CBR) Database. The data indicate that the CWSRF protected or restored a wide range of beneficial water uses.

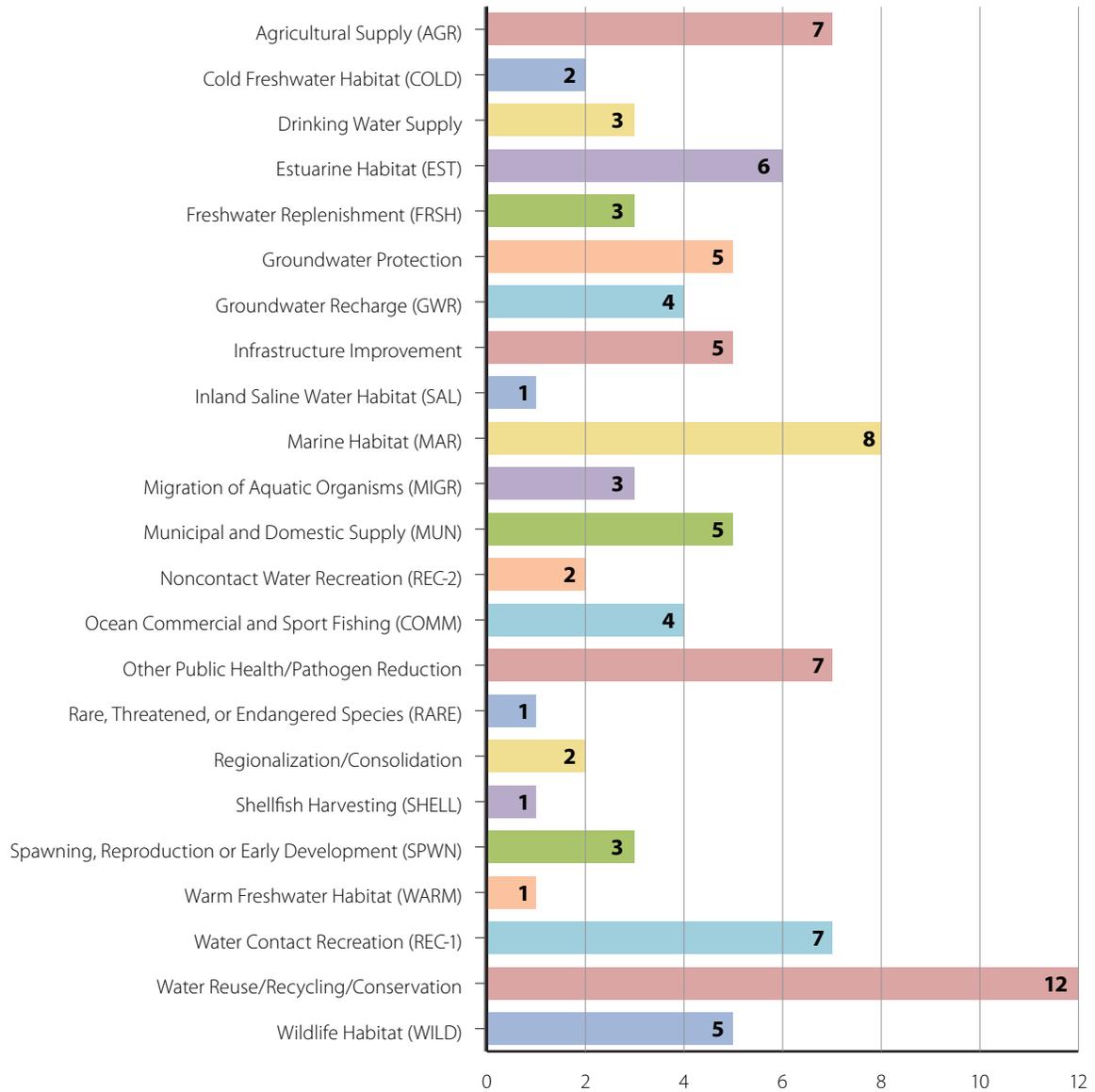
A. Projects in SFY 13/14 Will Help Achieve and Maintain Clean Water Act Goals

- Wastewater systems receiving CWSRF funds treated approximately 503 million gallons per day (mgd) of wastewater. Funded projects directly treated 200 mgd.
- Funded projects directly served 5.8 million people and will indirectly serve a total of 13 million people statewide.
- Recipients received more than \$209.1 million in CWSRF subsidy (the subsidy is the amount of funds saved by recipients due to the reduced interest rate and/or principal forgiveness on CWSRF financing).

B. CWSRF Projects Achieve Multiple Benefits

CWSRF projects often benefit water quality in more than one way. Figure 3 (below) illustrates the multi-faceted benefits commonly provided by the CWSRF projects. It shows the number of projects in SFY 13/14 that addressed each designated beneficial use identified in state water quality control plans.

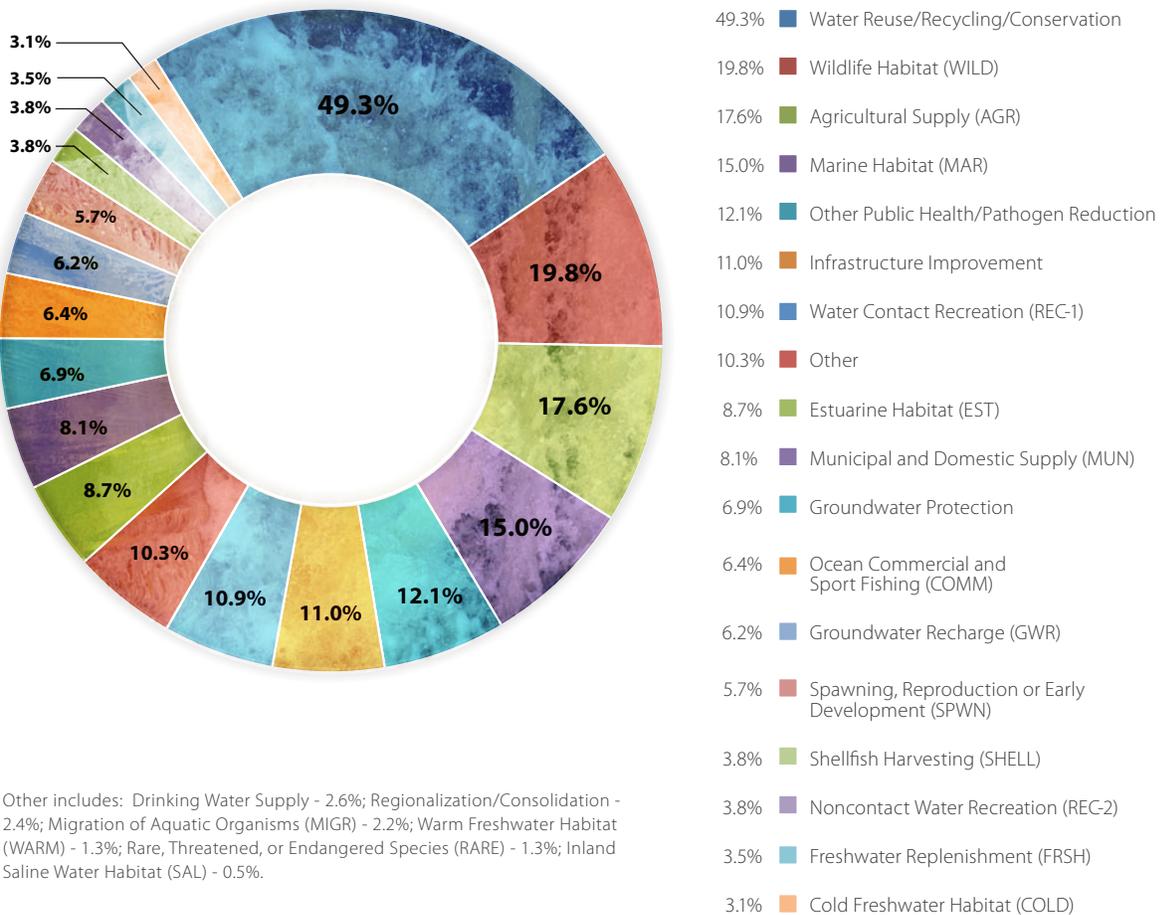
FIGURE 3: Number of Projects Addressing Different Beneficial Uses*



*Individual projects may address multiple beneficial uses.

Another way to display the large breadth of environmental benefits from CWSRF projects is shown in Figure 4 (below). Figure 4 shows a breakdown of funding supporting different designated beneficial uses and other water quality benefits relative to the cumulative funding provided by the CWSRF in SFY 13/14. As can be seen, the CWSRF in SFY 13/14 contributed broadly to support and protect many different environmental benefits.

FIGURE 4: Percentage of Funding Supporting all Uses and Benefits*

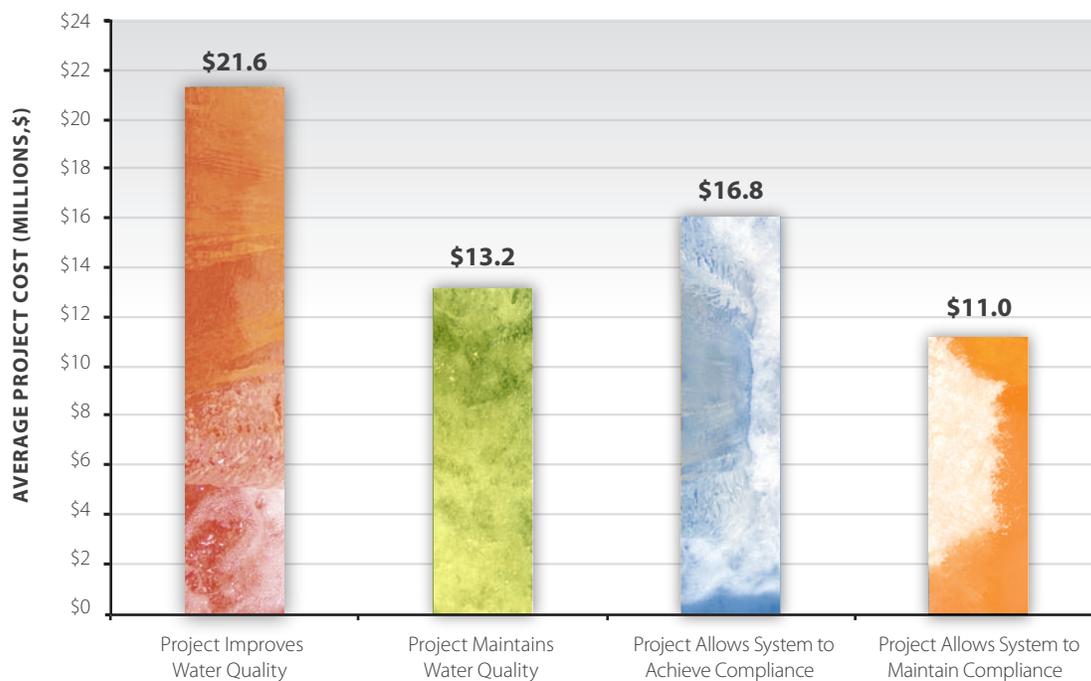


Other includes: Drinking Water Supply - 2.6%; Regionalization/Consolidation - 2.4%; Migration of Aquatic Organisms (MIGR) - 2.2%; Warm Freshwater Habitat (WARM) - 1.3%; Rare, Threatened, or Endangered Species (RARE) - 1.3%; Inland Saline Water Habitat (SAL) - 0.5%.

