

STATE WATER RESOURCES CONTROL BOARD PRESENTS
THE CLEAN WATER STATE REVOLVING FUND
SFY 2015-16 ANNUAL REPORT

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





MISSION STATEMENT

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

VISION STATEMENT

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



CALIFORNIA

Water Boards

STATE WATER RESOURCES CONTROL BOARD
REGIONAL WATER QUALITY CONTROL 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 and drinking water.

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

There are 24 Drinking Water Districts throughout the state. The Drinking Water Districts issue permits to drinking water systems, inspect water systems, monitor drinking water quality, and set and enforce drinking water standards.

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

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

Members and Executive Director

STATE WATER RESOURCES CONTROL BOARD



Felicia Marcus
BOARD CHAIR

Felicia Marcus is Chair of the State Water Resources Control Board. Before being appointed to the Water Board, she served in positions in government, the non-profit world, and the private sector. She was the Regional Administrator of the USEPA Region IX and headed the LA Department of Public Works. She was also the Western Director for the Natural Resources Defense Council (NRDC) and Executive VP/COO of the Trust for Public Land. Chair Marcus serves or has served in the past on many non-profit boards and Advisory Councils. She currently is an Obama Administration appointee to the Commission on Environmental Cooperation-Joint Public Advisory Council (US, Mexico, Canada).



Frances Spivy-Weber
BOARD VICE-CHAIR

Frances Spivy-Weber is Vice-Chair of the State Water Resources Control Board. Before being appointed to the Water Board, she served as Executive Director of the Mono Lake Committee. She also served as 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. Ms. Spivy-Weber currently serves as Chair of the Water Policy Center Advisory Council with the Public Policy Institute of California; Member of the Advisory Board of Syzergy; and Member of the Advisory Committee on Recycled Water and Direct Augmentation of Surface Waters and Feasibility of Direct Potable Reuse.



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, she served as Deputy Secretary at the California Environmental Protection Agency (Cal/EPA), where she directed the agency's environmental justice and external scientific peer review activities. She also coordinated environmental quality initiatives, and provided general oversight of children's environmental health programs. A licensed civil engineer, Ms. Doduc began her career as an environmental consultant and then joined the staff of the State Water Board, the California Air Resources Board, and then served as Cal/EPA's Assistant Secretary for Technology Certification and Assistant Secretary for Agriculture, Air and Chemical Programs.

SFY 2015-16

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Steven Moore
BOARD MEMBER

Steven Moore was appointed to the State Water Resources Control Board in 2012. He previously served on the San Francisco Bay Regional Water Board from 2008-2012. Before joining the Water Board he was a civil engineer in Marin County. He has worked as an engineering consultant on a wide variety of water infrastructure projects, stream and wetland restoration projects, and Environmental Impact Reports throughout California, and in various clean water regulatory programs. He also served on the Federal Aquatic Nuisance Species Task Force. Mr. Moore was actively involved in the 2007 update of the San Francisco Bay Estuary's Comprehensive Conservation and Management Plan, focusing on drainage infrastructure renewal and pollution prevention.



Dorene D'Adamo
BOARD MEMBER

Dorene D'Adamo was appointed to the State Water Resources Control Board in 2013. She previously served on the California Air Resources Board where she was instrumental in the board's air quality and climate change programs and regulations. Ms. D'Adamo served in various capacities for Members of Congress from the San Joaquin Valley. She was also a representative on the CALFED team and Red Team for the development of UC Merced, and served in a variety of roles within California's criminal justice system. Currently she also serves on the board of the California Partnership for the San Joaquin Valley and on the Executive Committee of the Valley Coalition for UC Merced's Medical School.



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 UC Berkeley, a master's degree in chemical engineering at UC Davis, and a master's degree in chemistry at the California Institute of Technology.

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I. Introduction

This is the Annual Report of the California Clean Water State Revolving Fund (CWSRF) Program for State Fiscal Year (SFY) 15/16, covering July 1, 2015, through June 30, 2016. California provided approximately \$1.058 billion in low-cost financing to 31 projects in SFY 2015-16, which represent a wide variety of projects eligible for the CWSRF Program. This report describes how the State Water Resources Control Board (State Water Board) met the objectives for the CWSRF Program identified in the [Federal Fiscal Year \(FFY\) 2015 Intended Use Plan](#).



II. Program Summary

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

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

As of June 30, 2016, the total CWSRF funds available for financial assistance and other valid program purposes since inception are \$8.338 billion. The State Water Board has committed to projects through binding commitments (executed financing agreements) approximately 107 percent of all available funds. The State Water Board has disbursed to financing recipients or expended for valid program purposes about 90 percent of all available funds as of June 30, 2016. Cumulative Program Activity from inception through the end of SFY 15/16 is described in Table 1 below.

Table 1: Cumulative Activity Since Program Inception¹

Activity	Life of Program
Number of Financing Agreements	743
Value of All Financing Agreements	\$8.978 billion ²
Cumulative Disbursements and Expenditures	\$7.568 billion ²

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

The CWSRF is used to finance a broad range of projects. Figure 1 below shows the relative funding the Program has provided since 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.

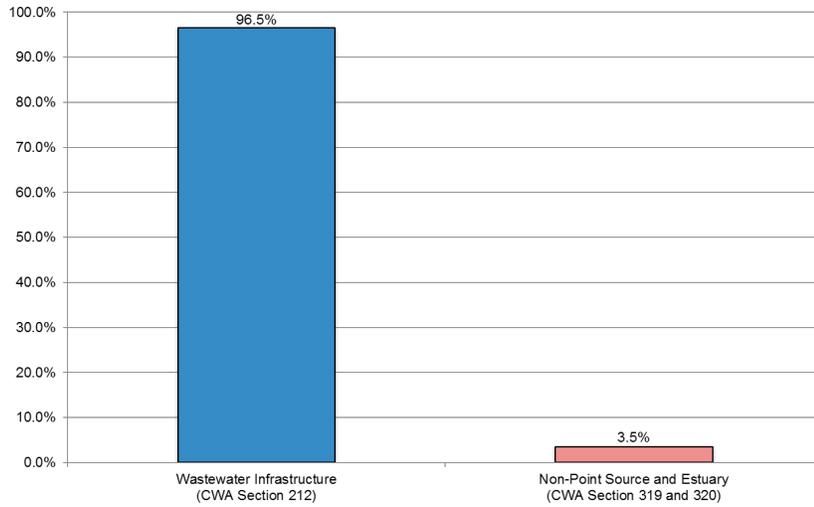
As shown in Figure 1, most funds are used to construct and improve wastewater infrastructure, with the remainder used for NPS and estuary projects.

¹ Program activity includes matching funds provided by financing recipients.

² Amount includes ARRA funds.

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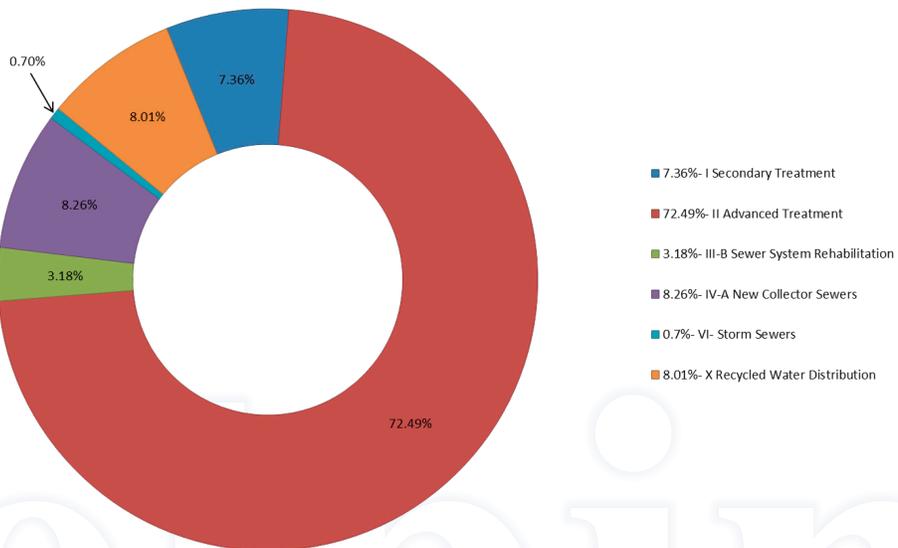
Figure 1: cwsrf funding by project type*



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

Figure 2 below illustrates the categories of projects funded in SFY 15/16. The six categories represent both wastewater and storm water infrastructure, with the five wastewater categories representing more than 99 percent of total funding in SFY 15/16. This demonstrates the CWSRF's vital role in maintaining and improving California's wastewater infrastructure.

Figure 2: cwsrf funding categories*



*Percentages were calculated based on total funding amounts for each category in SFY 15/16

III. Program Goals and Financial Results

A. SHORT-TERM GOALS

This section discusses the State Water Board's efforts to meet the following short-term goals for the CWSRF Program in SFY 15/16.

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 quarterly internal finance/audit committee meetings that summarize the State Water Board's current CWSRF 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 by State Water Board staff before approving financing for each project.

2. Continue regular finance/audit committee meetings

State Water Board staff conducted finance/audit committee meetings on July 21, 2015, October 21, 2015, January 28, 2016, and April 26, 2016. 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, tax compliance issues, and plan for upcoming audits.

3. Continue regular project staging meetings

State Water Board staff conducted monthly staging meetings in SFY 15/16 to identify and resolve process delays affecting active project applications and to ensure a robust pipeline of new projects.

4. Apply for and accept the FFY 2015 Capitalization Grant

The State Water Board submitted its FFY 2015 Capitalization Grant application on June 17, 2015. The

United States Environmental Protection Agency (USEPA) awarded the grant for \$99,763,000 to the State Water Board on August 25, 2015, and mailed it on September 1, 2015. The State Water Board has provided the necessary state match through excess state bond funds and local match contributions to the Program.

5. Prepare Annual Report and Audited Financial Statements for SFY 15/16

Audited financial statements for the year ending June 30, 2016 were completed October 6, 2016, and are included as Exhibit A in this report. The Annual Report and audited financial statements are posted online at http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/pubs.shtml.

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 Program in SFY 15/16.

7. Adopt the SFY 16/17 IUP

The SFY 16/17 IUP was adopted by the State Water Board on June 21, 2016. It will guide the marketing and assistance efforts in that fiscal year to help the Program address the State Water Board's highest funding priorities.

8. Report activities supporting the California Water Action Plan, State Water Board's Strategic Plan, the Cal/EPA Strategic Vision, and the USEPA Strategic Plan

In SFY 15/16, the State Water Board continued to report activities supporting the USEPA strategic goals via the CWSRF Annual Report, Clean Water Benefits Reporting System, and Clean Water National Information Management System (NIMS). State Water Board staff reported via the Federal Funding Accountability and

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Transparency Act (FFATA) Reporting System for an amount equal to the FFY 2015 Capitalization Grant. Exhibit F lists the projects reported to FFATA for FFY 2015.

9. Develop sustainability and climate change worksheet

The Division of Financial Assistance (DFA) developed a [worksheet](#) that has been included in the CWSRF funding application. The worksheet will require applicants to evaluate their projects to ensure that they address the issues of sustainability and climate change.

10. Marketing and Outreach

State Water Board staff participated in six California Financing Coordinating Committee (CFCC) funding fairs during SFY 15/16. The funding fairs provide members of the public and infrastructure development professionals current information on funding options available for different project types.

State Water Board staff also participated in several

B. LONG-TERM GOALS

This section discusses the State Water Board's efforts to meet the following long-term goals for the CWSRF Program.

1. Maximize cash flow management

Throughout the year, the Program receives cash through loan repayments, capital contributions, bond sales, and investment earnings, and disburses cash to financing recipients, bond holders, and for Program expenses. Ideally, CWSRF disbursements should be equal to the Program's receipts, less any funds needed to maintain a \$25 million minimum cash balance and meet bond payments and expenses, to get the most water quality benefit from the available CWSRF funds.

Historically high cash balances were an indication that the Program has a higher financing capacity. During SFYs 13/14, 14/15, and 15/16, though, the State Water Board has made above average commitments. As a result, the cash balance decreased from about \$430 million on July 1, 2013 to approximately \$128 million on April 5, 2016.

Staff continues to monitor cash flow trends through its management reports and finance/audit committee meetings and to market the CWSRF to ensure that the cash balance is not increasing and that sufficient funds

conferences throughout the year to provide updated information on the CWSRF Program. These conferences include the California Special Districts Association 2015 Annual Conference, League of California Cities 2015 Annual Conference, California Rural Water Association 2016 Expo, 2016 WaterReuse California Annual Conference, California-Nevada Section American Water Works Association 2016 Spring Conference, California Water Environment Association 2016 Annual Conference, and Association of California Water Agencies 2016 Spring Conference.