*Based on total dollar amount funded by project type.

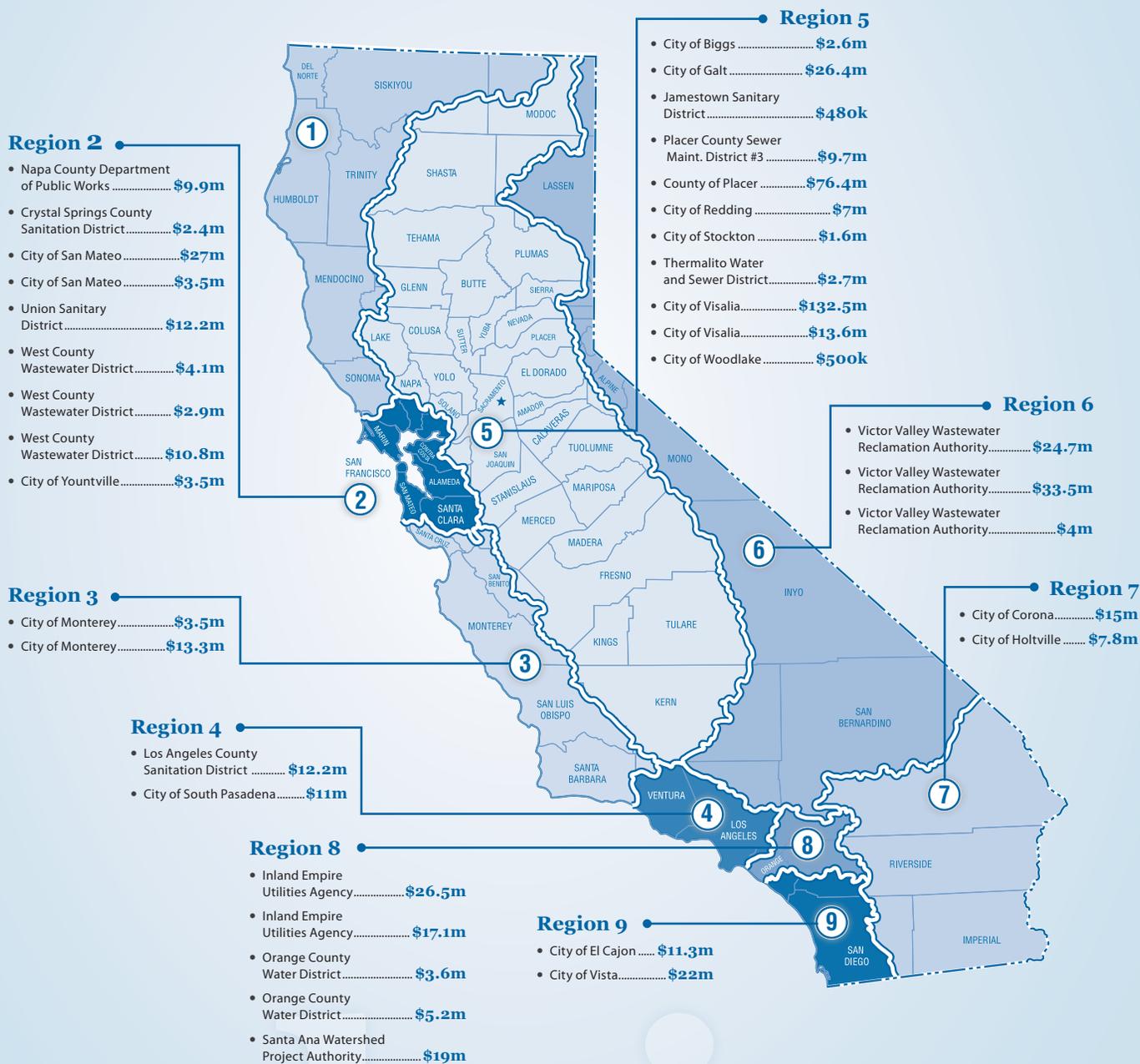
Many of the water quality projects undertaken today are expensive and large. This reflects the level of assistance needed to continue to improve water quality. Figure 5 (below) shows the average project cost for different project types. The ability of the CWSRF to fund such large projects is one of its greatest strengths. Many agencies would not be able to secure such large funding levels from one provider if the CWSRF were not available.

FIGURE 5: Average Project Amount by Water Quality Objective and Outcome



Project Highlights

C. HIGHLIGHTS OF PROJECTS FUNDED BY CWSRF IN SFY 2013/2014



36 Total Projects Funded: \$579.5m

NOTE: There are no projects in Region 1.

V. General Program Comments

During SFY 13/14, the CWSRF focused on implementing process improvements and Policy changes to make the Program more efficient and increase Program demand. These changes were largely based on work done by DFA in SFY 12/13 in cooperation with Northbridge Environmental Management Consultants. Based on this Program review, the State Water Board amended its CWSRF Policy on May 7, 2013, and staff posted new application forms on its website at the end of May 2013. The process and Policy changes were fully implemented by the end of 2013. The early indications are that these changes have been well received by stakeholders, and that projects are being financed more quickly and efficiently. In 2012/2013, approximately 35 percent of complete applications were financed (i.e., the financing agreement was executed) within the performance target time of nine months or less. During 2013/2014, approximately 80 percent of complete applications were financed in nine months or less.

Although the State Water Board continued to administer ARRA funds during SFY 13/14, the CWSRF ARRA effort is essentially complete. As of June 30, 2014, all ARRA funds have been disbursed and all of the required reporting to www.FederalReporting.gov has been completed. While there are still five ARRA projects that have not yet submitted their final project summary reports, these reports are expected to be submitted during SFY 14/15. After the final summary reports are submitted and accepted by DFA, the remaining project Master Files will be administratively closed and stored in the State Records Center. The Loan Administration Files for all ARRA projects that received ARRA loan funds will remain open until all loan funds are amortized.

The State Water Board continued to collect financing servicing fees authorized by AB 2356 (Chap. 609, Statutes of 2008) on CWSRF agreements. The fees are deposited into the SCG Fund, and used to assist DACs.





The total service fee collected during SFY 13/14 was \$8.1 million. For SFY 13/14, the State Water Board was originally authorized to obligate \$8 million from the SCG fund. In March of 2014, Senate Bill (SB) 103 amended the State Budget Act of 2013. SB 103 shifted \$7 million of proposed SFY 14/15 SCG authority into SFY 13/14, providing a total of \$15 million in SCG authority for SFY 13/14. These funds were allocated to several small DACs (see Exhibit H). The State Water Board is currently working with several applicants that potentially qualify for SCG funds, and anticipates obligating additional funds to SDACs during SFY 14/15. In addition, available principal forgiveness funds were provided to DACs, as directed by the State Water Board in the approved FFY 2014 IUP.

State Water Board staff continues to work with staff from the Department of Water Resources (DWR), United States Department of Agriculture (USDA), US EPA, and related agencies to identify opportunities to leverage resources, particularly for SDACs. This coordination is facilitated by the State Water Board's participation in the CFCC funding fairs. The 2013/2014 CFCC funding fairs were held in Ukiah, Salinas, Visalia, Cathedral City, and Sacramento. In May 2014, the CFCC held its initial 2014 funding fair in Sacramento. Additional CFCC funding fairs are scheduled for August, September, and October 2014, in Redding, Fresno, San Luis Obispo, Bakersfield, Perris, and Sacramento.

Through a contract executed in March 2014, State Water Board staff is working with RCAC to provide technical assistance to SDACs. RCAC provides hands-on technical and financial expertise to help SDACs address their individual needs in the following areas that are commonly difficult for SDACs: preparation of financial assistance applications; design and operational solutions, including compliance assistance; community outreach, awareness, and education; fiscal management and accountability; capital improvement planning and asset management; rate setting; and the Proposition 218 process.

On July 1, 2014, California's Drinking Water Program, including the Drinking Water State Revolving Fund and associated state financing programs, were transferred from the California Department of Public Health (CDPH) to the State Water Board. State Water Board and CDPH staff began coordinating the transfer in late 2013. Although most transferred CDPH staff will not physically move to the Cal EPA building until late 2014 or early 2015, management and staff are conducting regular meetings and working to fully implement the reorganization. Key to the reorganization will be taking advantage of commonalities and identifying the strengths of each program to create a stronger overall financing organization.

VI. Index of Acronyms

COMMONLY USED ACRONYMS

ACWA	Association of California Water Agencies	IUP	Intended Use Plan
ARRA	American Recovery and Reinvestment Act of 2009	LGTS	Loans and Grants Tracking System
ASAP	Automated Standard Application of Payments	MBE	Minority Owned Business Enterprise
CBR	Clean Water Benefits Reporting	MGD	Million Gallons per Day
CDPH	California Department of Public Health	MHI	Median Household Income
CRWA	California Rural Water Association	NIMS	National Information Management System
CVCWA	Central Valley Clean Water Association	NMP	National Municipal Policy
CWA	Clean Water Act	NPS	Nonpoint Source
CWEA	California Water Environment Association	OMB	Office of Management and Budget
CWNS	Clean Watersheds Needs Survey	RCAC	Rural Community Assistance Corporation
CWNIMS	Clean Water National Information Management System	Regional Water Boards	Regional Water Quality Control Boards
CWSRF	Clean Water State Revolving Fund	SCG	Small Community Grant
DAC	Disadvantaged Community	SCO	State Controller's Office
DBE	Disadvantaged Business Enterprise	SDAC	Small Disadvantaged Community
DFA	Division of Financial Assistance	SFY	State Fiscal Year
DWR	Department of Water Resources	State Water Board	State Water Resources Control Board
ETF	Extended Term Financing	USDA	United States Department of Agriculture
FFATA	Federal Funding Accountability and Transparency Act	US EPA	United States Environmental Protection Agency
FFY	Federal Fiscal Year	WBE	Women Owned Business Enterprise
FSR	Feasibility Study Report		
FSRS	Federal Funding Accountability and Transparency Act Subaward Reporting System		

VII. Exhibits

EXHIBIT A:

SFY 13/14
Audited Financial
Statements

EXHIBIT B:

SFY 13/14
Projects Funded
by Needs Category

EXHIBIT C:

SFY 13/14
Non-Funded
Projects

EXHIBIT D:

SFY 13/14
DBE Report

EXHIBIT E:

SFY 13/14
Green and Subsidy
Projects Funded

EXHIBIT F:

SFY 13/14
Projects Reported
to FFATA

EXHIBIT G:

SFY 13/14
Projects with
Financing
Servicing Fees

EXHIBIT H:

SFY 13/14
Small Community
Grant (SCG)
Projects



Exhibit A

achieve

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

**FINANCIAL STATEMENTS and REPORTS REQUIRED
BY THE SINGLE AUDIT ACT AMENDMENTS OF 1996**

June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund, an enterprise fund of the State of California, as of and for the years ended June 30, 2014 and 2013, 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 express an 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.

As discussed in Note 1 - Definition of Reporting Entity, the basic financial statements of the California State Water Resources Control Board, Water Pollution Control 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 California State Water Resources Control

Board, Water Pollution Control 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, 2014 and 2013, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the California State Water Resources Control Board, Water Pollution Control Revolving Fund as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV and X 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 California State Water Resources Control Board, Water Pollution Control Revolving Fund's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 September 26, 2014, on our consideration of the California State Water Resources Control Board, Water Pollution Control 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 California State Water Resources Control Board, Water Pollution Control Revolving Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Denver, Colorado
September 26, 2014

**California State Water Resources Control Board
Water Pollution Control Revolving Fund
State Revolving Fund Program**

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), Water Pollution Control Revolving Fund (Clean Water State Revolving Fund program) (CWSRF) financial statements. It describes and analyzes the financial position of the CWSRF providing an overview of the CWSRF's activities for the years ended June 30, 2014 and 2013. 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 \$134 million to a total of \$3.6 billion in 2014, which was \$57 million less than the increase of \$191 million in 2013. The smaller increase in net position reflects a reduction in capital contributions during the year from the U.S. Environmental Protection Agency (EPA).
- Capital contributions decreased by \$61 million to \$81 million as compared to \$142 million in 2013. The decrease in capital contributions was a result of less capital available from EPA capitalization grants for loan disbursements.
- Capital contributions from EPA capitalization grant funds of \$22 million were forgiven.
- Cash and cash equivalents decreased by \$60 million in 2014 as compared to an increase of \$108 million in 2013. The decrease in 2014 was mostly the result of an increase in loan disbursements.
- Loans receivable increased by \$181 million to \$3.36 billion in 2014 as compared to an increase of \$41 million in 2013. The larger increase in 2014 mostly reflects a higher amount of loan disbursements during 2014.
- Restricted portion of net position decreased by \$9 million to \$352 million in 2014 as compared to an increase of \$90 million in 2013. The decrease in 2014 was due to the decrease in notes receivables for loans pledged to the Series 2012 Revenue Bonds as a result of repayments received and the related debt service payments. The increase in 2013 reflects the greater pledged loan requirements of the Series 2012 Revenue Bonds as compared to the refunded Series 2002 Revenue Bonds.

Using this Annual Financial Report

The financial statements included in this annual financial report are those of the CWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the CWSRF 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 CWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2014 and 2013 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 CWSRF financial statements and accompanying notes to financial statements. This report also contains required supplementary information and other supplementary information.

The financial statements of the CWSRF 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 CWSRF's financial position, which assists the reader in assessing the CWSRF'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 CWSRF's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the CWSRF is improving or deteriorating.
- The *Statements of Revenues, Expenses, and Changes in Net Position* present information which reflects how the CWSRF'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 CWSRF'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 2014, the growth of the CWSRF's net position remained strong increasing by \$134 million, or 3.8%, to \$3.6 billion at June 30, 2014 as compared to an increase of \$191 million, or 5.8%, the previous year. The increase in net position was \$57 million lower than in the previous year, primarily reflecting the lower level of capital contributions from EPA capitalization grants.

The current portion of the CWSRF's liabilities was \$15 million in 2014 and 2013. Current liabilities primarily correspond to continuing principal payments for the Series 2012 Revenue Bonds. Noncurrent liabilities decreased \$14 million in 2014 and \$34 million in 2013. The decrease in 2014 is the result of the ongoing principal payments of the Series 2012 Revenue Bonds, while the greater decrease in 2013 reflects the refunding of the Series 2002 Revenue Bonds.

A segment of the CWSRF's net position is subject to external restriction due to the debt service requirements of the Series 2012 Revenue Bonds. The net position that is restricted decreased in 2014 by \$9 million to \$352 million, or 2.5%, as compared to an increase in 2013 of \$90 million to \$361 million, or 33.2%. The decrease in 2014 corresponds to the ongoing debt service payments, while the increase in 2013 corresponded to the greater pledged loan requirements of the Series 2012 Revenue Bonds.

Of the total restricted net position, \$325 million in 2014 and \$346 million in 2013 represent the balance of outstanding loans that were pledged as security to the Series 2012 Revenue Bond debt service. The principal and interest received during the fiscal year from these loans is used to make the semi-annual debt service payments on the revenue bonds.

The CWSRF received total payments on pledged loans of \$26.8 million (\$20.9 million of principal and \$5.9 million of interest) in 2014 of which the debt service payment was \$15.1 million (\$13 million of principal and \$2.1 million of interest). In 2013, the CWSRF received total payments on pledged loans of \$43.9 million (\$36.8 million of principal and \$7.1 million of interest) of which the debt service payments were \$0.7 million of interest for the Series 2012 bonds and \$25.6 million (\$22.9 million of principal and \$2.7 million of interest) for the Series 2002 bonds. In addition, during 2013 the Series 2002 refunding debt service was \$92.5 million (\$91.8 million of principal and \$0.7 million of interest).

The remaining \$26.0 million of restricted net position in 2014 and \$14 million in 2013 represent pledged loan repayments, which are restricted for future loan disbursements and/or debt service payments. Any excess of principal and interest received over the required debt service may be used for future loan disbursements and/or released from restriction in the event that certain criteria are met.

Table 1

Net Position

(in thousands)

	<u>2014</u>	<u>June 30, 2013</u>	<u>2012</u>
ASSETS			
Cash and cash equivalents	\$ 316,552	\$ 376,642	\$ 268,664
Loans receivable	3,357,490	3,176,732	3,135,310
All other assets	22,734	24,351	26,691
Total assets	<u>3,696,776</u>	<u>3,577,725</u>	<u>3,430,665</u>
LIABILITIES			
Current liabilities	15,004	15,382	25,330
Noncurrent liabilities	44,897	59,236	93,194
Total liabilities	<u>59,901</u>	<u>74,618</u>	<u>118,524</u>
NET POSITION			
Restricted			
Debt service	25,975	14,157	32,567
Security for revenue bonds	325,460	346,377	238,166
Subtotal restricted assets	<u>351,435</u>	<u>360,534</u>	<u>270,733</u>
Unrestricted	3,285,440	3,142,573	3,041,408
Total net position	<u>\$ 3,636,875</u>	<u>\$ 3,503,107</u>	<u>\$ 3,312,141</u>

Changes in Net Position

Program revenue for the CWSRF in 2014 was \$54.1 million of which \$5.5 million is restricted for debt service. Program revenue in 2013 was \$50.7 million of which \$6.1 million was restricted for debt service. In 2014, program revenue increased by \$3.4 million or 6.77% and in 2013 increased by \$1.6 million or 3.26%. In 2014 and 2013, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2014, general revenue was \$0.9 million, which was a decrease of \$0.1 million or 11%, when compared to \$1 million in 2013. In 2013, general revenue decreased \$0.1 million or 13% compared to \$1.1 million in 2012. The decrease in investment income during 2014 and 2013 was mostly the result of lower interest rate yields from the Surplus Money Investment Fund (SMIF).

Total expenses decreased \$0.4 million in 2014 as compared to a decrease of \$5.4 million in 2013. The decrease in 2014 was mostly due to a reduction in revenue bond expenses for the Series 2012 bonds. In 2013, the decrease was primarily due to a reduction in revenue bond interest expense, which was directly associated with the refunding of the Series 2002 bonds.

Administrative expenses increased \$0.7 million to \$1.8 million in 2014 compared to 2013. Administrative expenses decreased \$1.8 million to \$1.1 million in 2013 compared to 2012. The changes in administrative expenses to the CWSRF during 2014 and 2013 primarily reflect the amounts charged to the CWSRF Administration Fund. In 2014 and 2013, administrative expenses of \$6.5 million and \$7 million, respectively, were charged to the CWSRF Administration Fund.

Capital contributions to the CWSRF decreased by \$61 million, or 43%, in 2014 when compared to 2013. The decrease in 2014 was due to a decrease in available contributions from EPA capitalization grants. In 2013, capital contributions increased by \$36 million, or 34%, when compared to 2012. The increase in 2013 was due to an increase in loans from capital contributions from EPA capitalization grants.

The CWSRF program received principal forgiveness funds from EPA capitalization grants of \$21.7 million and \$39.7 million, in 2014 and 2013, 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,		
	2014	2013	2012
Revenues			
Program revenues:			
Loan interest income	\$ 54,113	\$ 50,680	\$ 49,080
General revenues:			
Investment income	855	962	1,103
Total revenues	54,968	51,642	50,183
Expenses			
Program expenses:			
Administrative expenses	1,748	1,078	2,860
EPA-capitalization grant Principal Forgiveness	(21,666)	(32,529)	(21,571)
Capitalization Principal Forgiveness expense	21,666	32,529	21,571
EPA-ARRA grant Principal Forgiveness	-	(7,216)	(12,223)
ARRA Principal Forgiveness expense	-	7,216	12,223
Revenue bond interest expense	355	533	4,984
Amortization of revenue bond issuance costs	-	888	55
Total expenses	2,103	2,499	7,899
Increase in net position before contributions	52,865	49,143	42,284
Capital contributions:			
EPA capitalization grant	79,586	138,008	84,513
EPA ARRA capitalization grant	1,034	3,637	21,337
State and other contributions	283	178	207
Subtotal capital contributions	80,903	141,823	106,057
Change in net position	133,768	190,966	148,341
Net position - beginning of year	3,503,107	3,312,141	3,163,800
Net position - end of year	\$ 3,636,875	\$ 3,503,107	\$ 3,312,141

Budgetary Information

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

Debt Administration

The State Water Board administers a leveraged CWSRF program. The State Water Board maintains a high bond rating from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on its Revenue Bonds, Series 2012. As of June 30, 2014, outstanding bonds total \$59.2 million, a decrease of \$14.7 million, compared to \$73.9 million last year as shown in Table 3. The decrease in 2014 was due primarily to the payment of the scheduled bond principal repayments for the Series 2012 bonds. The decrease in 2013 was due to scheduled bond principal payments, along with the refunding of Series 2002 bonds with the issuance of Series 2012 bonds. The Series 2002 bonds were refunded to take advantage of the more favorable interest rates available at the time of the refunding. The Series 2002 bond proceeds were used to finance additional CWSRF loans to local governments for water pollution control projects. The revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

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

Table 3

Outstanding Long-term Debt
(in thousands)

	2014	June 30, 2013	2012
Revenue bonds			
Bond principal	\$ 55,940	\$ 68,940	\$ 114,695
Bond premium	3,296	4,915	1,779
Total revenue bonds	\$ 59,236	\$ 73,855	\$ 116,474

Economic Conditions and Outlook

The CWSRF program improved its procedures, policies, and financing terms in 2013 to make the program a more attractive choice compared to other financing options for publicly owned treatment works projects. The total amount of new loan commitments increased significantly from the level financed in 2013 with financing in 2014 approximately 25% higher than the average level of activity over the preceding seven years. Present conditions indicate that there will be steady demand for CWSRF financing in the near term. In 2014, the CWSRF program revenues continued to support its loan financing activity and administrative expenses.