11. Update the CWSRF Policy to reflect the Water Resources Reform and Development Act of 2014 (WRRDA)

The CWSRF Policy was amended by the State Water Board on February 17, 2015, to address WRRDA changes that were consistent with state CWSRF statutes existing at that time. Additional Policy changes to reflect the remaining aspects of WRRDA were not completed in SFY15/16, but are planned to resume in SFY 16/17.

are available to meet all expenses and 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 State Water Board has substantial CWSRF revenue that can be leveraged to fund more projects at current costs to address California's large water quality needs.

The Program obtained additional capital this year by selling \$410,735,000 par value of bonds in April 2016. Staff continues to monitor cash flows and financing forecasts to determine whether additional capital will be needed to fund projects in the future.

3. Maintain financial integrity

The State Water Board continued its credit review and borrower surveillance to ensure loans are repaid on time and in full. The State Water Board analyzes each applicant's finances 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 public disapproval during the 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 within the Program are required yearly to file a "Statement of Economic Interest" with the California Fair Political Practices Commission and complete 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 State Water Board's CWSRF website.

4. 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 that received CWSRF financing during SFY 15/16 are summarized in Section IV of this report.

5. Achieve sustainable water resource management

Twelve of the CWSRF projects funded during SFY 15/16 were water recycling projects that helped offset or augment fresh water supplies, making California's water supply more sustainable and resilient. Applicants for CWSRF infrastructure financing certified the existence of fiscal sustainability plans (FSP). A certified FSP includes an inventory of critical treatment works assets, an evaluation of the condition and performance of the assets, a certification that the applicant evaluated and will be implementing water and energy conservation, and a plan

for maintaining, repairing, and replacing the treatment works and funding those activities. As of October 1, 2015, public agencies that receive CWSRF funds must certify that they have performed a cost and effectiveness analysis and have selected a project to maximize the efficient use, reuse, and recapture of water. Financed projects must maximize conservation of water and energy and take into account the costs of construction, operation, and maintenance over the life of the project, as well as replacement of the project. The State Water Board applies water conservation requirements to applicants and requires their compliance with a number of specific state water management laws, where applicable, including urban water management planning, Delta Plan, and water metering requirements.

6. Finance infrastructure that will achieve or maintain compliance with federal and state water quality requirements

CWSRF projects generally support the California Water Action Plan, the Water Boards' Strategic Plan, Cal/EPA's Strategic Vision, and USEPA's Strategic Plan Goal 2 (Protecting America's Waters), Objective 2.2 (Protect and Restore Watersheds and Aquatic Ecosystems), Sub-Objective 2.2.1 (Improve Water Quality on a Watershed Basis). The State Water Board provided CWSRF financing for approximately \$1.058 billion for infrastructure improvements during SFY 15/16 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.

7. 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 three projects in SFY 15/16 that will help address non-point pollution, storm water, and estuaries. Hi-Desert Water District received approximately \$142 million in CWSRF financing to construct a wastewater treatment facility for the Town of Yucca Valley. The wastewater treatment plant will help the Town of Yucca Valley eliminate septic tank discharges, a form of non-point pollution, to meet the Colorado River Basin Regional Water Board's septic tank prohibition. The State Water Board also provided the City of Malibu approximately \$51 million in CWSRF financing

to construct a wastewater treatment and recycling facility that will eliminate septic tank discharges in the Civic Center area of the city. The project is the first phase of the City of Malibu's efforts to meet the Los Angeles Regional Water Board's septic tank prohibition. The State Water Board also provided approximately \$7 million in CWSRF financing to the Public Utilities Commission of the City and County of San Francisco for the Lake Merced Green infrastructure project to install bio-retention planters and vegetated strips along Holloway Avenue to capture storm water runoff before it enters the storm drainage system.

8. Invest in disadvantaged communities disproportionately affected by pollution and water contamination

On July 1, 2008, the State Water Board adopted [Resolution No. 2008-0048](#), the [Small Community Wastewater Strategy \(Strategy\)](#), to assist small and/or DACs with their wastewater needs. On May 18, 2016, the State Water Board's Office of Sustainable Water Solutions presented information to the State Water Board and the public about a new combined three-year strategy for small and/or DAC wastewater and drinking water capacity development. The strategy provides an overview of the challenges these communities face, including failing septic systems, failing and undersized wastewater treatment plants, higher per capita costs, lower household incomes for DACs, and prohibitive rates. The combined strategy discusses options and offers solutions to help address the pollution and water contamination issues these communities face. The State Water Board has targeted small disadvantaged communities for grants, principal forgiveness, and reduced interest rates.

9. Support the state's greenhouse gas reduction and climate adaptation goals to the maximum extent practicable

During SFY 15/16, the State Water Board added a Water Resource Control Engineer (WRCE) position, funded by Assembly Bill 32, the Global Warming Solutions Act. This WRCE is DFA's technical advisor on climate change strategy, sustainability, and greenhouse gas (GHG) reductions. Consistent with the President's Climate Action Plan and the California Air Resources Board's Climate Change Scoping Plan, the State Water Board is looking for actions to incentivize sustainable water related infrastructure and water quality protection and improvement projects. The climate change WRCE helps communities with resiliency and sustainability, develops climate change decision-

making protocols, develops GHG-reduction procedures, and evaluates the outcomes of the State Water Board's funding decisions to determine the benefits of those choices. By providing technical knowledge and helping funding recipients adapt, the State Water Board can meet its sustainability and climate change goals.

10. Provide good service with a special emphasis on disadvantaged communities (DACs)

To help DACs navigate the funding process, 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 (Small DACs) statewide. The types of technical assistance provided include:

- 1) the preparation of financial assistance applications;
- 2) compliance audits and troubleshooting to address permit violations or improve operations;
- 3) reviews of proposed project alternatives to assist in identifying low-cost, sustainable approaches;
- 4) assistance with planning and budgets, including capital improvement planning; and
- 5) 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 Small DAC allotted 30 hours of technical assistance. DFA staff may approve additional time on a case-by-case basis.

As identified in Exhibit B, two of the 31 CWSRF projects funded during SFY 15/16 assisted DACs. In addition, 14 projects for a total of \$5,973,640 were funded during SFY 15/16 with Proposition 1 (Prop 1) Small Community Grant (SCG) funding. CWSRF financing for DACs is provided in conjunction with grant funds from the SCG fund. The SCG fund is composed of both in-lieu of interest funds and Prop 1 general obligation bond funds.

11. Ensure application forms and review procedures are clear, flexible, up-to-date, and efficient

The State Water Board continued to use its existing CWSRF application forms during SFY 15/16 with no significant modifications or changes made to the forms or procedures.

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

State Water Board 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. The CWSRF program also completed three sessions out of a planned series of four training sessions on basic CWSRF application procedures to train new staff hired during SFY 15/16.

C. OPERATING AGREEMENT AND 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 \$1.058 billion was financed in SFY 15/16. Ninety-nine percent of all funding was used to enhance wastewater treatment, collection systems, or wastewater recycling. The remaining one percent of funds was used to fund stormwater, NPS and estuary projects in SFY 15/16.

In SFY 15/16, 85 of 116 projects listed in the IUP were not funded. Exhibit C details the reasons those projects 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.

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, loans, 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 SFY 15/16 IUP.

The State Water Board offered planning and design financing during SFY 15/16. 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 standard 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.

Small DACs or an NPS or estuary management project may receive a lower interest rate, not less than zero percent, under certain conditions where necessary to make a project affordable as directed by the State Water Board in the IUP. During SFY 15/16, the State Water Board did not provide reduced interest rate financing to any Small DAC, NPS, or estuary projects.

On February 16, 2016, the State Water Board rescinded the \$800 million cap in one-percent financing for water recycling projects established in Board resolution 2014-0015 and offered one percent financing for any eligible water recycling project where a complete application was submitted on or before December 2, 2015. DFA received over \$976 million in recycled water applications deemed complete and eligible to proceed with a one-percent commitment. During SFY 15/16, twelve water recycling agreements were executed with a one-percent rate under this directive:

- 1) City of Pleasanton (8024-110)
- 2) Pajaro Valley Water Management Agency (8072-110)
- 3) City of Fresno (8061-110)
- 4) County of Fresno (5541-110)

- 5) City of Pacific Grove (8026-110)
- 6) City of Malibu (8018-110)
- 7) Orange County Water District (8101-110)
- 8) Sacramento Regional County Sanitation District (8082-110)
- 9) Pajaro Valley Water Management Agency (8072-120)
- 10) Eastern Municipal Water District (7831-110)
- 11) North Marin Water District (8086-110)
- 12) Pajaro Valley Water Management Agency (8072-130)

Because the CWSRF is over-matched, as explained in the next section, the State Water Board did not offer the match financing option during SFY 15/16.

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 SFY 15/16, the total Capitalization Grant amount awarded to the State Water Board for the CWSRF Program was \$2.956 billion. Of this amount, \$280 million did not require the 20 percent match because the funds were from the American Recovery and Reinvestment Act of 2009 (ARRA). As of June 30, 2016, the State Water Board drew \$2.630 billion in CWSRF federal grants that required a 20 percent match. The required match for federal grants drawn by the State Water Board was \$526 million.

California uses a combination of state general obligation bonds repaid from non-CWSRF sources and funds contributed by CWSRF applicants to meet the 20 percent match requirement. A total of \$638 million in matching funds has been contributed to the CWSRF; therefore, California contributed \$112 million more to its CWSRF than is required to match grants drawn as of June 30, 2016.

Note: 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, 2016, executed binding commitments totaled \$8.978 billion, or 308 percent of the \$2.910 billion in federal payments received as of June 30, 2016.

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 commits future cash flows to projects in advance of receiving the cash. Both factors contribute to the goal of efficiently using cash available to the Program.

Expenditure (disbursement) of CWSRF funds usually begins soon after a financing agreement is executed. Typically, financing recipients request disbursement for past planning and design costs shortly after the initial agreement is executed. These requests are quickly followed by requests for disbursement of construction or implementation costs. Financing recipients can request disbursements as often as needed. State Water Board staff periodically compares the rate at which applicants are requesting disbursements with the progress of construction on their projects. Applicants are reminded to submit claims 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 U.S. 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 U.S. 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 USEPA for CWSRF expenditures incurred.

Requested funds are deposited electronically the next business day to the accounts 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 U.S. Treasury) with the total federal payments and grant awards to the State Water Board. As of June 30, 2016, \$2.910 billion in federal funds were disbursed. The CWSRF Program received \$2.956 billion in federal payments and \$2.956 billion in federal grant awards. Therefore, as of June 30, 2016, 98.4 percent of the total federal payments were disbursed and 98.4 percent of the total federal grant awards were disbursed.

6. Eligible Activities

The State Water Board requires each applicant to submit a [detailed application](#) to ensure that USEPA's eligibility requirements are met. All activities financed were eligible under Section 603(c) 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 USEPA beginning FFY 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 construction financing recipients in SFY 15/16 was 0.04 percent for MBE and 0.01 percent for WBE. The overall DBE participation was 0.05 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 construction financing recipients.

All construction projects financed during SFY 15/16 were required to comply with Davis-Bacon prevailing wage requirements. Each financing agreement, where applicable, included provisions requiring applicants to

follow Davis-Bacon requirements. Staff reviews reports and verifies 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 project-specific files. State Water Board staff reviews 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 are 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 USEPA applies.

8. Use of Capitalization Grant Administration Allowance

Up to four percent of the Capitalization Grants awarded to the State Water Board have been used for administration of the Program³. The total funds awarded to the State Water Board as of June 30, 2016 were \$2.956 billion.

The Capitalization Grant administration cost (administrative expenses) incurred by the CWSRF Program during SFY 15/16 was \$329,000. This amount included Operating Expenses of \$397,000, Pension Expenses of \$76,000 and Bond Fees of \$8,000. Other administration expenses were paid from the CWSRF Administration Fund held outside the CWSRF.

As of June 30, 2016, the cumulative total expended from the CWSRF for administration is \$96.5 million. The maximum available for administration from the Capitalization Grants is \$118 million; therefore, cumulatively 3.27 percent of the Capitalization Grants have been incurred in administering the Program. The balance available for future administrative expenses from the four percent administrative set aside is \$21 million. The balance will be banked for potential use in the future.

The administrative expenses for SFY 99/00 through SFY 15/16 are shown in Table 2 (page 16).