For the grant year 2014, the EPA allocated \$100 million to the CWSRF. The 2014 grant allocation is an increase of 5% compared to the 2013 grant allocation of \$95 million. Presently available information indicates that the 2015 grant could be less than the 2013 grant by as much as 25%. Although capitalization funds from EPA are an important component of the cash flow, the CWSRF has a significant level of loan repayments and equity from loan receivables that can be used to obtain funds for new loans if needed. As part of the 2012 refunding, the State Water Board updated the revenue bond indenture to allow for a shortened time to market if there is a need to sell additional bonds. State Water Board staff continues to monitor the demand for new loans and will work with its financial advisors on a revenue bond sale to meet required cash flows when needed.

Generally improving economic conditions have diminished the number of local entities experiencing strained revenue flows. To ensure that loans are repaid on time and in full, the CWSRF continues to use a variety of analysis and surveillance measures to reduce the possibility of non-payment. By diligently working with loan recipients, the CWSRF anticipates full repayment of all loans.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the CWSRF finances. Questions concerning the information provided in this report or requests for additional information should be addressed to Mr. Jerrel Bolds, Manager, Accounting Branch, Division of Administrative Services, P.O. Box 100, Sacramento, California 95812 or jerrel.bolds@waterboards.ca.gov.

BASIC FINANCIAL STATEMENTS

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF NET POSITION
June 30, 2014 and 2013
(in thousands)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 290,577	\$ 362,485
Cash and cash equivalents - Restricted	25,975	14,157
Receivables:		
Loan interest	22,333	22,466
Investment interest	202	237
Due from other funds and other governments	199	1,648
Loans receivable:		
Current portion	178,447	174,924
Current portion - Restricted	20,182	20,448
Total current assets	537,915	596,365
OTHER ASSETS		
Loans receivable:		
Noncurrent (net of allowance for bad debt)	2,853,583	2,655,430
Noncurrent - Restricted	305,278	325,930
Total other assets	3,158,861	2,981,360
TOTAL ASSETS	3,696,776	3,577,725
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Revenue bond interest payable	469	566
Unearned revenue	4	6
Due to other funds	192	191
Revenue bonds payable	14,339	14,619
Total current liabilities	15,004	15,382
NONCURRENT LIABILITIES		
Revenue bonds payable	44,897	59,236
Total noncurrent liabilities	44,897	59,236
Total liabilities	59,901	74,618
NET POSITION		
Restricted for:		
Debt service	25,975	14,157
Security for revenue bonds	325,460	346,377
Unrestricted	3,285,440	3,142,573
Total net position	\$ 3,636,875	\$ 3,503,107

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013
OPERATING REVENUE		
Loan interest income	\$ 54,113	\$ 50,680
Total operating revenue	54,113	50,680
OPERATING EXPENSES		
Personnel services	816	184
Other expenses	923	871
Total operating expenses	1,739	1,055
INCOME FROM OPERATIONS	52,374	49,625
NONOPERATING REVENUE (EXPENSE)		
Net investment income	855	962
EPA-capitalization grant - Principal Forgiveness	21,666	32,529
Capitalization Principal Forgiveness expense	(21,666)	(32,529)
EPA-ARRA capitalization grant - Principal Forgiveness	-	7,216
ARRA Principal Forgiveness expense	-	(7,216)
Revenue bond interest expense	(355)	(533)
Bond fees	(9)	(23)
Revenue bond issuance costs	-	(888)
Total nonoperating revenue (expense)	491	(482)
INCOME BEFORE CONTRIBUTIONS	52,865	49,143
CONTRIBUTIONS		
EPA capitalization grant	79,586	138,008
EPA - ARRA capitalization grant	1,034	3,637
State match revenue	283	178
Total contributions	80,903	141,823
CHANGE IN NET POSITION	133,768	190,966
NET POSITION - BEGINNING OF YEAR	3,503,107	3,312,141
NET POSITION - END OF YEAR	\$ 3,636,875	\$ 3,503,107

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interest on loans	\$ 43,397	\$ 45,042
Loans disbursed	(384,674)	(288,089)
Principal received on loans receivable	214,764	254,306
Cash paid to employees and vendors	(1,738)	(1,349)
Cash flows provided (required) by operating activities	(128,251)	9,910
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA capitalization grant	103,733	181,310
Funds received from the State of California	284	211
Funds received from Bond Refunding	-	74,929
ARRA Principal Forgiveness	-	(7,216)
Principal Forgiveness	(21,666)	(32,529)
Bond fees paid	(9)	(766)
Principal paid on revenue bonds	(13,000)	(114,695)
Interest paid on revenue bonds	(2,071)	(4,159)
Cash flows provided by noncapital financing activities	67,271	97,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income received	890	982
Net cash provided by investing activities	890	982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,090)	107,977
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	376,642	268,665
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 316,552	\$ 376,642
Reconciliation of operating income to net cash required by operating activities		
Income from operations	\$ 52,374	\$ 49,625
Adjustments to reconcile income from operations to net cash required by operating activities		
Construction period interest	(10,846)	(7,639)
Amortization of unearned revenue	-	(212)
Effect of changes in operating assets and liabilities:		
Loans receivable	(169,911)	(33,789)
Loan interest receivable	133	2,220
Due to other funds	(1)	(295)
Net cash provided (required) by operating activities	\$ (128,251)	\$ 9,910

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY

The California State Water Resources Control Board, Water Pollution Control Revolving Fund (Fund) was established pursuant to Title VI of the Federal Clean Water Act of 1987 (Act). The Act established the State Revolving Fund (SRF) program to replace the construction grants program (Title II of the Act) to provide loans at reduced interest rates to finance the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of building wastewater treatment facilities, the SRF provides for low interest loans to finance the entire cost of qualifying projects. The SRF provides a flexible financing source that can be used for a variety of pollution control projects, including non-point source pollution control projects, and developing estuary conservation and management plans. Loans made must be repaid within 30 years or less. All repayments, including interest and principal, must remain in the Fund.

Since 1989, 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. As of June 30, 2014 and 2013, the EPA has awarded cumulative capitalization grant funding of \$2,476,285 and \$2,380,800, respectively, to the State of California (State), for which the State is required to provide \$495,257 and \$476,160, respectively, of cumulative matching funding to the Fund. In addition, in February 2009, the EPA awarded \$280,285 in ARRA grant funding for which there is no State Match requirement.

The Fund 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 (Program). The Board's primary responsibilities with the SRF 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 consists of five member positions, which are appointed by the Governor and confirmed by the Senate.

The Board administers the SRF program by charging the Fund for time spent on SRF 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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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 are included in the State's Comprehensive Annual Financial Report as an enterprise fund using the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the Fund's powers are related to those operated in a manner similar to a for profit business where an increase in net position is an appropriate determination of accountability.

Basis of Accounting

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

Implementation of New Standards

Effective July 1, 2012, the Fund implemented GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Fund has already been following these standards.

Effective July 1, 2012, the Fund implemented the provisions of GASB No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (GASB No. 63) and implemented early the provisions of GASB No. 65, "*Items Previously Reported as Assets and Liabilities*" (GASB No. 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 "*Elements of Financial Statements*" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A

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

deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the Fund's financial statements has been to replace the term "net assets" with "net position".

GASB No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets or liabilities. As a result of implementing early this GASB pronouncement, the Fund has expensed the debt issuance costs on the 2012 Revenue Bond that prior to GASB 65 would have been capitalized. The impact of the pronouncement was considered as part of the refunding that occurred in December 2012.

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 direct salary costs and benefits expenses, allocated indirect costs and bad debt allowance. 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, except for principal forgiveness reported as nonoperating revenue. In certain circumstances, local communities have contributed the State's matching share in exchange for reduced interest rate loans, as discussed in Note 4.

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 SRF to operate under a continuous appropriation. Continuous appropriation authority means that no further appropriations are necessary to expend all funds deposited into the SRF. 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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, local contributions, revenue bond proceeds, loan repayments and fund earnings. Loans are advanced to local agencies on a cost reimbursement basis. Interest is calculated from the date that funds are advanced. After the final disbursement has been made, the loan agreement is adjusted for the actual amounts disbursed and interest accrued during the project period (Construction Period Interest). Loans are amortized over periods up to 30 years. Loan repayments must begin within one year of construction completion or one year from the initial loan disbursement, depending upon the type of loan agreement, and are made on an annual and semi-annual basis.

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

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$9,356 at June 30, 2014 and June 30, 2013.

Revenue Bond Issue Costs and Original Issue Premium

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013
(Dollar Amounts Expressed in Thousands)**

NOTE 3 - CASH AND INVESTMENTS

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.

At June 30, 2014 and 2013, the Fund’s cash deposits had a carrying balance of \$4 and \$3, respectively.

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

<u>Investments</u>	<u>2014</u>	<u>2013</u>
Treasury/Trust Portfolio	<u>\$ 316,548</u>	<u>\$ 376,639</u>
Total cash deposits and investments	<u>\$ 316,552</u>	<u>\$ 376,642</u>

The State Treasurer is responsible for investing funds of the Treasury/Trust Portfolio and managing the credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency credit risk of the Portfolio. Refer to the State’s Pooled Investments disclosure in the June 30, 2014 and 2013, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013
(Dollar Amounts Expressed in Thousands)

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash deposits and investments are reflected on the June 30, 2014 and 2013 statement of net position as follows:

	2014	2013
Cash and cash equivalents	\$ 290,577	\$ 362,485
Cash and cash equivalents - Restricted	25,975	14,157
Total cash deposits and investments	\$ 316,552	\$ 376,642

As of June 30, 2014, all revenue bond proceeds have been disbursed. As of June 30, 2014 and 2013, cash and investments in the amount of \$25,975 and \$14,157, respectively, representing various reserve accounts required by the revenue bonds were restricted for future loan disbursements and debt service.