³ Per section 603 (d)(7) of the Water Resources Reform and Development Act of 2014 (WRRDA)– The maximum annual amount of the CWSRF money that may be used to cover the reasonable costs of administering the fund is the greatest of the following: Four percent of all grant awards to such fund under this title, \$400,000 per year, or 1/5 percent per year of the current valuation of the fund, whichever amount is greatest, plus the amount of any fees collected by the State for such purpose regardless of the source. The maximum allowance based on the above criteria is \$7.839 million per year. The CWSRF program has overseen the fund with an average administrative cost of \$3.849 million per year.

9. Additional Subsidy and Green Project Reserve Requirements

In accordance with USEPA requirements, a portion of each CWSRF Capitalization Grant must be used for additional subsidization and the funding Green Project Reserve projects. Table 3 (page 17) demonstrates the minimum and maximum additional subsidy permitted per USEPA requirements, albeit the State Water Board has allocated the maximum allowable additional subsidy for eligible projects. Table 3 also demonstrates the total additional subsidy amount committed to CWSRF projects and assigned to the additional subsidy authority of the respective CWSRF Capitalization Grant, including corresponding balance, as of June 30 2016. Table 3 also represents the disbursement status of such additional subsidy as of June 30, 2016 based upon USEPA's Capitalization Grant disbursement policies. In conclusion, of the total \$129,373,479.23 allocated by the State Water Board for additional subsidy in accordance with USEPA requirements, a total of \$29,283,221.77 of additional subsidy remains to be committed and disbursed to eligible CWSRF projects as of June 30, 2016.

Table 4 (page 17) demonstrates the minimum amount of a CWSRF Capitalization Grant that must be allocated for the Green Project Reserve per USEPA requirements. It also demonstrates the amount of Green Project Reserve funding committed to CWSRF projects as of June 30, 2016 and assigned under the authority of the respective CWSRF Capitalization Grant. Table 4 also demonstrates the disbursements of Green Project Reserve funding by fiscal year. In conclusion, of the \$89,918,860 total minimum amount allocated for Green Project Reserve funding, a total \$382,695,206.24 has been committed in excess of the minimum requirement and a total of \$420,170,255.24 has been disbursed in excess of the minimum requirement.

Exhibit E identifies the fourteen additional subsidy and Green Project Reserve funded projects in SFY 15/16.

Table 2: Administrative Expenses for SFY 99/00 through 15/16

FFY Grant Year	Capitalization Grant Amount	4% Admin. Allowance	Actual Admin. Costs*	Difference between Allowance and 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	\$95,126,405	\$3,805,056	\$5,251,394	(\$1,446,338)	\$7,766,844	\$1,519,846,906	\$53,027,032	3.49%
2003	\$94,646,612	\$3,785,864	\$4,168,440	(\$382,576)	\$7,384,269	\$1,614,493,518	\$57,195,472	3.54%
2004	\$94,613,887	\$3,784,555	\$4,274,162	(\$489,607)	\$6,894,662	\$1,709,107,405	\$61,469,634	3.60%
2005	\$82,665,541	\$3,306,622	\$4,102,135	(\$795,513)	\$6,099,149	\$1,791,772,946	\$65,571,769	3.66%
2006	\$46,383,876	\$1,855,355	\$3,422,947	(\$1,567,592)	\$4,531,557	\$1,838,156,822	\$68,994,716	3.75%
2007	\$92,791,710	\$3,711,668	\$4,540,867	(\$829,199)	\$3,702,358	\$1,930,948,532	\$73,535,583	3.81%
2008	\$329,112,291	\$13,164,492	\$4,009,832	\$9,154,660	\$12,857,018	\$2,260,060,823	\$77,545,415	3.43%
2009	\$48,667,707	\$1,946,708	\$7,019,543	(\$5,072,835)	\$7,784,183	\$2,308,728,530	\$84,564,958	3.66%
2010	\$145,721,000	\$5,828,840	\$4,891,000	\$937,840	\$8,722,023	\$2,454,449,530	\$89,455,958	3.64%
2011	\$105,570,800	\$4,222,832	\$2,860,000	\$1,362,832	\$10,084,855	\$2,560,020,330	\$92,315,958	3.61%
2012	\$101,065,000	\$4,042,600	\$1,078,000	\$2,964,600	\$13,049,455	\$2,661,085,330	\$93,393,958	3.51%
2013	\$95,485,000	\$3,819,400	\$1,748,000	\$2,071,400	\$15,120,855	\$2,756,570,330	\$95,141,958	3.45%
2014	\$100,277,000	\$4,011,080	\$1,096,000	\$2,915,080	\$18,035,935	\$2,856,847,330	\$96,237,958	3.37%
2015	\$99,763,000	\$3,990,520	\$329,000	\$3,661,520	\$21,697,455	\$2,956,610,330	\$96,566,958	3.27%

*Actual Administrative Costs do not include other administrative expenses paid from the SRF Administration Fund held outside the CWSRF.

Table 3: Additional Subsidization Funding

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant ⁴	Maximum Subsidy Amount by FFY Grant ⁴	Committed Subsidy Amount by FFY Grant Assignment ⁵	Uncommitted Subsidy Amount by FFY Grant Assignment ⁶	Disbursed Subsidy Amount by FFY Grant ⁷	Undisbursed Subsidy Amount by FFY Grant ⁸
2010	10/11	\$145,721,000	\$21,824,382	\$72,747,939	\$72,747,939.00	\$0.00	\$57,709,363.73	\$0
2011	11/12	\$105,570,800	\$9,786,446	\$32,621,486	\$32,621,486.00	\$0.00	\$1,769,886.00	\$0
2012	12/13	\$101,080,000	\$5,617,660	\$8,426,490	\$8,426,490.00	\$0.00	\$16,112,681.50	\$0
2013	13/14	\$95,485,000	\$4,497,751	\$6,746,627	\$6,746,627.00	\$0.00	\$18,269,736.00	\$0
2014	14/15	\$100,277,000	\$5,456,840	\$8,185,259	\$7,684,767.23	\$500,491.77	\$19,107,098.00	\$0
2015	15/16	\$99,763,000	\$0	\$29,928,900	\$1,146,170.00	\$28,782,730.00	\$7,609,179.00	\$38,078,756.77
Totals:		\$647,896,800	\$47,183,079	\$158,656,701	\$129,373,479.23	\$29,283,221.77	\$120,577,944.23	\$38,078,756.77
Grand Total:					\$158,656,701	\$158,656,701		

Table 4: Green Project Reserve Funding

FFY Grant	SFY	Grant Award Amount	Minimum Green Project Reserve Amount By FFY Grant ⁹	Committed Green Project Reserve Amount Per FFY Grant Assignment ¹⁰	Disbursed Green Project Reserve Amount By State Fiscal Year ¹¹	Undisbursed Green Project Reserve Amount By State Fiscal Year ¹²
2010	10/11	\$145,721,000	\$29,144,200	\$31,106,000.62	\$31,106,000.62	\$0
2011	11/12	\$105,570,800	\$21,114,160	\$120,930,763.21	\$120,930,763.21	\$0
2012	12/13	\$101,080,000	\$10,108,000	\$24,566,788.50	\$21,694,958.50	\$0
2013	13/14	\$95,485,000	\$9,548,500	\$166,320,511.00	\$122,589,704.00	\$0
2014	14/15	\$100,277,000	\$10,027,700	\$64,264,055.46	\$40,516,210.00	\$0
2015	15/16	\$99,763,000	\$9,976,300	\$102,900,996.45	\$20,045,389.45	\$153,206,089.46
Totals:		\$647,896,800	\$89,918,860	\$510,089,115.24	\$356,883,025.78	\$153,206,089.46
Grand Total:				\$510,089,115.24		

4 USEPA requirements dictate that additional subsidy must be awarded within a minimum and maximum range of a CWSRF capitalization grant. The State Water Board has further directed DFA to utilize the full maximum additional subsidy of the Capitalization Grant allowed.

5 In accordance with USEPA procedures, these amounts represent the additional subsidy committed to eligible CWSRF projects and assigned under the additional subsidy authority of the respective CWSRF capitalization grant as of 6/30/2016.

6 In accordance with USEPA procedures, these amounts represent the additional subsidy balances under the maximum authority of the respective CWSRF Capitalization Grant that have not yet been committed to eligible CWSRF projects as of 6/30/2016.

7 In accordance with State statutes, additional subsidy is directly encumbered against federal capitalization grants. These amounts represent the additional subsidy disbursements per the respective CWSRF capitalization grant as of 6/30/2016 based upon USEPA's "first-in-first-out" (FIFO) policy whereby funds are encumbered and expended first from the oldest CWSRF Capitalization Grants.

8 This amount represents the total encumbering balance as well as the additional subsidy authority not yet encumbered as of 6/30/2016.

9 USEPA requirements dictate that the State Water Board must commit and expend a minimum amount of a CWSRF Capitalization Grant to projects that qualify under the rules and requirements of USEPA's "Green Project Reserve."

10 In accordance with USEPA procedures, these amounts represent the CWSRF project amounts committed and assigned under the Green Project Reserve authority of the respective CWSRF capitalization grant as of 6/30/2016.

11 Green Project Reserve funding is not necessarily encumbered and liquidated from CWSRF Capitalization Grants. These amounts represent the Green Project Reserve disbursements for each respective state fiscal year. In cases where the Green Project Reserve funding is encumbered and disbursed directly against a CWSRF capitalization grant, then such encumbrance and disbursement is based upon USEPA's "first-in-first-out" (FIFO) policy whereby funds are encumbered and expended first from the oldest CWSRF Capitalization Grants.

12 This amount represents the total encumbering balance of Green Project Reserve funding as well as the Green Project Reserve authority not yet encumbered as of 6/30/2016.

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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 uses the [State Environmental Review Process](#) (SERP) to review the environmental impacts of projects. 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](#)¹³. Based on the Evaluation Form and the State Water Board’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 the USEPA.

DFA required compliance with DBE and Davis-Bacon wage requirements for all CWSRF financing, except planning and design financing, and requires Single Audit Act (Office of Management and Budget [OMB] Circular A-133) compliance and reporting on all agreements which received over \$750,000 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) and by WRRDA, unless the project qualified for a waiver.

The FFATA, along with associated 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 financing agreements that equaled the total CWSRF grant amount received from USEPA. The CWSRF Program continues to report FFATA financing agreement data, on an equivalency basis, to the FSRS as described in Exhibit F.



¹³ In the SFY 2015 Performance Evaluation Report, USEPA noted that the Evaluation Form does not request compliance information regarding the Fish and Wildlife Coordination Act, but compliance with the Act is included as a condition of the financing agreements. DFA will add a question regarding the Act to the Evaluation Form to ensure that all financing applicants have met the requirements of the Act.

D. Financial Activity

1. Net Assets

Net assets of the CWSRF Program are shown below.

STATEMENT OF NET ASSETS		
June 30, 2016 and 2015		
(\$ in thousands)		
ASSETS	2016	2015
CURRENT ASSETS	\$1,023,725	\$506,007
OTHER ASSETS	\$3,433,135	\$3,339,059
TOTAL ASSETS	\$4,456,860	\$3,845,066
LIABILITIES		
CURRENT LIABILITIES	\$27,947	\$14,544
NON-CURRENT LIABILITIES	\$508,954	\$32,024
TOTAL LIABILITIES	\$536,901	\$46,568
NET ASSETS		
RESTRICTED	\$1,976,351	\$342,117
UNRESTRICTED	\$2,285,623	\$3,456,214
TOTAL NET ASSETS	\$3,919,857	\$3,798,331

2. Revenues

CWSRF revenue is reflected in the Financial Statements. The total revenues for SFY 15/16 were \$634 million. Revenues for the period of this report were as follows:

Interest income	\$57.6 million
Net investment income	\$1.3 million
Principal Forgiveness receipts	\$7.7 million
ARRA Capitalization Grant	\$0
Capitalization Grant	\$66.8 million
State match revenue	\$68 thousand
*2016 Revenue Bond	\$501 million

*This revenue is not an operating revenue. The Series 2016 Bond Issuance was authorized by the State Water Board on January 5, 2016.

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 15/16 were \$545 million. Disbursements for the period of this report were made as follows:

Financing agreement disbursements	\$521 million
Employees' salaries and vendors' payments	\$510 thousand
Principal Forgiveness	\$7.7 million
Bond fees paid	\$8 thousand
Principal paid on revenue bonds	\$13 million
Interest paid on revenue bonds	\$1.3 million
2016 Bond issuance cost	\$1.2 million

4. Service Charges¹⁴ for Administration and SCG Fund

State law allows the State Water Board to collect two service charges on CWSRF financing. One charge provides a secondary source of revenue for administration in addition to the administrative allowance from the Capitalization Grants and the other charge provides revenue for the CWSRF SCG Fund. The SCG Fund can provide wastewater grants to Small DACs.

The total service charge collected for administrative revenue during SFY 15/16 was \$6.8 million. It was expended as follows:

Administrative Fee Revenue	\$6,887,366.56
Administrative Fee Expenses	
Personnel Services (Salaries, Benefits and Paid Time Off)	\$4,813,523.59
Operating Expenses (Contractors, Supplies, and Operating IDC)	\$3,057,928.45
Pension Expense	\$809,093.43

The total service charge collected for SCG wastewater grant revenue during SFY 15/16 was \$11 million. It was expended as follows:

Grant Fee Revenue	\$11,098,191.72
Grants Disbursed	\$7,391,799.00
Grants Encumbered	\$0

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

¹⁴ 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.

5. 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. No agreements were restructured in SFY 15/16.

The allowance for bad debt remains the same as 2015, at \$9.36 million.

State Water Board staff continued efforts to ensure that CWSRF financing agreements are secure and all payments are made in full and on time. 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.

IV. ENVIRONMENTAL BENEFITS

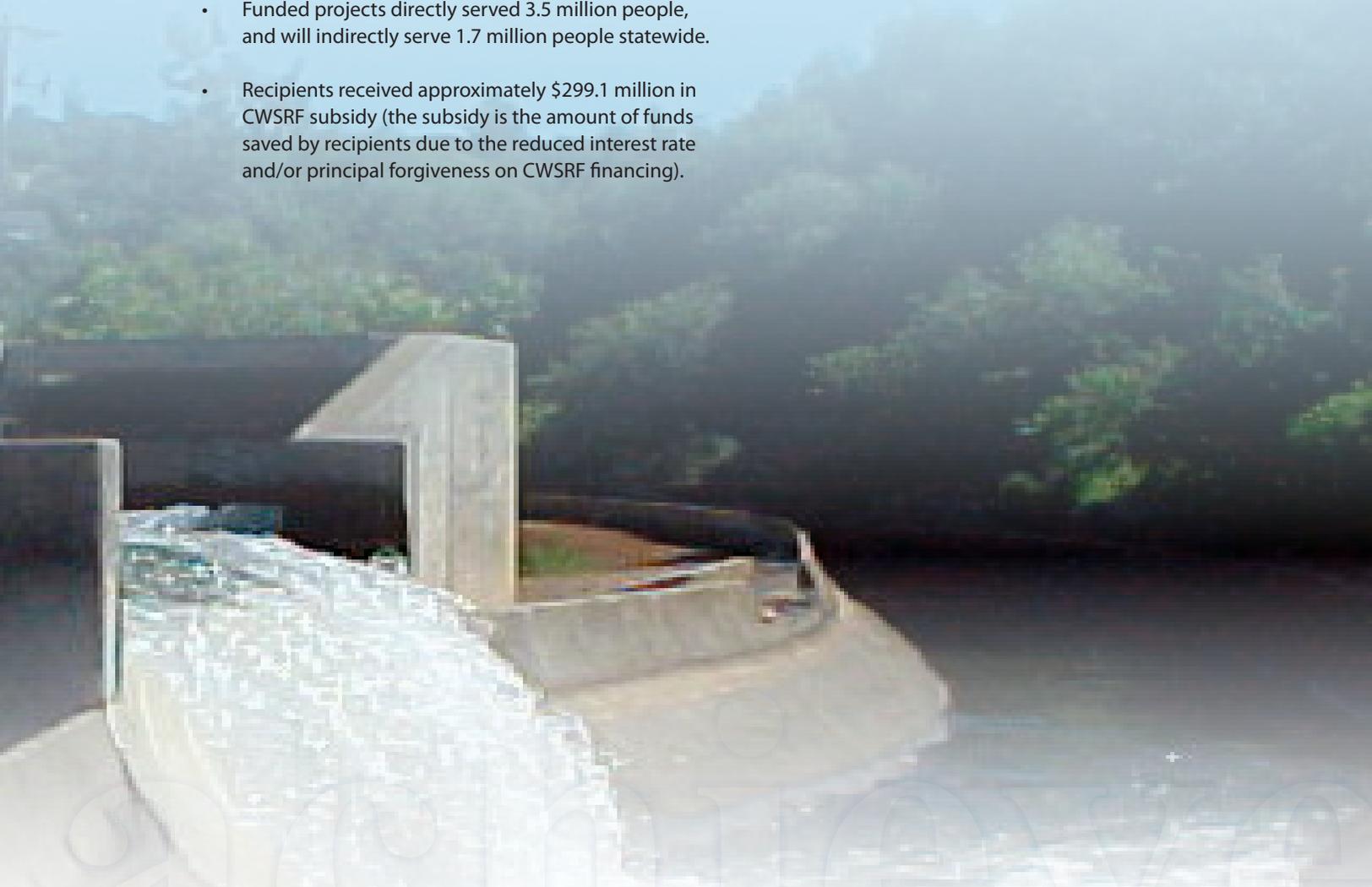
The contributions of the CWSRF to water quality are diverse and difficult to quantify. Rather than being a weakness of the Program, this indicates the Program's strength and versatility in addressing a wide range of water quality issues. The data and graphics below summarize the environmental benefits derived from the CWSRF projects funded during SFY 15/16. The data supporting this summary has been transmitted to USEPA via the Clean Water Benefits Reporting Database. The data indicate that the CWSRF protected or restored a wide range of beneficial water uses.

A. Projects in SFY 15/16 Will Help Achieve and Maintain Clean Water Act Goals

- Wastewater systems receiving CWSRF funds have the capacity to treat approximately 520 million gallons per day (mgd) of wastewater. Funded projects directly treated 289 mgd.
- Funded projects directly served 3.5 million people, and will indirectly serve 1.7 million people statewide.
- Recipients received approximately \$299.1 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).

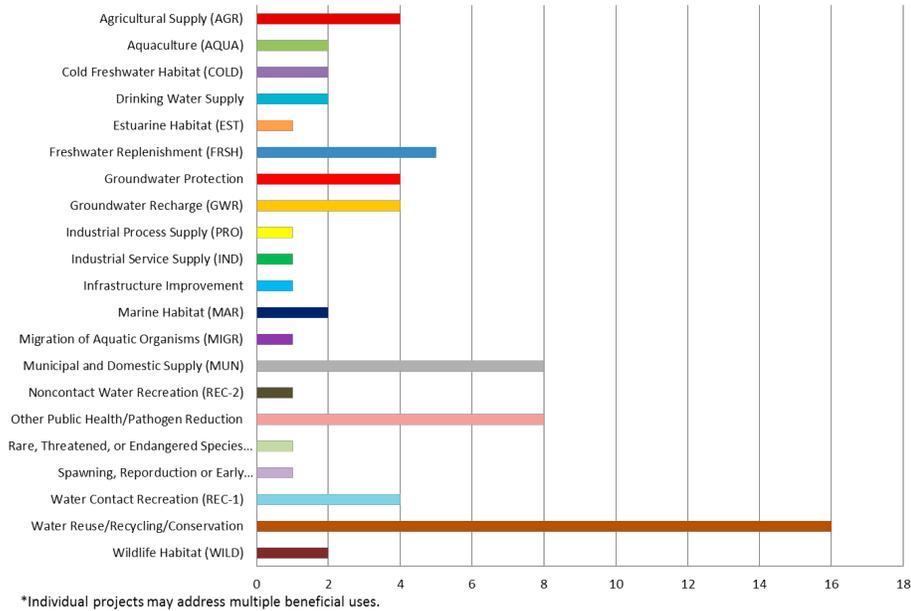
B. CWSRF Projects Achieve Multiple Benefits

CWSRF projects often benefit water quality in more than one way. Figure 3 (page 22) illustrates the multi-faceted benefits commonly provided by the CWSRF projects. It shows the number of projects in SFY 15/16 that addressed each designated beneficial use identified in state water quality control plans or by USEPA.



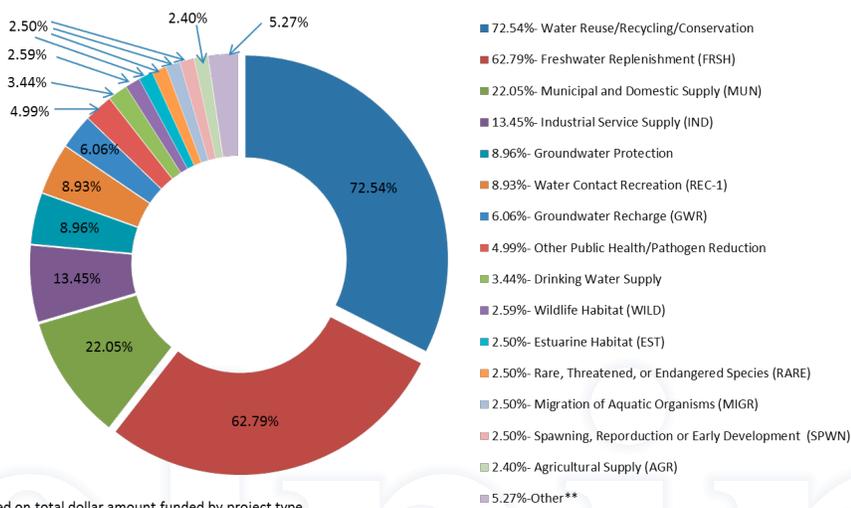
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Figure 3. number of projects addressing different beneficial uses*



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 CWSRF funding provided by the State Water Board in SFY 15/16. In SFY 15/16, the CWSRF Program contributed broadly to support and protect many different environmental benefits.

Figure 4. percentage of funding supporting all uses and benefits*

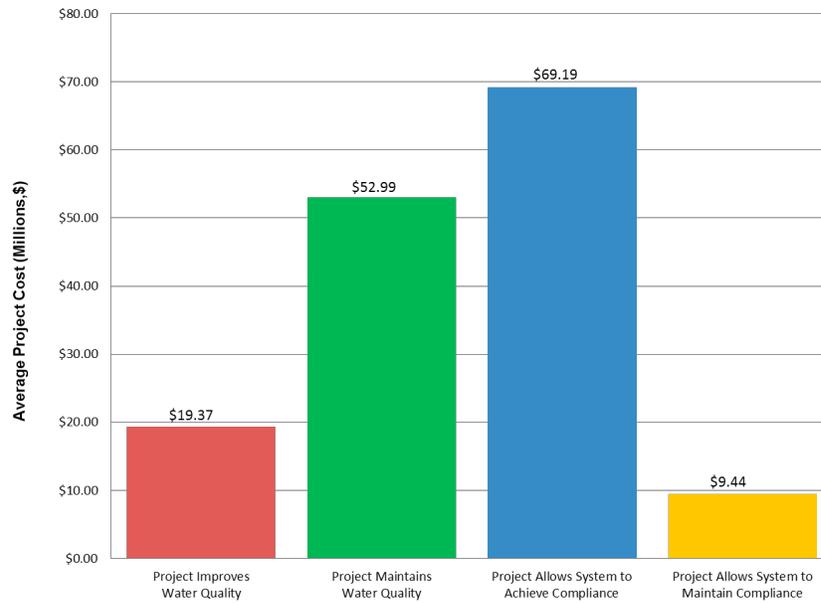


*Based on total dollar amount funded by project type

**Industrial Process Supply (PRO)-1.85%; Marine Habitat (MAR)-1.80%; Noncontact Water Recreation (REC-2)-0.70%; Cold Freshwater Habitat (COLD)-0.50%; Aquaculture (AQUA)-0.23%; Infrastructure Improvement-0.19%

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 State Water Board's ability to fund such large projects through the CWSRF is one of its greatest strengths. Many agencies may not be able to secure such large funding amounts from one provider if the CWSRF were not available.

Figure 5. average project cost by water quality objective and outcome



C. Highlights of Projects Funded by CWSRF in SFY 15/16



V. GENERAL PROGRAM COMMENTS

In SFY 15/16, the State Water Board continued its efforts to finance CWSRF projects as quickly and efficiently as possible to reach the Program's full potential as a water quality tool. The State Water Board achieved its highest ever CWSRF financing level during SFY 15/16.

A significant portion of this year's financing is due to fulfilling the State Water Board's commitment to finance the Sacramento Regional County Sanitation District's Echo Water project. The Echo Water project will increase the treatment level of the Sacramento region's sanitation facility to full tertiary treatment, protect the Sacramento-San Joaquin Delta (California's most vital water source), and pave the way for reusing the effluent from the regional facility, making the Sacramento region's water supply more resilient.