NOTE 4 - LOANS RECEIVABLE

Loans are made to qualified agencies for projects that meet the eligibility requirements of the Federal Clean Water Act of 1987 and any subsequent amendments. Loans are financed with capitalization grants, State match, local contributions, revenue bond proceeds and revolving loan funds. Interest rates vary between 0.0 percent and 4.0 percent and loans are repaid over 30 years or less starting one year after the project is completed. 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. Local match loans have an effective interest rate of 1.8 percent. 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, 2014 and 2013, the Fund had total binding commitments of \$7,141,128 and \$6,643,750, respectively, since program inception. As of June 30, 2014, the remaining commitment on these loans amounted to \$1,047,530, of which \$295,222 is federal funds. The federal loan commitments included capitalization funds of \$29,907 which will be forgiven. As of June 30, 2013, the remaining commitment on these loans amounted to \$956,291, of which \$131,361 is federal funds. The federal loan commitments included ARRA federal funds of \$1,033, of which \$0 will be forgiven and capitalization funds of \$41,452 which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013
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NOTE 4 - LOANS RECEIVABLE (CONTINUED)

At June 30, 2014 and 2013, the unpaid balance on all loans receivable outstanding amounted to \$3,357,490 and \$3,176,726, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	\$ 42,273	\$ 198,629	\$ 240,902
2016	40,458	198,070	238,528
2017	37,204	197,024	234,228
2018	34,026	200,525	234,551
2019	30,790	197,949	228,739
2020-2024	107,770	916,893	1,024,663
2025-2029	47,072	583,528	630,600
2030-2034	12,130	225,284	237,414
2035-2039	2,352	37,511	39,863
2040-2044	554	13,875	14,429
Total	<u>\$ 354,629</u>	<u>2,769,288</u>	<u>\$ 3,123,917</u>
Loans not yet in repayment		597,558	
Allowance for bad debt		(9,356)	
Total loans receivable		<u>\$ 3,357,490</u>	

Restricted Loans Receivable

At June 30, 2014 and 2013, \$325,460 and \$346,378, respectively, of loans receivable were pledged as security for the revenue bonds outstanding (see Note 5). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. During the year ended June 30, 2014 the Fund received \$20,918 and \$5,931 of principal and interest, respectively, on these loans, and during the year ended June 30, 2013 the Fund received \$36,837 and \$7,104 of principal and interest, respectively, on these loans. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event certain requirements are met.

Local Match Loans

The Fund has offered reduced interest rates on loans to recipients that have agreed to contribute funds that can be used to match federal contributions. In order to obtain one of these loans, the local agency contributes one-sixth, or 16.7 percent, of the total loan principal. The borrower then repays 100 percent of the loan principal including the contributed amount (see Note 6).

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
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NOTE 4 - LOANS RECEIVABLE (CONTINUED)

As of June 30, 2014 and 2013, the Fund had authorized a total of \$1,718,966 and \$1,720,176, respectively, of local match loans. From these authorizations, certain borrowers elected to remit the State match at the time the loan was awarded in the amount of \$2,296 as of June 30, 2014 and 2013. The remaining borrowers elected to repay the State match over a period of 20 or 30 years, in the amount of \$281,065 and \$280,167 as of June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, total local match loans outstanding, including the local match to be paid, amounted to \$860,347 and \$923,315, respectively, and the remaining State match to be repaid amounted to \$108,213 and \$123,492, respectively.

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, 2014 and 2013 of these major local agencies represent approximately 23.6 and 23.0 percent, respectively, of the total loans receivable and are as follows:

<u>Borrower</u>	<u>2014</u>		<u>2013</u>
	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District (LACSD)	\$ 606,426	\$ 366,955	\$ 394,487
LACSD District #29	1,069	922	-
LACSD Santa Clarita	4,336	4,107	3,648
LACSD District #2	41,511	7,019	-
LACSD Total	<u>653,342</u>	<u>379,003</u>	<u>398,135</u>
Orange County Water District	299,958	207,323	152,838
Eastern Municipal Water District	244,698	206,177	180,622
	<u>\$ 1,197,998</u>	<u>\$ 792,503</u>	<u>\$ 731,595</u>

NOTE 5 - LONG-TERM DEBT

On December 3, 2012, the Fund issued \$68,940 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Refunding Revenue Bonds, Series 2012, dated November 1, 2012, with coupon rates of 2 to 4 percent. These serial bonds are due annually in varying amounts through 2018. The interest on the bonds is due semi-annually on April 1 and October 1. The Series 2012 bonds shall not be subject to redemption prior to maturity. The bonds were issued to refund the Series 2002 Revenue Bonds.

At the time of issuance of the Series 2012 revenue bonds by the Fund, the Fund pledged in excess of \$394,000 of outstanding loans receivables of the Fund as security for the bonds (see

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - LONG-TERM DEBT (CONTINUED)

Note 4). The principal and interest received during the fiscal year from these loans is to be used to make annual debt service payments on the revenue bonds. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event that certain requirements are met.

On August 7, 2002, the Fund issued \$300,000 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2002, dated August 1, 2002, with coupon rates of 3 to 5 percent. These serial bonds were due annually in varying amounts through 2018. The interest on the bonds was due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2013 were subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after October 1, 2012 without call premium. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

At the time of issuance of the Series 2002 revenue bonds by the Fund, the Fund pledged in excess of \$850,000 of outstanding loans receivable of the Fund as security for the bonds (see Note 4). The principal and interest received during the fiscal year from these loans was to be used to make the annual debt service payments on the revenue bonds. Any excess of the principal and interest received over the debt service payments required and the required debt service reserve accounts could be released from restriction upon request of the Fund in the event certain requirements were met. On December 3, 2012, due to the refunding of the Series 2002 bonds, the outstanding loan receivables that were pledged as security were released from restriction.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 13,000	\$ 1,713	\$ 14,713
2016	13,000	1,323	14,323
2017	12,940	868	13,808
2018	9,530	451	9,981
2019	7,470	131	7,601
	<u>\$ 55,940</u>	<u>\$ 4,486</u>	<u>\$ 60,426</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
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NOTE 5 - LONG-TERM DEBT (CONTINUED)

The detail of the Fund's long-term debt is as follows:

	<u>Balance June 30, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Series 2012 Revenue Bonds:					
Bond principal	\$ 68,940	\$ -	\$ 13,000	\$ 55,940	\$ 13,000
Bond premium	4,915	-	1,619	3,296	1,339
	<u>73,855</u>	<u>\$ -</u>	<u>\$ 14,619</u>	<u>59,236</u>	<u>\$ 14,339</u>
Less current portion:					
Bond principal	(13,000)			(13,000)	
Bond premium amortization	(1,619)			(1,339)	
Long-term portion	<u>\$ 59,236</u>			<u>\$ 44,897</u>	
	<u>Balance June 30, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Series 2012 Revenue Bonds:					
Bond principal	\$ -	\$ 68,940	\$ -	\$ 68,940	\$ 13,000
Bond premium	-	5,989	1,074	4,915	1,619
	<u>-</u>	<u>\$ 74,929</u>	<u>\$ 1,074</u>	<u>73,855</u>	<u>\$ 14,619</u>
Less current portion:					
Bond principal	-			(13,000)	
Bond premium amortization	-			(1,619)	
Long-term portion	<u>\$ -</u>			<u>\$ 59,236</u>	
Series 2002 Revenue Bonds:					
Bond principal	\$ 114,695	\$ -	\$ 114,695	\$ -	\$ -
Bond premium	1,779	-	1,779	-	-
	<u>116,474</u>	<u>\$ -</u>	<u>\$ 116,474</u>	<u>-</u>	<u>\$ -</u>
Less current portion:					
Bond principal	(22,895)			-	
Bond premium amortization	(536)			-	
Long-term portion	<u>\$ 93,043</u>			<u>\$ -</u>	

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
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NOTE 6 - 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 well as through the use of loans from the Water Reclamation program. As of June 30, 2014 and 2013, the EPA has awarded cumulative capitalization grants of \$2,476,285 and \$2,380,800, respectively, to the State, of which \$2,431,181 and \$2,329,930, respectively, has been drawn, cumulatively, for loans and administrative expenses. The State has provided matching funds of \$347,002 and \$346,719, respectively.

In addition, as of June 30, 2014, the EPA has awarded the ARRA grant of \$280,285 to the fund for which there is no State matching requirements. As of June 30, 2014 and June 30, 2013, \$280,285, of which \$161,006 was for principal forgiveness and \$279,252, of which \$161,006 was for principal forgiveness, respectively, has been drawn cumulatively (see Note 4).

As discussed in Note 4, certain borrowers have contributed funds that can be used to match federal contributions in exchange for reduced interest rate loans. The EPA allows the State to include amounts provided by borrowers under certain local matching loans in meeting the State's statutory matching obligation. As of June 30, 2014 and 2013, the borrowers had contributed \$283,360 and \$282,463, respectively, which qualify as meeting the State's matching requirement.