The State Water Board's response to California's ongoing drought also affected the CWSRF activities this year. On February 16, 2016, the State Water Board adopted [Resolution No. 2016-0008](#), approving one percent CWSRF financing for 36 water recycling projects that submitted complete applications by December 2, 2015. The State Water Board executed an additional 12 of these agreements with a combined amount of approximately \$115 million during SFY 15/16. As of July 12, 2016, 21 of the original 36 drought projects had been executed, with the State Water Board CWSRF providing approximately \$283 million in one percent CWSRF financing. An additional three agreements in a combined amount of approximately \$94 million have been mailed to the applicants for signature, and the remaining 12 agreements are expected to be executed by the end of calendar year 2016.

In conjunction with this reduced interest rate incentive, Prop 1, approved by California's voters in November 2014, authorized the State Water Board to provide approximately \$625 million in loans and grants for water recycling projects. The combination of Prop 1 and one percent CWSRF financing represents a significant investment by the State Water Board to wastewater recycling, offsetting or augmenting fresh water supplies, and making California's water supply more sustainable and resilient.

California continues to strengthen its efforts to assist small, disadvantaged communities. The State Water Board continued to collect SCG financing servicing fees. The fees are deposited into the SCG Fund and used to assist Small DACs. The total of SCG service fees collected during SFY 15/16 was \$11.6 million. For SFY 15/16, the State Water Board was authorized to obligate

\$12 million from the SCG fund. The State Water Board is currently working with several applicants that may qualify for SCG funds, and it anticipates obligating additional funds to Small DACs during SFY 16/17.

Prop 1 allocates \$260 million to the State Water Board for grants to small, disadvantaged communities to assist them with solving their wastewater treatment problems. In early 2015, DFA conducted public outreach on how best to coordinate these state grant funds with loan funds available through the CWSRF. The adopted approach follows DFA's long-standing approach of coordinating multiple funding sources to make financing as easy, seamless, and affordable as possible for all applicants, but in particular for small, disadvantaged communities that often have more difficulty applying for and obtaining financing. The Prop 1 funding requirements have been fully integrated into the SFY 16/17 Intended Use Plan. A portion of these funds was allocated to eligible small DACs (see Exhibit H). Applicants submit one application that gives them access to all sources of funds available from the State Water Board. DFA manages each application and internally coordinates the available financing sources to provide the most favorable combination of grant and loan to applicants.

In addition, State Water Board staff continues to work with staff from the Department of Water Resources, Department of Housing and Community Development, United States Department of Agriculture, California Infrastructure and Economic Development Bank (IBank), Bureau of Reclamation, Department of Resources and Recycling Recovery, and related agencies to identify opportunities to leverage resources, particularly for Small DACs. This coordination is facilitated by the State Water Board's participation in the CFCC funding fairs. The 2015/2016 CFCC funding fairs were held in Truckee, Watsonville, Sacramento, San Luis Obispo, and Palm Desert. Additional CFCC funding fairs are scheduled for July, August and September 2016, in Redding, Alhambra, and Fresno.

Through a contract executed in March 2014, State Water Board staff is working with RCAC to provide technical assistance to Small DACs. RCAC provides hands-on technical and financial expertise to help Small DACs address their individual needs in the following areas that are commonly difficult for Small DACs: preparation of financial assistance applications; design and operational solutions, including

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compliance assistance; community outreach, awareness, and education; fiscal management and accountability; capital improvement planning and asset management; rate setting; and the Proposition 218 process.

As noted in recent years, the CWSRF program has historically held sizeable cash balances. While cash provides significant financial flexibility to the program, it does not provide a water quality benefit. Therefore, starting in 2012 the State Water Board made a number of procedural and policy changes to the CWSRF program in order to increase demand on the program, increase the water quality benefits it produces, and put the program's cash to better use. The State Water Board's CWSRF financing levels over the last three fiscal years have all been above average because of these changes, with SFY 15/16 having the highest level of financing in the program's history. As a result of these higher financing levels, the State Water Board significantly reduced its CWSRF cash balance and raised additional capital in the municipal bond market in April 2016 through the issuance via the IBank of the Clean Water State Revolving Fund Revenue Bonds, Series 2016 Bonds (Green Bonds) to meet projected disbursement levels.

The Series 2016 Bond issuance was authorized by the State Water Board in [Resolution No. 2016-0002](#) on January 5, 2016, and was planned in response to the higher demand levels forecasted by State Water Board staff. The Series 2016 Bonds were characterized as "Green Bonds," allowing investors to invest in bonds, which finance environmentally beneficial projects. Exhibit I provides a summary of the net uses of proceeds of the bonds as of September 30, 2016. In short, 34 CWSRF projects were financed with approximately \$436.4 million of Series 2016 Bond proceeds as of September 30, 2016. The remaining balance of approximately \$63.5 million of the Series 2016 Bond proceeds is projected to be disbursed to these projects during the remainder of SFY 16/17. Given the additional commitments forecasted for the next fiscal year, DFA anticipates that additional bond sales authorized by [Resolution No. 2016-0002](#) will be needed to meet the forecasted disbursement levels, although the timing of those additional sales are tentative.

Considering the State Water Board's long-term goal to effectively use revenue and new capital, and the additional cost of new capital, the State Water Board continues to carefully evaluate its participation in the municipal bond market relative to its water quality and financial objectives.

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V. ACRONYMS

ARB	California Air Resource Board
ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application of Payments
CDPH	California Department of Public Health
CRWA	California Rural Water Association
CWA	Clean Water Act
CWNS	Clean Watersheds Needs Survey
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DBE	Disadvantaged Business Enterprise
ETF	Extended Term Financing
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FSR	Feasibility Study Report
FSRS	FFATA Subaward Reporting System
GHG	Greenhouse gas
IBank	California Infrastructure and Economic Development Bank
IUP	Intended Use Plan
LGTS	Loans and Grants Tracking System
MBE	Minority Owned Business Enterprise
MGD	Million Gallons per Day
MHI	Median Household Income
NMP	National Municipal Policy
NPS	Nonpoint Source
OMB	Office of Management and Budget
RCAC	Rural Community Assistance Corporation
SCG	Small Community Grant
SCO	State Controller's Office
SFY	State Fiscal Year
USEPA	United States Environmental Protection Agency
WBE	Women Owned Business Enterprise
WRCE	Water Resource Control Engineer
WRRDA	Water Resources Reform and Development Act of 2014

V. EXHIBITS

Exhibit A	SFY 15/16 Audited Financial Statements
Exhibit B	SFY 15/16 Projects Funded by Needs Category
Exhibit C	SFY 15/16 Non-Funded Projects
Exhibit D	SFY 15/16 DBE Report
Exhibit E	SFY 15/16 Green and Subsidy Projects Funded
Exhibit F	SFY 15/16 Projects Reported to FFATA
Exhibit G	SFY 15/16 Projects with Financing Servicing Fees
Exhibit H	SFY 15/16 SCG Projects
Exhibit I	Series 2016 (Green Bonds) Projects



EXHIBIT A: SFY 15/16 Audited Financial Statements

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

**FINANCIAL STATEMENTS
and SINGLE AUDIT REPORTS**

June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund), an enterprise fund of the State of California, as of and for the years ended June 30, 2016 and 2015, 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 audit 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, 2016 and 2015, 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.

Opinion

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, 2016 and 2015, 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 to X and the Required Supplementary Information on page 23 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 October 6, 2016, on our consideration of the 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 Water Pollution Control Revolving Fund’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 6, 2016

**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, 2016 and 2015. 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 \$121.5 million to a total of \$3.9 billion in 2016, which was \$41 million less than the increase of \$163 million in 2015. The smaller increase in net position is a direct result of lower capital contributions during the year from the U.S. Environmental Protection Agency (EPA).
- Capital contributions decreased by \$56.7 million to \$74.7 million as compared to \$131.4 million in 2015. The decrease in capital contributions was mostly a result of capital available from EPA capitalization grants for loan disbursements. Capital contributions from EPA capitalization grant funds that were forgiven decreased by \$16 million to \$8 million as compared to \$24 million in 2015.
- Cash and cash equivalents increased by \$452 million in 2016 as compared to a decrease of \$37 million in 2015. The increase in 2016 was mostly the result of an increase in cash from the issuance of the Series 2016 Revenue Bond and several payoffs of loan receivables.
- Loans receivable increased by \$155 million to \$3.70 billion in 2016 and increased by \$188 million in 2015. The smaller increase in 2016 was primarily due to several payoffs of loan receivables.
- On April 28, 2016, the CWSRF issued California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2016 for \$410.7 million at a premium of \$91.2 million. The Series 2016 Revenue Bonds were issued for the purpose of making financial assistance available to recipients for eligible projects.
- Restricted portion of net position increased by \$1.3 billion to \$1.6 billion in 2016 as compared to a decrease of \$9.3 million in 2015. The increase in 2016 reflects the greater pledged loan requirements of the Series 2016 Revenue Bonds. The decrease in 2015 was due to the decrease in loan receivables for loans pledged to the Series 2012 Revenue Bonds as a result of repayments received and the related debt service payments.

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, 2016 and 2015 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, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the CWSRF 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 2016, the growth of the CWSRF's net position continued to strengthen increasing by \$121.5 million, or 3.2%, to \$3.9 billion at June 30, 2016 as compared to an increase of \$163 million, or 4.5%, the previous year. The increase in net position was \$41 million lower than in the previous year, mostly reflecting the lower level of capital contributions from EPA capitalization grants.

The current portion of the CWSRF's liabilities was \$28 million in 2016 and \$15 million in 2015. Current liabilities primarily correspond to continuing principal payments for the Series 2012 and Series 2016 Revenue Bonds. Noncurrent liabilities increased by \$477 million in 2016 as compared to a decrease of \$14 million in 2015. The increase in 2016 is a result of the issuance of the Series 2016 Revenue Bonds while the decrease in 2015 is the result of the ongoing principal payments of the Series 2012 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 and Series 2016 Revenue Bonds. The net position that is restricted increased in 2016 by \$1.3 billion to \$1.6 billion, or 377.7%, as compared to a decrease in 2015 of \$9.3 million to \$342 million, or 2.7%. The increase in 2016 was primarily due to an increase in pledged loan receivables to secure the issuance of the Series 2016 Revenue Bonds. The decrease in 2015 corresponds to the ongoing debt service payments.

Of the total restricted net position, \$1.567 billion in 2016 and \$305 million in 2015 represent the balance of outstanding loans that were pledged as security to the Series 2012 and Series 2016 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 \$40.9 million (\$32.7 million of principal and \$8.2 million of interest) in 2016 of which the debt service payment was \$14.3 million (\$13 million of principal and \$1.3 million of interest). In 2015, the CWSRF received total payments on pledged loans of \$26 million (\$20.7 million of principal and \$5.3 million of interest) of which the debt service payments were \$14.7 million (\$13 million of principal and \$1.7 million of interest) for the Series 2012 bonds.

The remaining \$66.9 million of restricted net position in 2016 and \$37.3 million in 2015 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)

	June 30,		
	2016	2015	2014
ASSETS			
Cash and cash equivalents	\$ 731,798	\$ 279,374	\$ 316,552
Loans receivable	3,700,721	3,545,617	3,357,490
All other assets	24,341	20,075	22,734
Total assets	4,456,860	3,845,066	3,696,776
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	40	42	-
Total deferred outflows of resources	40	42	-
LIABILITIES			
Current liabilities	27,947	14,544	15,004
Noncurrent liabilities	508,954	32,024	44,897
Total liabilities	536,901	46,568	59,901
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	142	209	-
Total deferred inflows of resources	142	209	-
NET POSITION			
Restricted			
Debt service	66,876	37,320	25,975
Security for revenue bonds	1,567,358	304,797	325,460
Subtotal restricted assets	1,634,234	342,117	351,435
Unrestricted	2,285,623	3,456,214	3,285,440
Total net position	\$ 3,919,857	\$ 3,798,331	\$ 3,636,875

Changes in Net Position

Program revenue for the CWSRF in 2016 was \$57.6 million of which \$22.2 million is restricted for debt service. Program revenue in 2015 was \$55.6 million of which \$5.2 million was restricted for debt service. In 2016, program revenue increased by \$2.1 million or 3.75% and in 2015 increased by \$1.5 million or 2.66%. In 2016 and 2015, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2016, general revenue was \$1.4 million, which was an increase of \$0.6 million or 75%, when compared to \$0.8 million in 2015. In 2015, general revenue decreased \$0.06 million or 7% compared to \$0.9 million in 2014. The increase in investment income during 2016 mostly reflects increased earnings that resulted from more cash on deposit while the decrease in investment income during 2015 mostly reflects reduced earnings that resulted from less cash on deposit.