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2014 and 2013, and balances available for future loans as of June 30, 2014. Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2014 and 2013. As of June 30, 2014 and 2013, the state match required is \$486,236 and \$465,986, respectively. As of June 30, 2014 and 2013, the state match available for potential future state match is \$144,126 and \$163,196, respectively.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

TABLE 1

Year	Grant Award	Funds Drawn As of June 30, 2012	Funds Drawn During Year Ended June 30, 2013	Funds Drawn As of June 30, 2013	Funds Drawn During Year Ended June 30, 2014	Funds Drawn As of June 30, 2014	Available for Loans as of June 30, 2014
1989-2009	\$ 2,028,443	\$ 2,028,443	\$ -	\$ 2,028,443	\$ -	\$ 2,028,443	\$ -
2010	145,721	101,455	44,266	145,721	-	145,721	-
2011	105,571	29,495	76,076	105,571	-	105,571	-
2012	101,065	-	50,195	50,195	50,870	101,065	-
2013	95,485	-	-	-	50,381	50,381	45,104
	<u>\$ 2,476,285</u>	<u>\$ 2,159,393</u>	<u>\$ 170,537</u>	<u>\$ 2,329,930</u>	<u>\$ 101,251</u>	<u>\$ 2,431,181</u>	<u>\$ 45,104</u>
2008-ARRA	\$ 280,285	\$ 268,398	\$ 10,854	\$ 279,252	\$ 1,033	\$ 280,285	\$ -
	<u>\$ 2,756,570</u>	<u>\$ 2,427,791</u>	<u>\$ 181,391</u>	<u>\$ 2,609,182</u>	<u>\$ 102,284</u>	<u>\$ 2,711,466</u>	<u>\$ 45,104</u>

TABLE 2

	State Match Paid As of June 30, 2012	State Match Paid During Year Ended June 30, 2013	State Match Paid As of June 30, 2013	State Match Paid During Year Ended June 30, 2014	State Match Paid As of June 30, 2014
State Disbursed	\$ 346,541	\$ 178	\$ 346,719	\$ 283	\$ 347,002
Local Disbursed	279,587	2,876	282,463	897	283,360
	<u>\$ 626,128</u>	<u>\$ 3,054</u>	<u>\$ 629,182</u>	<u>\$ 1,180</u>	<u>\$ 630,362</u>

Restricted Funds

State matching funds for the 1993 capitalization grant and portions of the 1994 and 1995 capitalization grants were provided by the transfer of \$34,316 of outstanding loans and loan interest earned from California Water Reclamation Loan Fund. In 2006, an additional \$3,545 of outstanding loans and loan interest was transferred to the Fund for future match requirements. Repayments of these loans are restricted for future water reclamation loans that are eligible under the SRF program.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
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NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

Administrative Fund

In January 2008, legislation in the State of California became effective which allows CWSRF to collect a service charge on loans which will be used for administrative costs. The fees collected and the expenses incurred are not included in the accompanying financial statements. Revenue collected and expenses incurred for the administrative fund are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Administrative fee collected	<u>\$ 7,093</u>	<u>\$ 7,655</u>
Operating expenses incurred	<u>\$ 6,485</u>	<u>\$ 6,980</u>

Small Community Grant Fund

In September 2008, legislation in the State of California became effective which allows CWSRF to collect an annual charge on loans which will be used to assist Small Disadvantage Communities. The fees collected and the expenses incurred are not included in the accompanying financial statements. Revenue collected and expenses incurred for the grant fund are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Grant fee collected	<u>\$ 7,977</u>	<u>\$ 8,498</u>
Grants disbursed	<u>\$ 3,026</u>	<u>\$ 1,141</u>

NOTE 7 - RISK MANAGEMENT

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2014 and 2013, Comprehensive Annual Financial Reports.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
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NOTE 8 - RETIREMENT PLAN

Plan Description

All of the employees of the Fund participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report as a pension trust fund. CalPERS administers the Public Employees' Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit retirement plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Departments and agencies within the State of California, including the Fund, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report may be obtained by writing California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon the employee's years of credited service, age and final compensation.

Vesting occurs after five or ten years of credited services depending on the benefit tier. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit, payable monthly for the remainder of their lives. Benefit provisions and all other requirements are established by State statute.

Funding Policy

The Fund is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERF Board of Administration. The required contribution rates for the years ended June 30, 2014, 2013 and 2012, were 21.203%, 20.503% and 18.175%, respectively, for State Miscellaneous First Tier and 21.355%, 20.457% and 17.025%, respectively, for State Miscellaneous Second Tier. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Contributions, annual pension costs and trend information attributable to employees of the Fund for the fiscal year ended June 30, 2014, 2013 and 2012, are not determinable at the Fund level. However, this information is reported at a statewide level in the State of California's Comprehensive Annual Financial Report.

Post-Employment Benefits Other than Pension

In addition to the pension benefits provided by the State, the State also provides post-retirement health care benefits, in accordance with Section 22754(g) of the State Government Code, to all employees who retire from the State on or after attaining certain age and length of service requirements. The post-retirement health care benefits are funded by the State's General Fund

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June 30, 2014 and 2013
(Dollar Amounts Expressed in Thousands)

NOTE 8 - RETIREMENT PLAN (CONTINUED)

on a pay-as-you-go basis. Refer to the State's Post-Employment Benefits Other than Pension disclosure in the June 30, 2014 and June 30, 2013 Comprehensive Annual Financial Reports for disclosure.

NOTE 9 - 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, 2014 and 2013, 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, 2014 and 2013, the Fund had restricted net position of \$25,975 and \$14,157, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2014 and 2013 pledged loans restricted for future bond debt service payments were \$325,460 and \$346,378, respectively, representing loans receivable pledged as security for the revenue bonds (see Note 5).

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

NOTE 10 - LITIGATION

There is one lawsuit pending in regard to the Fund in which the Board is involved. Board management and its legal counsel estimate that the potential claims against the Board not covered by the State of California's Risk Management Program resulting from such litigation would be insignificant.

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

**REPORTS REQUIRED BY THE
SINGLE AUDIT ACT AMENDMENTS OF 1996**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency</u>		
Direct Programs:		
Capitalization Grants for State Revolving Funds	66.458	\$ 101,250,967 (*)
ARRA Capitalization Grant for State Revolving Funds	66.458	1,033,934 (*)
		<u>\$ 102,284,901</u>

(*) Tested as a Major Program

See notes to schedule of expenditures of federal awards

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the California State Water Resources Control Board, Water Pollution Control Revolving Fund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*.

NOTE 2 - LOANS TO SUBRECIPIENTS

Capitalization Grants for Clean Water State Revolving Fund CFDA# 66.458 include \$99,786,470 of expenditures that were disbursed as loan awards to qualifying subrecipients, which includes \$21,666,045 of principal forgiveness loans.

ARRA Capitalization Grant for Clean Water State Revolving Fund CFDA# 66.458 includes \$1,033,934 of expenditures that were disbursed as loan awards to qualifying subrecipients, which includes \$0 of principal forgiveness loans.



**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
Water Pollution Control 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, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund), an enterprise fund of the State of California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Water Pollution Control Revolving Fund's basic financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Pollution Control 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Water Pollution Control Revolving Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Water Pollution Control 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 Water Pollution Control 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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Greenwood Village, Colorado
September 26, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

California State Water Resources Control Board
Water Pollution Control Revolving Fund
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited California State Water Resources Control Board, Water Pollution Control Revolving Fund's (Water Pollution Control Revolving Fund) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Water Pollution Control Revolving Fund's major federal programs for the year ended June 30, 2014. Water Pollution Control 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Water Pollution Control 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Water Pollution Control 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 Water Pollution Control Revolving Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, Water Pollution Control 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, 2014.

Report on Internal Control Over Compliance

Management of Water Pollution Control 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 Water Pollution Control 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 OMB Circular A-133, 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 Water Pollution Control 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 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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
September 26, 2014

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

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 section 510 (a)
of OMB Circular A-133? _____ yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for State Revolving Funds
66.458	ARRA 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

There were no findings required to be reported under generally accepted *Government Auditing Standards*.

PART III - FINDINGS RELATED TO FEDERAL AWARDS

There were no findings required to be reported under OMB *Circular A-133*.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2014**

There were no prior audit findings required to be reported under generally accepted government auditing standards or OMB *Circular A-133*.



UAL REPORT

Exhibit B

SFY 2013/2014 Projects Funded by Needs Category

FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Agreement Date	ETF	DAC	Cat. I	Cat. II	Cat. III-A	Cat. III-B	Cat. IV-B	Cat. VI	Cat. X	Total Agreement Amount
Biggs, City of	5544-110	2/28/14	Y	Y	2,662,000							\$2,662,000
Corona, City of	7834-110	5/6/14	Y			14,997,145						\$14,997,145
El Cajon, City of	7612-110	3/10/14		Y				11,300,000				\$11,300,000
Galt, City of	7871-110	6/20/14			26,400,000							\$26,400,000
Holtville, City of	7828-110	2/18/14	Y	Y	7,828,918							\$7,828,918
Inland Empire Utilities Agency	5318-110	6/26/14	Y							26,500,000		\$26,500,000
Inland Empire Utilities Agency	7885-110	4/29/14	Y			17,100,000						\$17,100,000
Jamestown Sanitary District	8000-110	5/1/14			480,000							\$480,000
Los Angeles County Sanitation District	5892-110	1/22/14					12,196,850					\$12,196,850
Monterey, City of	5228-120	4/8/14					13,298,677					\$13,298,677
Monterey, City of	5228-110	4/8/14					3,501,323					\$3,501,323
Napa County Department of Public Works	5210-110	6/27/14									9,859,434	\$9,859,434
Orange County Water District	7867-110	11/13/13							3,633,400			\$3,633,400
Orange County Water District	7868-110	11/13/13							5,255,000			\$5,255,000
Placer County Sewer Maintenance District #3	5283-110	11/25/13	Y		974,710				8,772,389			\$9,747,099
Placer, County of	5274-110	11/26/13	Y	Y	15,272,800	15,272,800			45,818,400			\$76,364,000
Redding, City of	7891-110	6/4/14		Y	7,030,000							\$7,030,000
San Mateo County Crystal Springs County Sanitation District	7811-110	3/21/14					2,400,000					\$2,400,000
San Mateo, City of	7826-110	5/1/14	Y					27,000,000				\$27,000,000
San Mateo, City of	7858-110	5/1/14	Y					3,464,393				\$3,464,393
Santa Ana Watershed Project Authority	7898-110	6/30/14	Y				19,000,000					\$19,000,000
South Pasadena, City of	7863-110	12/20/13					11,000,000					\$11,000,000
Stockton, City of	7085-110	11/19/13		Y			1,625,000					\$1,625,000
Thermalito Water and Sewer District	7646-110	5/1/14		Y			2,687,000					\$2,687,000

"Exhibit B" continued on next page...

“Exhibit B” ... continued...