Total expenses decreased by \$12.7 million in 2016 as compared to an increase of \$1.2 million in 2015. The decrease in 2016 was primarily due to a decrease in principal forgiveness expenses. The increase in 2015 was due to an increase in principal forgiveness expenses.

Administrative expenses decreased \$0.6 million to \$0.4 million in 2016 compared to 2015. Administrative expenses decreased \$0.7 million to \$1.1 million in 2015 compared to 2014. The reduction of administrative expenses charged to the CWSRF during 2016 and 2015 primarily reflects the use of the CWSRF Administration Fund instead of the CWSRF as the primary source of administrative funding. In 2016 and 2015, administrative expenses of \$8.7 million and \$8.5 million, respectively, were charged to the CWSRF Administration Fund.

Capital contributions to the CWSRF decreased by \$41 million, or 38%, in 2016 when compared to 2015. The decrease in 2016 was primarily due to a decrease in available contributions from EPA capitalization grants. In 2015, capital contributions increased by \$27 million, or 33% when compared to 2014. The increase in 2015 was due to an increase in loan disbursements made from capital contributions from EPA capitalization grants.

The CWSRF program received principal forgiveness funds from EPA capitalization grants of \$7.8 million and \$23.6 million, in 2016 and 2015, 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,		
	2016	2015	2014
Revenues			
Program revenues:			
Loan interest income	\$ 57,638	\$ 55,554	\$ 54,113
General revenues:			
Investment income	1,396	796	855
Total revenues	59,034	56,350	54,968
Expenses			
Program expenses:			
Administrative expenses	329	1,096	1,748
Capitalization Principal Forgiveness expense	7,792	23,629	21,666
Revenue bond interest expense	2,199	293	355
Revenue bond issuance costs	1,894	-	-
Total expenses	12,214	25,018	23,769
Increase in net position before contributions	46,820	31,332	31,199
Capital contributions:			
EPA capitalization grant	66,846	100,584	79,586
EPA capitalization grant Principal Forgiveness	7,792	23,629	21,666
EPA ARRA capitalization grant	-	-	1,034
State and other contributions	68	7,162	283
Subtotal capital contributions	74,706	131,375	102,569
Change in net position	121,526	162,707	133,768
Net position - beginning of year	3,798,331	3,636,875	3,503,107
Net position - Restatement	-	(1,251)	-
Net position - beginning of year (restated)	3,798,331	3,635,624	3,503,107
Net position - end of year	\$ 3,919,857	\$ 3,798,331	\$ 3,636,875

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 high bond ratings from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on the CWSRF Series 2016 and 2012 Revenue Bonds. In 2016, the CWSRF issued Series 2016 Revenue Bonds for \$410.7 million at a premium of \$91.2 million. The Series 2016 Revenue Bonds were issued for the purpose of making financial assistance available to recipients for eligible projects. In 2012, the CWSRF issued Series 2012 Refunding Revenue Bonds for \$68.9 million at a premium of \$6.0 million. The Series 2012 Revenue Bonds were issued to refund the Series 2002 Revenue Bonds. As of June 30, 2016, outstanding bonds totaled \$530.8 million, an increase of \$485.9 million, compared to \$44.9 million last year as shown in Table 3. The increase in 2016 was due to the issuance of the Series 2016 Revenue Bonds. The decrease in 2015 was due primarily to the payment of the scheduled bond principal repayments for the Series 2012 bonds. 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)

	June 30,		
	2016	2015	2014
Revenue bonds			
Bond principal	\$ 440,675	\$ 42,940	\$ 55,940
Bond premium	90,118	1,957	3,296
Total revenue bonds	\$ 530,793	\$ 44,897	\$ 59,236

Economic Conditions and Outlook

In 2016, new binding loan commitments were \$1.058 billion, a significant increase of 34% above the new commitments made in 2015. The higher level of financing activity reflects continued improvement in the general economic conditions along with CWSRF program improvements. In 2013, program procedures, policies, and financing terms were enhanced to make the program a more attractive choice compared to other financing options for publicly owned treatment works projects. A steady demand in CWSRF financing activity is anticipated in the near term.

Capitalization grant funds from EPA continue to be an important component of cash flows for financing activities. For the grant year 2016, the EPA allocated \$95 million to the CWSRF. The 2016 grant allocation is a reduction of 4% compared to the 2015 grant allocation of \$99 million. Presently available information indicates that the 2017 grant could be less than the 2016 grant by 24%.

Additionally, the CWSRF continues to maintain a large loan portfolio that generates significant program revenues for financing activity and administrative expenses. CWSRF program staff and its financial advisors continuously monitor the demand for new loans in order to be prepared to quickly sell a revenue bond if needed to meet required cash flows.

Although improving economic conditions has lowered the number of local entities experiencing strained revenue flows, the CWSRF diligently works with loan recipients to ensure full repayment of all loans.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF NET POSITION
June 30, 2016 and 2015
(in thousands)

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 494,274	\$ 242,054
Cash and cash equivalents - Restricted	237,524	37,320
Receivables:		
Loan interest	23,488	18,805
Investment interest	772	214
Due from other funds and other governments	81	1,056
Loans receivable:		
Current portion	111,478	185,974
Current portion - Restricted	156,108	20,584
Total current assets	<u>1,023,725</u>	<u>506,007</u>
OTHER ASSETS		
Loans receivable:		
Noncurrent (net of allowance for bad debt)	2,021,885	3,054,846
Noncurrent - Restricted	1,411,250	284,213
Total other assets	<u>3,433,135</u>	<u>3,339,059</u>
TOTAL ASSETS	<u>4,456,860</u>	<u>3,845,066</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions	40	42
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Revenue bond interest payable	4,329	388
Unearned revenue	5	1
Due to other funds	49	163
Revenue bond cost of issuance payable	617	-
Revenue bonds payable	22,947	13,992
Total current liabilities	<u>27,947</u>	<u>14,544</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	507,846	30,905
Pension liability	1,108	1,119
Total noncurrent liabilities	<u>508,954</u>	<u>32,024</u>
Total liabilities	<u>536,901</u>	<u>46,568</u>
DEFERRED INFLOW OF RESOURCES		
Related to pensions	142	209
NET POSITION		
Restricted for:		
Debt service	66,876	37,320
Security for revenue bonds	1,567,358	304,797
Unrestricted	2,285,623	3,456,214
Total net position	<u>\$ 3,919,857</u>	<u>\$ 3,798,331</u>

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, 2016 and 2015
(in thousands)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Loan interest income	\$ 57,638	\$ 55,554
Total operating revenue	<u>57,638</u>	<u>55,554</u>
OPERATING EXPENSES		
Capitalization principal forgiveness	7,792	23,629
Personnel services	-	263
Other expenses	397	752
Pension expenses	(76)	77
Total operating expenses	<u>8,113</u>	<u>24,721</u>
INCOME FROM OPERATIONS	<u>49,525</u>	<u>30,833</u>
NONOPERATING REVENUE (EXPENSE)		
Net investment income	1,396	796
Revenue bond interest expense	(2,199)	(293)
Revenue bond fees	(8)	(4)
Revenue bond issuance costs	(1,894)	-
Total nonoperating revenue (expense)	<u>(2,705)</u>	<u>499</u>
INCOME BEFORE CONTRIBUTIONS	<u>46,820</u>	<u>31,332</u>
CONTRIBUTIONS		
EPA capitalization grant	66,846	100,584
EPA capitalization grant - Principal Forgiveness	7,792	23,629
EPA ARRA capitalization grant	-	-
State match revenue	68	7,162
Total contributions	<u>74,706</u>	<u>131,375</u>
CHANGE IN NET POSITION	121,526	162,707
NET POSITION - BEGINNING OF YEAR	3,798,331	3,636,875
NET POSITION - RESTATEMENT	-	(1,251)
NET POSITION - BEGINNING OF YEAR (RESTATED)	<u>3,798,331</u>	<u>3,635,624</u>
NET POSITION - END OF YEAR	<u>\$ 3,919,857</u>	<u>\$ 3,798,331</u>

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, 2016 and 2015
(in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to employees and vendors	\$ (510)	\$ (1,086)
Cash flows required by operating activities	(510)	(1,086)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA capitalization grant	75,585	123,363
Funds received from the State of California	96	7,155
Proceeds from revenue bond issuance	501,961	-
Revenue bond issuance costs paid	(1,277)	-
Revenue bond fees paid	(8)	(4)
Principal paid on revenue bonds	(13,000)	(13,000)
Interest paid on revenue bonds	(1,323)	(1,713)
Cash flows provided by noncapital financing activities	562,034	115,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest on loans	39,250	42,498
Loans disbursed	(521,862)	(372,294)
Principal Forgiveness Disbursed	(7,792)	(23,629)
Principal received on loans receivable	380,466	200,748
Net investment income received	838	784
Net cash required by investing activities	(109,100)	(151,893)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	452,424	(37,178)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	279,374	316,552
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 731,798	\$ 279,374
Reconciliation of operating income to net cash required by operating activities		
Income from operations	\$ 49,525	\$ 30,833
Adjustments to reconcile income from operations to net cash required by operating activities		
Construction period interest	(13,708)	(16,582)
Cash received from interest on loans	(39,250)	(42,498)
Loans disbursed	521,862	372,294
Principal Forgiveness Disbursed	7,792	23,629
Principal received on loans receivable	(380,466)	(200,748)
Deferred outflows related to pension expense	(75)	35
Effect of changes in operating assets and liabilities:		
Loans receivable	(141,392)	(171,549)
Loan interest receivable	(4,684)	3,529
Due to other funds	(114)	(29)
Net cash required by operating activities	\$ (510)	\$ (1,086)

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, 2016 and 2015
(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 (CWSRF) 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 CWSRF provides for low interest loans and/or subsidies in the form of principal forgiveness loans to finance the entire cost of qualifying projects. The CWSRF 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, 2016 and 2015, the EPA has awarded cumulative capitalization grant funding of \$2,676,325, and \$2,576,562, respectively to the State of California (State), for which the State is required to provide \$535,265 and \$515,312, 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 CWSRF 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 CWSRF program by charging the Fund for time spent on CWSRF activities by employees of the Board, and the Fund reimburses the State for such costs in the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund based on direct salary costs. Employees charging time to the Fund are covered by the benefits available to State employees. The Fund is also charged indirect costs through the cost allocation plan for general State expenses.

Reporting Entity

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

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

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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

For the year ended June 30, 2016, the Fund adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and the valuation techniques. The adoption of this standard had no impact on these financial statements.

Effective July 1, 2015, the Fund implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. GASB 68 improves the accounting and financial reporting by state and local governments for pensions.

Operating Revenues and Expenses

The Fund distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from carrying out the purpose of the Fund of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include principal forgiveness, direct salary costs and benefits expenses, 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. 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 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. Therefore, the Fund operations are not included in California's annual budget.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

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

Cash and Cash Equivalents

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

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, 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, 2016 and June 30, 2015.

Due to Other Funds

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

For comparability, certain 2015 amounts have been reclassified, where appropriate, to conform with the 2016 financial statement presentation.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

Nearly all monies of the Fund are deposited with the State Treasurer’s Office and are considered to be cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with California laws, and excess cash is invested in California’s Surplus Money Investment Fund, which is part of the Pooled Money Investment Account. The Treasurer is required to maintain a mix of investment portfolios in order to allow funds to be withdrawn at any time to meet normal operating needs, without prior notice or penalty.

The investments allowed by State statute, bond resolutions and investment policy resolutions restrict investments of the pooled investment program to investments in U.S. Government securities, negotiable certificates of deposit, bankers’ acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds, and other investments. The Fund’s proportionate share of the investment income, based on the average daily balance for the period, is credited to the Fund quarterly. The Treasurer charges all funds of the State an administrative fee, which reduces the interest earned by each fund. All cash and investments are stated at fair value. Details of the investments can be obtained from the State Treasurer’s Office.

At June 30, 2016 and 2015, the Fund’s cash deposits had a carrying balance of \$6 and \$4, respectively.