Exhibit B

FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Agreement Date	ETF	DAC	Cat. I	Cat. II	Cat. III-A	Cat. III-B	Cat. IV-B	Cat. VI	Cat. X	Total Agreement Amount
Union Sanitary District	5223-110	1/30/14			12,200,000							\$12,200,000
Victor Valley Wastewater Rec Authority	4806-110	6/24/14	Y			24,656,757						\$24,656,757
Victor Valley Wastewater Rec Authority	7805-110	10/29/13					4,000,000					\$4,000,000
Victor Valley Wastewater Rec Authority	4807-110	6/24/14	Y			33,508,015						\$33,508,015
Visalia, City of	7215-110	3/27/14	Y		66,245,000							\$132,490,000
Visalia, City of	7215-120	3/27/14	Y								13,600,000	\$13,600,000
Vista, City of	7847-110	6/20/14						21,991,869				\$21,991,869
West County Wastewater District	7876-110	6/20/14						4,093,086				\$4,093,086
West County Wastewater District	7876-120	6/20/14						2,881,758				\$2,881,758
West County Wastewater District	7876-130	6/20/14			10,829,156							\$10,829,156
Woodlake, City of	7878-110	5/13/14		Y			500,000					\$500,000
Yountville, Town of	7846-110	10/23/13									3,465,362	\$3,465,362
TOTAL:	36		12	8	\$149,922,584	\$171,779,717	\$500,000	\$98,675,563	\$96,355,182	\$8,888,400	\$53,424,796	\$579,546,242

Need Categories (Cat.)	Notes:
I - Secondary Treatment	In SFY 2013\14 there were 36 binding commitments totaling \$579,546,242 based on funding agreement amounts as of July 1, 2014. Additional adjustments made during the final funding agreement amendment process for CWSRF projects will be reflected in NIMS and CBR.
II - Advance Treatment	
III-A - Infiltration/Inflow Correction	
III-B - Major Sewer System Rehabilitation	
IV-B - New Interceptors and Appurtenances	
VI - Storm Sewers	
X - Recycled Water Distribution	Percentage of Projects Serving Disadvantaged Communities (DAC) = 8 of 36 = 22.22%

Exhibit C

SFY 2013/2014 Intended Use Plan Projects List of Non-Funded Projects					
LOAN RECIPIENT NAME	Project Number	IUP Projected Amount	Priority Class	Reason For Delay	Project Type
Channel Islands Beach Community Services District	7446-110	\$1,995,000	A	7	POTW
Eastern Municipal Water District	7216-110*	\$500,000	A	10	EXP USE
Hi-Desert Water District	5295-110	\$119,000,000	A	2	POTW
Hi-Desert Water District	7860-110	\$11,000,000	A	2	EXP USE
Hillsborough, Town of	5402-110	\$8,000,000	A	2	POTW
Isleton, City of	7886-110	\$175,000	A	11	POTW
Nevada County Sanitation District No. 1	7638-110	\$5,000,000	A	10	POTW
San Mateo, City of	7249-110	\$2,300,000	A	7	POTW
Stanislaus, County of	7870-110	\$5,000,000	A	10	POTW
California American Water Company	7844-110	\$132,100,000	B	2	EXP USE
Humboldt Community Services District	7829-110	\$8,500,000	B	2	POTW
Anaheim, City of	7621-110	\$3,100,000	C	2, 4	POTW
Anaheim, City of	7623-110	\$2,250,000	C	7	POTW
Anaheim, City of	7624-110	\$6,500,000	C	2, 4	POTW
Anaheim, City of	7625-110	\$1,400,000	C	2, 4	POTW
Anaheim, City of	7629-110	\$7,700,000	C	7	POTW
Beaumont, City of	7872-110	\$3,000,000	C	2	POTW
Eastern Municipal Water District	7831-110	\$16,810,000	C	2	POTW
Farmersville, City of	5254-110	\$17,000,000	C	9	POTW
Idyllwild Water District	7808-110	\$1,500,000	C	2	POTW
Kern, County of	7874-110	\$500,000	C	10	POTW
Lake Berryessa Resort Improvement District	7869-110	\$6,000,000	C	6	POTW
San Mateo County Burlingame Hills Sewer Maintenance District	7810-110	\$1,000,000	C	2	POTW
San Mateo County Devonshire County Sanitation District	7813-110	\$2,400,000	C	2	POTW
San Mateo County Fair Oaks Sewer Maintenance District	7814-110	\$5,400,000	C	2	POTW
South Tahoe Public Utility District	5611-110	\$1,030,000	C	2	POTW
Springville Public Utility District	5158-110	\$3,219,000	C	2, 11	POTW
Woodland-Davis Clean Water Agency	7873-110	\$194,523,000	C	2, 5	POTW
Eastern Municipal Water District	7861-110	\$22,173,000	D	7	POTW
Fresno County Waterworks District No. 38	7109-110	\$500,000	D	2	POTW
Fresno, County of	5541-110	\$1,200,000	D	2	POTW
Grass Valley, City of	7862-110	\$499,000	D	10	POTW

"Exhibit C" continued on next page...

"Exhibit C" ...continued...

LOAN RECIPIENT NAME	Project Number	IUP Projected Amount	Priority Class	Reason For Delay	Project Type
Red Bluff, City of	7866-110	\$3,555,130	D	2	POTW
Rodeo Sanitary District	7853-110	\$1,170,000	D	7	POTW
San Diego, City of	4905-150	\$26,000,000	D	5	POTW
Santa Barbara, City of	7857-110	\$20,000,000	D	2, 9	POTW
Sausalito-Marín City Sanitary District	7837-110	\$21,800,000	D	2	POTW
Victor Valley Wastewater Rec Authority	7833-110	\$4,500,000	D	2	POTW
Vista, City of	5696-110	\$2,021,400	D	7	POTW
Yuba City, City of	7841-110	\$10,000,000	D	2, 4	POTW
Live Oak, City of	7887-110	\$75,000	E	10	POTW
Western Municipal Water District	7845-110	\$24,000,000	E	2	EXP USE
TOTAL:	42	\$704,395,530			

* Project funded under project number C-06-7889-110

Reason for Delay:

1. Change to the project's scope or objectives
2. Application requires additional studies, more documents, and/or more hearings
3. Changes in design
4. Delays in the bidding process
5. Project conflicts with state funding eligibility laws
6. N/A- financed with other (non-CWSRF) financing
7. N/A- application withdrawn
8. N/A - funded as part of another CWSRF financing agreement
9. N/A - CWSRF financing agreement is pending
10. N/A- financed with CWSRF - SCG financing
11. N/A- Project may be financed with CWSRF - SCG financing

Exhibit D

SFY 2013/2014 DBE ANNUAL REPORT*				
		MBE	WBE	TOTAL
Semi-Annual ARRA	July 1, 2013-September 30, 2013	\$0.00	\$0.00	\$1,033,934.27
Semi-Annual Non-ARRA	July 1, 2013-September 30, 2013	\$5,376,402.23	\$273,996.77	\$5,650,399.00
Cumulative Total	July 1, 2013-September 30, 2013	\$5,376,402.23	\$273,996.77	\$6,684,333.27
Total Disbursements	July 1, 2013 – September 30, 2013			\$113,171,776.25
Percentage to Total Disbursements		4.75%	0.002%	4.75%

*Per US EPA notification on January 10, 2014, DBE reporting changed from Semi-Annual to Annual reporting. Therefore, this Report is based on only the first three reportable months for FY 2013/2014.

Exhibit E

SFY 2013/2014 Green and Subsidy Projects Funded

FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Funding Agreement Number	Agreement Date	Principal Forgiveness ¹	Green Projects ²	Total Agreement Amount
Yountville, Town of	7846-110	13-802	10/23/13	\$0	\$3,465,362	\$3,465,362
Orange County Water District	7868-110	13-808	11/13/13	\$0	\$5,255,000	\$5,255,000
Stockton, City of	7085-110	13-800	11/19/13	\$1,625,000	\$0	\$1,625,000
Placer, County of	5274-110	13-809	11/26/13	\$6,000,000	\$0	\$76,364,000
Holtville, City of	7828-110	13-817	02/18/14	\$4,000,000	\$0	\$7,828,918
Biggs, City of	5544-110	13-810	02/28/14	\$1,331,000	\$0	\$2,662,000
El Cajon, City of	7612-110	13-816	03/10/14	\$2,000,000	\$0	\$11,300,000
Visalia, City of	7215-110	13-818	03/27/14	\$0	\$66,245,000	\$132,490,000
Visalia, City of	7215-120	13-819	03/27/14	\$0	\$13,600,000	\$13,600,000
Inland Empire Utilities Agency	7885-110	13-815	04/29/14	\$1,050,337	\$0	\$17,100,000
Jamestown Sanitary District	8000-110	13-833	05/01/14	\$480,000	\$0	\$480,000
Woodlake, City of	7878-110	13-834	05/13/14	\$500,000	\$0	\$500,000
Victor Valley Wastewater Rec Authority	4806-110	13-847	06/24/14	\$0	\$24,656,757	\$24,656,757
Victor Valley Wastewater Rec Authority	4807-110	13-839	06/24/14	\$0	\$33,508,015	\$33,508,015
Inland Empire Utilities Agency	5318-110	13-835	06/26/14	\$0	\$26,500,000	\$26,500,000
Napa County Department of Public Works	5210-110	13-844	06/27/14	\$0	\$9,859,434	\$9,859,434
Total:	16			\$16,986,337	\$183,089,568	\$367,194,486

Notes:

1. Includes projects receiving category 1 and 2 Principal Forgiveness.
2. All Green projects are Water Efficiency Projects that meet the requirements to be considered as categorical. The projects did not require a business case justification.

Exhibit F

SFY 2013/2014 Projects Reported to FFATA						
FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Agreement Date	FFATA Reporting Due	Date Reported	FFATA* Reporting Amount	Total Agreement Amount
Placer County Sewer Maintenance District #3	5283-110	11/25/13	12/31/13	12/16/13	\$9,474,099	\$9,747,099
Placer, County of	5274-110	11/26/13	12/31/13	12/31/13	\$76,364,000	\$76,364,000
South Pasadena, City of	7863-110	12/20/13	01/31/14	01/31/14	\$9,373,901	\$11,000,000
TOTAL:					\$95,212,000	\$97,111,099
*Based on FFY 2013 Capitalization Grant of \$95,212,000						

Exhibit G

SFY 2013/2014 Projects with Financing Servicing Fees

Fund 3147 - Small Community Grant Fee (percentage of outstanding principal balance)				
Contract Number	Project Number	Recipient	Fee Rates	
00-808	4521-110	Riverbank, City of	2.6%	
07-810	5051-110	Reedley, City of	2.4%	
07-812	4699-110	Crescent City, City of	2.4%	
07-828	4438-110	Colusa, City of	2.4%	
07-829	5085-110	Union Sanitary District	2.7%	
08-804	4729-130	La Mesa, City of	2.6%	
08-813	5055-110	Patterson, City of	2.6%	
08-814	4352-110	Lake Arrowhead Community Services Dist.	2.6%	
08-815	4680-110	Ventura, County of	2.6%	
08-816	4916-110	Los Angeles County Sanitation District	2.6%	
08-817	4148-110	Rosamond Community Services Dist	2.6%	
08-838	5139-110	Hughson, City of	1.0%	
08-854	4729-140	La Mesa, City of	1.0%	
09-850	4688-110	Oakdale, City of	2.5%	
09-856	5043-110	Galt, City of	2.9%	

Fund 9739 - Admin Service Fee (1% of outstanding principal balance)				
Contract Number	Project Number	Recipient	Fee Rates	
00-801	4610-120	Vacaville, City of	1.0%	
00-802	4665-110	Stege Sanitary District	1.0%	
00-804	4486-110	Templeton Community Services District	1.0%	
00-809	4708-110	Redding, City of	1.0%	
00-818	4062-220	Santa Rosa, City of	1.0%	
00-825	4062-170	Santa Rosa, City of	1.0%	
00-831	4062-250	Santa Rosa, City of	1.0%	
01-803	4053-110	McCloud Community Services District	1.0%	
01-810	4062-160	Santa Rosa, City of	1.0%	