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

<u>Investments</u>	<u>2016</u>	<u>2015</u>
Treasury/Trust Portfolio	<u>\$ 731,792</u>	<u>\$ 279,370</u>
Total cash deposits and investments	<u>\$ 731,798</u>	<u>\$ 279,374</u>

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NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2016 and 2015, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

Cash deposits and investments are reflected on the June 30, 2016 and 2015 statement of net position as follows:

	2016	2015
Cash and cash equivalents	\$ 494,274	\$ 242,054
Cash and cash equivalents - Restricted	237,524	37,320
Total cash deposits and investments	\$ 731,798	\$ 279,374

Cash and investments in the amount of \$170,648 and \$0, representing unspent revenue bonds proceeds, at June 30, 2016 and 2015, respectively, were restricted for future loan disbursements. Additionally, cash and investments in the amount of \$66,876 and \$37,320 representing various reserve accounts required by the revenue bonds, at June 30, 2016 and 2015, respectively, 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, 2016 and 2015, the Fund had total binding commitments of \$8,978,122 and \$7,951,852, respectively, since program inception. As of June 30, 2016, the remaining commitment on these loans amounted to \$1,958,948, of which \$241,349 is federal funds. The federal loan commitments included capitalization funds of \$10,761, which will be forgiven. As of June 30, 2015, the remaining commitment on these loans amounted to \$1,462,332, of which \$331,586 is federal funds. The federal loan commitments included capitalization funds of \$17,531, which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

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NOTE 4 - LOANS RECEIVABLE (CONTINUED)

At June 30, 2016 and 2015, the unpaid balance on all loans receivable outstanding amounted to \$3,700,721 and \$3,545,617, respectively. Estimated maturities of the loans receivable and interest payments thereon are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 45,574	\$ 267,586	\$ 313,160
2018	42,546	218,948	261,494
2019	39,367	217,555	256,922
2020	36,259	217,424	253,683
2021	33,176	216,601	249,777
2022-2026	121,653	932,483	1,054,136
2027-2031	61,764	627,932	689,696
2032-2036	18,341	303,539	321,880
2037-2041	1,698	43,228	44,926
2042-2046	153	5,309	5,462
Total	<u>\$ 400,531</u>	<u>3,050,605</u>	<u>\$ 3,451,136</u>
Loans not yet in repayment		659,472	
Allowance for bad debt		(9,356)	
Total loans receivable		<u>\$ 3,700,721</u>	

Restricted Loans Receivable

At June 30, 2016 and 2015, \$1,567,358 and \$304,797, 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, 2016, the Fund received \$32,738 and \$8,195 of principal and interest, respectively, on these loans. During the year ended June 30, 2015, the Fund received \$20,663 and \$5,330 of principal and interest, respectively, on these same 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).

The Fund had authorized a total of \$1,718,966 of local match loans as of June 30, 2016 and 2015. 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, 2016 and 2015. The remaining borrowers elected to repay the State match over a period of 20 or 30 years, in the amount of \$281,714 and \$281,264 as of June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, total local match loans outstanding, including the local match to be paid, amounted to \$723,274 and \$792,279, respectively. As of June 30, 2016 and 2015, the remaining State match to be repaid amounted to \$80,195 and \$93,462, respectively.

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NOTE 4 - LOANS RECEIVABLE (CONTINUED)

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, 2016 and 2015 of these major local agencies represent approximately 15.8 and 23.5 percent, respectively, of the total loans receivable and are as follows:

	2016	
<u>Borrower</u>	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District (LACSD)	\$ 596,746	\$ 322,299
LACSD District #29	969	839
LACSD Santa Clarita	4,336	4,012
LACSD District #2	41,511	23,705
LACSD Total	<u>643,562</u>	<u>350,855</u>
 Orange County Water District	 316,725	 233,800
	<u>\$ 960,287</u>	<u>\$ 584,655</u>
	 2015	
<u>Borrower</u>	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District (LACSD)	\$ 599,296	\$ 348,081
LACSD District #29	969	881
LACSD Santa Clarita	4,336	4,201
LACSD District #2	41,511	16,568
LACSD Total	<u>646,112</u>	<u>369,731</u>
 Eastern Municipal Water District	 243,572	 233,121
Orange County Water District	308,093	230,319
	<u>\$ 1,197,777</u>	<u>\$ 833,171</u>

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NOTE 5 - LONG-TERM DEBT

On April 28, 2016, the Fund issued \$410,735 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2016, dated April 1, 2016 with coupon rates of 2.5 to 5 percent. These serial bonds are due annually in varying amounts through 2035. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2026 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after April 1, 2026. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

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 2016 revenue bonds by the Fund, the Fund pledged in excess of \$1,622,000 of the Fund's outstanding loan receivables as security for the bonds. At the time of issuance of the Series 2012 revenue bonds by the Fund, the Fund pledged in excess of \$394,000 of the Fund's outstanding loans receivables as security for the bonds (see 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.

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NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

Series 2012

Year Ending June 30,

	Principal	Interest	Total
2017	\$ 12,940	\$ 868	\$ 13,808
2018	9,530	451	9,981
2019	7,470	131	7,601
	<u>\$ 29,940</u>	<u>\$ 1,450</u>	<u>\$ 31,390</u>

Series 2016

Year Ending June 30,

	Principal	Interest	Total
2017	\$ -	\$ 17,649	\$ 17,649
2018	17,820	18,813	36,633
2019	21,010	18,166	39,176
2020	29,715	17,314	47,029
2021	30,885	16,072	46,957
2022-2026	152,830	56,996	209,826
2027-2031	98,085	26,618	124,703
2032-2036	60,390	6,825	67,215
	<u>\$ 410,735</u>	<u>\$ 178,453</u>	<u>\$ 589,188</u>

Combined

Year Ending June 30,

	Principal	Interest	Total
2017	\$ 12,940	\$ 18,517	\$ 31,457
2018	27,350	19,264	46,614
2019	28,480	18,297	46,777
2020	29,715	17,314	47,029
2021	30,885	16,072	46,957
2022-2026	152,830	56,996	209,826
2027-2031	98,085	26,618	124,703
2032-2036	60,390	6,825	67,215
	<u>\$ 440,675</u>	<u>\$ 179,903</u>	<u>\$ 620,578</u>

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NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	Balance June 30, 2015	Issuances	Retirements	Balance June 30, 2016	Due Within One Year
Series 2016 Revenue Bonds:					
Bond principal	\$ -	\$ 410,735	\$ -	\$ 410,735	\$ -
Bond premium	-	91,226	2,073	89,153	9,388
	<u>-</u>	<u>\$ 501,961</u>	<u>\$ 2,073</u>	<u>499,888</u>	<u>\$ 9,388</u>
Less current portion:					
Bond principal	-			-	
Bond premium amortization	-			(9,388)	
Long-term portion	<u>\$ -</u>			<u>\$ 490,500</u>	
Series 2012 Revenue Bonds:					
Bond principal	\$ 42,940	\$ -	\$ 13,000	\$ 29,940	\$ 12,940
Bond premium	1,957	-	992	965	619
	<u>44,897</u>	<u>\$ -</u>	<u>\$ 13,992</u>	<u>30,905</u>	<u>\$ 13,559</u>
Less current portion:					
Bond principal	(13,000)			(12,940)	
Bond premium amortization	(992)			(619)	
Long-term portion	<u>\$ 30,905</u>			<u>\$ 17,346</u>	
	Balance June 30, 2014	Issuances	Retirements	Balance June 30, 2015	Due Within One Year
Series 2012 Revenue Bonds:					
Bond principal	\$ 55,940	\$ -	\$ 13,000	\$ 42,940	\$ 13,000
Bond premium	3,296	-	1,339	1,957	992
	<u>59,236</u>	<u>\$ -</u>	<u>\$ 14,339</u>	<u>44,897</u>	<u>\$ 13,992</u>
Less current portion:					
Bond principal	(13,000)			(13,000)	
Bond premium amortization	(1,339)			(992)	
Long-term portion	<u>\$ 44,897</u>			<u>\$ 30,905</u>	

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
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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, 2016 and 2015, the EPA has awarded to the State cumulative capitalization grants of \$2,676,325 and \$2,576,562, respectively. As of June 30, 2016 and 2015, the State has drawn, cumulatively \$2,630,033 and \$2,555,395, respectively, for loans and administrative expenses. The State has provided matching funds of \$354,232 and \$354,164, respectively.

In addition, as of June 30, 2016, the EPA awarded the ARRA grant of \$280,285 to the fund for which \$161,006 was for principal forgiveness (See Note 4). There were no State matching requirements for the grant, which was fully drawn as of June 30, 2014.

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, 2016 and 2015, the borrowers had contributed \$284,010 and \$283,560, 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, 2016 and 2015, and balances available for future loans as of June 30, 2016. Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2016 and 2015. As of June 30, 2016 and 2015, the state match required is \$526,006 and \$511,079, respectively. As of June 30, 2016 and 2015, the state match available for potential future state match is \$112,236 and \$126,645, respectively.

TABLE 1

Year	Grant Award	Funds Drawn As of June 30, 2014	Funds Drawn During Year Ended June 30, 2015	Funds Drawn As of June 30, 2015	Funds Drawn During Year Ended June 30, 2016	Funds Drawn As of June 30, 2016	Available for Loans as of June 30, 2016
1989-2012	\$ 2,380,800	\$ 2,380,800	\$ -	\$ 2,380,800	\$ -	\$ 2,380,800	\$ -
2013	95,485	50,381	45,104	95,485	-	95,485	-
2014	100,277	-	79,110	79,110	21,167	100,277	-
2015	99,763	-	-	-	53,471	53,471	46,292
	<u>2,676,325</u>	<u>2,431,181</u>	<u>124,214</u>	<u>2,555,395</u>	<u>74,638</u>	<u>2,630,033</u>	<u>46,292</u>
2008-ARRA	280,285	280,285	-	280,285	-	280,285	-
	<u>\$ 2,956,610</u>	<u>\$ 2,711,466</u>	<u>\$ 124,214</u>	<u>\$ 2,835,680</u>	<u>\$ 74,638</u>	<u>\$ 2,910,318</u>	<u>\$ 46,292</u>

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NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

TABLE 2

	State Match Paid as of June 30, 2014	State Match Paid During Year Ended June 30, 2015	State Match Paid as of June 30, 2015	State Match Paid During Year Ended June 30, 2016	State Match Paid as of June 30, 2016
State Disbursed	\$ 347,002	\$ 7,162	\$ 354,164	\$ 68	\$ 354,232
Local Disbursed	283,360	200	283,560	450	284,010
	<u>\$ 630,362</u>	<u>\$ 7,362</u>	<u>\$ 637,724</u>	<u>\$ 518</u>	<u>\$ 638,242</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 CWSRF program.

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:

	June 30, 2016	June 30, 2015
Administrative fee collected	<u>\$ 6,887</u>	<u>\$ 7,056</u>
Operating expenses incurred	<u>\$ 8,681</u>	<u>\$ 8,531</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:

	June 30, 2016	June 30, 2015
Grant fee collected	<u>\$ 11,098</u>	<u>\$ 9,497</u>
Grants disbursed	<u>\$ 7,392</u>	<u>\$ 7,693</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015
(Dollar Amounts Expressed in Thousands)

NOTE 7 - RISK MANAGEMENT

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2016 and 2015, Comprehensive Annual Financial Reports.

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 and survivor 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 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

Contributions

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, 2016, 2015 and 2014, were 25.150%, 24.280% and 21.203%, respectively, for State Miscellaneous First Tier and 25.278%, 24,237% and 21.355%, 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.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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

NOTE 8 - RETIREMENT PLAN (CONTINUED)

The actual contribution amount is based on the statutorily required contribution as outlined in Government Code Section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability. Contributions to the plan were \$40 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Fund reported a liability of \$1,108 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2015 and was based on the Fund's pensionable compensation as a percentage of the State's total pensionable compensation. At June 30, 2015, the Fund's proportionate share was .002%.

At June 30, 2015, the Fund reported a liability of \$1,119 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2014 and was based on the Fund's pensionable compensation as a percentage of the State's total pensionable compensation. At June 30, 2014, the Fund's proportionate share was .004%.

For the years ended June 30, 2016 and 2015, the Fund recognized pension expense of \$(76) and \$77, respectively. At June 30, 2016 and 2015, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 142	\$ -	\$ 209
Fund contributions subject to the measurement date	40	-	42	-
	<u>\$ 40</u>	<u>\$ 142</u>	<u>\$ 42</u>	<u>\$ 209</u>

The \$40 reported as deferred outflows of resources related to pensions resulting from the Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30,

2017	\$ 35
2018	35
2019	36
2020	36
	<u>\$ 142</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial assumptions:

Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% , net of pension plan investment and administrative expenses; includes inflation

The mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study that can be obtained via the internet at www.calpers.ca.gov under Forms and Publications.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained via the internet at www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both the short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation show was adopted by the board effective July 1, 2014.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015
(Dollar Amounts Expressed in Thousands)

NOTE 8 - RETIREMENT PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Real Return Years 1-10 (%)⁽¹⁾</u>	<u>Real Return Years 11+ (%)⁽²⁾</u>
Global Equity	51	5.25	5.71
Global Fixed Income	19	0.99	2.43
Inflation Sensitive	6	0.45	3.36
Private Equity	10	6.83	6.95
Real Estate	10	4.50	5.13
Infrastructure and Forestland	2	4.50	5.09
Liquidity	2	-0.55	-1.05
Total	<u>100</u>		

⁽¹⁾ An expected inflation of 2.5% used for this period

⁽²⁾ An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained via the internet at www.calpers.ca.gov under the GASB 68 section.