01-811	4062-230	Santa Rosa, City of	1.0%	
01-813	6036-110	Santa Cruz, County of	1.0%	
01-814	4062-150	Santa Rosa, City of	1.0%	
02-821	4812-110	Napa Sanitation District	1.0%	
02-825	4658-110	Victor Valley Wastewater Rec Authority	1.0%	
02-826	4845-110	Santa Margarita Water District	1.0%	
02-827	4802-110	Corona, City of	1.0%	
03-804	4657-110	Tahoe-Truckee Sanitation Agency	1.0%	
03-806	4528-210	Benicia, City of	1.0%	
03-846	4783-110	Los Angeles County Sanitation District	1.0%	
03-847	4783-210	Los Angeles County Sanitation District	1.0%	
04-802	6085-110	The Nature Conservancy	1.0%	
04-814	4450-110	Coachella Sanitary District	1.0%	
04-815	4252-510	La Canada Flintridge, City of	1.0%	
05-803	4693-110	Petaluma, City of	1.0%	
05-809	4665-210	Stege Sanitary District	1.0%	
05-810	4200-110	Yucaipa Valley Water District	1.0%	
05-811	4729-110	La Mesa, City of	1.0%	
06-803	4971-110	Redding, City of	1.0%	
07-815	4632-110	Alturas, City of	1.0%	
07-816	4728-120	South San Francisco, City of	1.0%	
07-818	4729-120	La Mesa, City of	1.0%	
07-819	4971-210	Redding, City of	1.0%	
07-825	4303-110	East Bay Municipal Utility District	1.0%	
93-805	6006-110	Davis, City of	1.0%	
93-810	6022-110	Pacheco Water District	1.0%	
93-819	4330-110	Goleta Sanitary District	1.0%	
94-806	4108-110	Cambria Community Services District	1.0%	
96-805	6014-110	San Luis Water District	1.0%	
96-820	4360-110	Davis, City of	1.0%	
97-804	4001-220	Los Angeles County Sanitation District	1.0%	
97-809	4505-110	Placerville, City of	1.0%	
97-813	6031-110	Mammoth Lakes, Town of	1.0%	

"Exhibit G" continued on next page...

“Exhibit G” ...continued...

97-814	4648-110	Rialto, City of	1.0%	
97-817	4251-110	Colton, City of	1.0%	
97-827	4614-110	South San Francisco, City of	1.0%	
98-813	4262-110	Humboldt County Res. Imp. Dist. 1	1.0%	
98-818	4001-250	Los Angeles County Sanitation District	1.0%	
98-837	4452-110	Santa Ana Watershed Project Authority	1.0%	
99-802	4704-110	Windsor, Town of	1.0%	
99-805	4610-110	Vacaville, City of	1.0%	
99-807	4679-110	Los Angeles, County of	1.0%	
99-811	4429-120	Thousand Oaks, City of	1.0%	
99-819	4666-110	American Canyon, City of	1.0%	
99-829	4616-110	Calistoga, City of	1.0%	

01-825	4790-110	Vallejo Sanitation & Flood Dist.	1.0%	1.5%
02-804	4252-410	La Canada Flintridge, City of	1.0%	1.4%
02-809	4846-130	Inland Empire Utilities Agency	1.0%	1.5%
02-810	4772-110	Burlingame, City of	1.0%	1.5%
02-811	6061-120	Napa, County Of, Flood Control and Water	1.0%	1.5%
02-816	4801-110	North San Mateo County Sanitation District	1.0%	1.5%
02-817	4655-120	Piedmont, City of	1.0%	1.5%
02-818	4307-110	San Luis Obispo, City of	1.0%	1.5%
02-823	4007-610	Alameda, City of	1.0%	1.6%
02-824	4728-110	South San Francisco, City of	1.0%	1.5%
03-801	4695-110	Escondido, City of	1.0%	1.4%
03-811	4655-130	Piedmont, City of	1.0%	1.5%
03-848	4783-310	Los Angeles County Sanitation District	1.0%	1.3%
05-808	4844-110	North Marin Water District	1.0%	1.4%
06-801	4823-110	Sonoma Valley County Sanitation District	1.0%	1.3%
06-802	6090-110	The Conservation Fund	1.0%	1.3%
06-806	4969-110	Nevada County Sanitation District #1	1.0%	1.2%
07-813	5053-110	Union Sanitary District	1.0%	1.4%
07-817	6093-110	St Helena, City of	1.0%	1.4%
07-820	4790-120	Vallejo Sanitation & Flood Dist.	1.0%	1.4%
07-835	5045-110	Union Sanitary District	1.0%	1.7%
07-836	4470-110	Colfax, City of	1.0%	1.4%
98-811	6050-110	Merced, County of	1.0%	1.6%
98-816	4429-110	Thousand Oaks, City of	1.0%	1.4%
98-817	4001-260	Los Angeles County Sanitation District	1.0%	1.4%
98-826	6026-110	South Lake Tahoe, City of	1.0%	1.6%
98-828	6061-110	Napa, County Of, Flood Control and Water	1.0%	1.4%
99-830	4452-140	Santa Ana Watershed Project Authority	1.0%	1.6%
99-831	4653-110	Sacramento, City of	1.0%	1.6%

Fund 3147 and 9739 (percentage of outstanding principal balance)				
Contract Number	Project Number	Recipient	Fee Rates	
			Admin	SCG
00-805	4596-110	Hilmar County Water District	1.0%	1.6%
00-806	4685-110	Sacramento, City of	1.0%	1.6%
00-815	4465-110	Yreka, City of	1.0%	1.6%
00-816	4062-140	Santa Rosa, City of	1.0%	1.6%
00-819	4086-110	Lake County Sanitation District	1.0%	1.6%
01-802	4173-110	Laguna County Sanitation District	1.0%	1.4%
01-804	4655-110	Piedmont, City of	1.0%	1.4%
01-815	4771-110	Union Sanitary District	1.0%	1.4%
01-816	4684-110	Ventura, County of	1.0%	1.4%
01-817	4062-240	Santa Rosa, City of	1.0%	1.6%
01-821	4800-110	Redlands, City of	1.0%	1.5%

Exhibit H

SFY 2013/2014 Small Community Grant (SCG) Projects			
Project Number	Financial Assistance Recipient Name	Planning Project	SFY 2013/2014 SCG Funding
4930-110	Tulelake, City of *		\$2,205,650.00
5957-110	Willow Creek Community Services District **	x	\$304,282.00
7211-110	Madera, County of **	x	\$168,200.00
7638-110	Nevada County Sanitation District #1		\$1,216,962.08
7832-110	San Joaquin, City of	x	\$394,000.00
7862-110	Grass Valley, City of	x	\$499,000.00
7870-110	Stanislaus, County of		\$4,951,094.00
7874-110	Kern, County of	x	\$500,000.00
7887-110	Live Oak, City of	x	\$75,000.00
7889-110	Eastern Municipal Water District	x	\$500,000.00
7892-110	Cuyama Community Services District	x	\$160,000.00
7895-110	Farmersville, City of ***		\$3,775,811.00
7896-110	Colusa, City of	x	\$250,000.00
Total committed from \$15 million SFY 2013/2014 SCG Funding Allocation:			\$14,999,999.08
* \$2,205,650 from 2013/2014 allocation will supplement funds from a previous \$3,794,350 funding commitment			
** Funds from 2013/2014 allocation supplemented with funds from 2012/2013 SCG allocation as follows: Willow Creek Community Services District = \$195,523 from 2012/2013 plus \$304,282 from 2013/2014 = \$499,805 Madera County: \$284,800 from 2012/2013 plus \$168,200 from 2013/2014 = \$453,000			
*** Agreement for City of Farmersville in process for execution during SFY 2014/2015			

Members & Executive Director

STATE WATER RESOURCES CONTROL BOARD



Felicia Marcus
BOARD CHAIR

Felicia Marcus is chair of the State Water Resources Control Board. Before her appointment to the Water Board, she was Western Director for the Natural Resources Defense Council (NRDC). Prior to joining NRDC, she served as Executive VP/ COO of the Trust for Public Land, a national non-profit devoted to conserving land for people. She also served as the Regional Administrator of the U.S. EPA Region IX in the Clinton Administration and, prior to that, she headed the Los Angeles Department of Public Works.



Frances Spivy-Weber
BOARD VICE CHAIR

Frances Spivy-Weber of Redondo Beach is vice chair of the State Water Resources Control Board. Before being appointed to the Water Board, she served as the executive director of the Mono Lake Committee. She also served as the director of international programs for the National Audubon Society, was a legislative assistant for the Animal Welfare Institute, and a member of the Bay-Delta Public Advisory Committee. She has a Master's degree from the Johns Hopkins University School of Advanced International Studies and a Bachelor's degree from the University of Texas.



Tam M. Doduc
BOARD MEMBER

Tam Doduc serves as the civil engineer on the State Water Resources Control Board. Before being appointed to the Water Board, Doduc served as Deputy Secretary at the California Environmental Protection Agency (Cal/EPA). A licensed civil engineer, Ms. Doduc earned a Bachelor of Science in BioEngineering from the University of California at Berkeley, and a Master of Science in Civil Engineering from the California State University in Sacramento. She also earned a Master of Business Administration from the University of California at Berkeley.

2014

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Steven Moore
BOARD MEMBER

Steven Moore is the professional engineer on the State Water Resources Control Board. Before joining the Water Board he was a civil engineer in Marin County. He has worked more than 20 years on water issues as a consultant, and as both staff and a Board Member with the San Francisco Bay Regional Water Board. He served on the Federal Aquatic Nuisance Species Task Force from 2002 to 2006. Mr. Moore was actively involved in the 2007 update of the San Francisco Bay Estuary's Comprehensive Conservation and Management Plan.



Dorene D'Adamo
BOARD MEMBER

Dorene D'Adamo is the attorney member on the Board. Before her appointment she served on the California Air Resources Board. She was also a representative on the CALFED team and "Red Team" for UC Merced, and has served in a variety of roles within California's criminal justice system. Currently she also serves on the Valley Coalition for UC Merced's Medical School and on the board of the Governor's Partnership for the San Joaquin Valley. Ms. D'Adamo earned a bachelor's degree from the University of California at Davis and a Juris Doctor from the University of the Pacific, McGeorge School of Law.



Tom Howard
EXECUTIVE DIRECTOR

Thomas Howard has been employed with the State Water Resources Control Board for over 26 years. During that time, Mr. Howard has worked in many of the water quality and water rights programs at the Water Board. He was appointed Deputy Director at the Board in October 2000 and Executive Director in August 2010. Mr. Howard earned a bachelor's degree in chemistry at U.C. Berkeley, a master's degree in chemical engineering at U.C. Davis, and a master's degree in chemistry at the California Institute of Technology.



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