According to paragraph 68 of the GASB 68, the long-term discount rate should be determined net of plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Sensitivity of the Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Fund's share of the net pension liability as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate (dollars in thousands):

	<u>Discount Rate -1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Fund's Net Pension Liability	\$ 1,565	\$ 1,108	\$ 725

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015
(Dollar Amounts Expressed in Thousands)

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

As of June 30, 2015, the Plan's fiduciary net position was \$68.1 billion. Detailed information about the plan's net position is available via the internet at www.calpers.ca.gov under Forms and Publications.

Payable to the Pension Plan

At June 30, 2016 and 2015, the Fund did not report a payable related to pension contributions.

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 on a pay-as-you-go basis. Refer to the State's Post-Employment Benefits Other than Pension disclosure in the June 30, 2016 and June 30, 2015 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, 2016 and 2015, 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, 2016 and 2015, the Fund had restricted net position of \$66,876 and \$37,320, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2016 and 2015 pledged loans restricted for future bond debt service payments were \$1,567,358 and \$304,797, 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.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015
(Dollar Amounts Expressed in Thousands)

NOTE 11 - RESTATEMENTS

Accounting and Financial Reporting for Pensions as required by implementation of GASB 68 and GASB 71 resulted in a restatement decreasing Net Position as of June 30, 2014 by \$1,251.

Net Position, June 30, 2014, as previously reported	\$ 3,636,875
Cumulative affect of application of GASB 68 and 71, Net Pension Liability	(1,251)
Net Position, June 30, 2014, as Restated	<u>\$ 3,635,624</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND FUND'S CONTRIBUTIONS
Year Ended June 30, 2016**

Schedule of the Fund's Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fund's proportion of the net pension liability	0.002%	0.004%	0.004%
Fund's proportionate share of the net pension liability	\$ 1,107,946	\$ 1,119,654	\$ 1,343,280
Fund's covered-employee payroll	413,397	431,602	*
Fund's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	268.01%	252.17%	*
Fund's proportionate share of the Plan fiduciary net position as a percentage of the total pension liability	70.68%	73.39%	*

Schedule of the Fund's Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fund's contractually required contribution	\$ 40,020	\$ 42,275	\$ 92,291
Fund's contribution in relation to the contractually required contributions	<u>40,020</u>	<u>42,275</u>	<u>92,291</u>
Fund's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's covered-employee payroll	**	413,397	431,602
Fund's contribution as a percentage of covered-employee payroll	**	10.23%	21.38%

* The amount presented for each fiscal year was determined at June 30 of the prior year based on the measurement date of the plan. Information earlier than 2014 was not available.

** This information is not available to the Fund as of the date of this report.

SINGLE AUDIT REPORTS

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
Capitalization Grants for State Revolving Funds	66.458	\$ 74,638,297 (*)	\$ 74,300,536
		<u>\$ 74,638,297</u>	<u>\$ 74,300,536</u>

(*) Tested as a Major Program

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Fund) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures

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

NOTE 3 - LOANS TO SUBRECIPIENTS

Capitalization Grants for Clean Water State Revolving Fund CFDA # 66.458 include \$74,300,536 of expenditures that were disbursed as loan awards to qualifying subrecipients, which includes \$7,791,856 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**

Board of Directors
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, 2016, 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 October 6, 2016

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.

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

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

Greenwood Village, Colorado
October 6, 2016



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

California State Water Resources Control Board
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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Water Pollution Control Revolving Fund's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 its major federal program for the year ended June 30, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 6, 2016

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____ no

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

Noncompliance material to financial statements
noted? _____ yes _____ no

Federal Awards

Internal control over major program:

Material weakness(es) identified? _____ yes _____ no

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

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

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

Identification of major programs:

CFDA Number(s)
66.458

Name of Federal Program or Cluster
Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish between
Type A and Type B programs: \$2,239,149

Auditee qualified as low-risk auditee? _____ yes _____ no

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2016**

PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS

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

PART III - FINDINGS RELATED TO FEDERAL AWARDS

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2016**

PART IV – PRIOR YEAR FINDINGS

Finding 2015-001

During this year's testing, we determined that corrective action was implemented. No similar findings noted during the current year.

EXHIBIT B: SFY 15/16 Projects Funded by Needs Category

Financial Assistance Recipient Name	Project Number	Loan Date	DAC?	Cat. I	Cat. II	Cat. III-B	Cat. IV-A	Cat. VI	Cat. X	Total Loan Amount
Pleasanton, City of	8024-110	07/03/15			5,658,589				5,658,589	11,317,177
Sacramento Regional County Sanitation District	8025-140	07/17/15		16,099,319	5,366,440					21,465,759
Rodeo Sanitary District	8004-120	09/21/15				5,149,700				5,149,700
Fresno, City of	8061-110	09/24/15							37,475,049	37,475,049
South Tahoe Public Utility District	8042-110	10/01/15				4,444,057				4,444,057
Mckinleyville Community Services District	8034-110	11/02/15	Y	19,598,527						19,598,527
Davis, City of	8019-110	11/18/15			35,500,000					35,500,000
Fresno, County of	5541-110	12/17/15			1,773,937					1,773,937
Watsonville, City of	8021-110	12/18/15				1,269,407				1,269,407
San Francisco, Public Utilities Commission of the City & County of	8064-110	01/12/16						7,435,000		7,435,000
Hi-Desert Water District	5295-110	01/21/16	Y		71,174,657		71,174,657			142,349,314
La Mesa, City of	7824-110	01/25/16				5,000,000				5,000,000
Eastern Municipal Water District	7831-110	01/25/16							7,798,170	7,798,170
Orange County Water District	8101-110	02/17/16			2,881,966				2,881,966	5,763,932
Rodeo Sanitary District	8004-140	03/10/16				1,794,000				1,794,000
Rodeo Sanitary District	8004-150	03/10/16		1,956,000						1,956,000
Sacramento Regional County Sanitation District	8082-110	03/21/16							8,182,200	8,182,200
Sacramento Regional County Sanitation District	8025-150	04/05/16			53,490,845					53,490,845
Pacific Grove, City of	8026-110	04/05/16							5,285,000	5,285,000
Silicon Valley Clean Water	8069-110	05/13/16				14,000,000				14,000,000
Pajaro Valley Water Management Agency	8072-110	05/13/16			534,500				534,500	1,069,000
Pajaro Valley Water Management Agency	8072-120	05/13/16			3,617,500					3,617,500
Pajaro Valley Water Management Agency	8072-130	05/13/16							1,355,500	1,355,500
Malibu, City of	8018-110	05/19/16		9,132,352	17,249,999		16,235,293		8,117,647	50,735,291
Clear Creek Community Services District	8130-110	05/26/16	Y						877,340	877,340
Pismo Beach, City of	8015-110	06/09/16		4,658,825						4,658,825
Pismo Beach, City of	8016-110	06/09/16				1,960,800				1,960,800
Pinole, City of	7856-110	06/17/16		26,500,000						26,500,000
North Marin Water District	8086-110	06/17/16							6,592,295	6,592,295
Sacramento Regional County Sanitation District	8025-160	06/27/16			534,869,431					534,869,431
Sacramento Regional County Sanitation District	8025-170	06/30/16			35,187,701					35,187,701
Total:	31		3	\$77,945,023	\$767,305,565	\$33,617,964	\$87,409,950	\$7,435,000	\$84,758,256	\$1,058,471,757

Needs Category

- I - Secondary Treatment
- II - Advance Treatment
- III-B - Major Sewer System Rehabilitation
- IV-A- New Collector Sewers
- VI- Storm Sewers
- X - Recycled Water Distribution

EXHIBIT C: SFY 15/16 IUP Non-Funded Projects

Applicant Name	Project Number	IUP Projected Amount	Priority Class	Reason for Delay	Project Type
Blythe, City of	7875-110	\$2,800,000	A	9	POTW
Hi-Desert Water District	7860-110	\$11,000,000	A	3	EXP
Jackson, City of	8012-110	\$12,000,000	B	3	POTW
The Conservation Fund	8074-110	\$25,000,000	B	3	EXP
Amador Water Agency	8037-110	\$500,000	C	3	POTW
Beaumont, City of	7872-110	\$2,911,538	C	3	POTW
Biggs, City of	7884-110	\$3,400,000	C	3	POTW
Brentwood, City of	8071-110	\$20,802,000	C	2	POTW
Brentwood, City of	8095-110	\$31,957,000	C	3	POTW
Central Basin Municipal Water District	8098-110	\$33,500,000	C	3	POTW
Central Basin Municipal Water District	8099-110	\$9,654,000	C	3	POTW
Colusa, City of	7896-210	\$9,000,000	C	2	POTW
Cuyama Community Services District	7892-210	\$1,407,000	C	3	POTW
Davenport County Sanitation District	7843-210	\$4,020,921	C	5	POTW
Eastern Municipal Water District	7889-120	\$7,500,000	C	5	POTW
Eastern Municipal Water District	8047-110	\$114,031,280	C	2	POTW
Escondido, City of	8059-110	\$19,000,000	C	3	POTW
Fresno, City of	7893-120	\$15,904,698	C	8	POTW
Grizzly Lake Community Services District	8009-110	\$262,000	C	3	POTW
Harbor Real Estate, LP	8017-110	\$8,291,000	C	3	POTW
Hayward, City of	8091-110	\$11,594,760	C	2	POTW
Hercules, City of	7883-110	\$22,200,000	C	4	POTW
Hesperia Water District	8049-110	\$14,673,750	C	4	POTW
Huron, City of	8093-110	\$255,000	C	3	POTW
Isleton, City of	7886-110	\$175,000	C	3	POTW
Kern-Tulare Water District	8097-110	\$7,000,000	C	3	POTW
La Puente Valley County Water District	8094-110	\$950,000	C	3	POTW
Lake County Sanitation District	8065-110	\$1,600,000	C	3	POTW
Los Angeles, City of	8063-110	\$451,000,000	C	3	POTW
Los Angeles, City of	8081-110	\$460,000,000	C	9	POTW
Marin Municipal Water District	8022-110	\$10,000,000	C	8	POTW
Mariposa Public Utility District	8089-110	\$9,632,600	C	3	POTW
Modesto, City of	8062-110	\$96,617,856	C	3	POTW
Monterey Regional Water Pollution Control Agency	8028-110	\$82,000,000	C	2	POTW
Mt. Shasta, City of	8067-110	\$16,478,000	C	3	POTW
Murphy's Sanitary District	8039-110	\$5,106,500	C	3	POTW
Newell County Water District	7851-210	\$2,170,769	C	2	POTW

Applicant Name	Project Number	IUP Projected Amount	Priority Class	Reason for Delay	Project Type
Palmdale Water District	8102-110	\$130,000,000	C	2	POTW
Paradise Irrigation District	8050-110	\$15,000,000	C	3	POTW

Applicant Name	Project Number	IUP Projected Amount	Priority Class	Reason for Delay	Project Type
Poplar Community Service District	7835-210	\$4,000,000	C	3	POTW
Rodeo Sanitary District	8004-130	\$6,275,800	C	4	POTW
Sacramento Regional County Sanitation District	8025-180	\$484,585,422	C	4	POTW
San Andreas Sanitary District	7842-120	\$2,642,200	C	4	POTW
San Joaquin County Housing Authority	8052-110	\$500,000	C	5	POTW
San Luis Obispo, City of	8029-110	\$68,000,000	C	3	POTW
San Mateo County Fair Oaks Sewer Maintenance District	7814-1102	\$5,400,000	C	3	POTW
Santa Clarita Valley Sanitation District	8035-110	\$39,916,368	C	3	POTW
Santa Margarita Water District	8060-110	\$47,450,000	C	2	POTW
Shasta County	8085-110	\$434,000	C	5	POTW
Shasta Lake, City of	8041-110	\$20,200,000	C	5	POTW
South San Francisco, City of	8033-110	\$15,250,000	C	3	POTW
Springville Public Utilities District	5158-110	\$3,200,000	C	3	POTW
Sutter County Water District No. 1	7890-110	\$469,340	C	3	POTW
Ukiah, City of	8076-110	\$17,152,000	C	2	POTW
University of California, Davis	8080-110	\$7,200,000	C	9	POTW
Upper San Gabriel Valley Municipal Water District	8100-110	\$65,000,000	C	3	POTW
Valley Center MWD	7454-140	\$4,115,400	C	3	POTW
Valley Springs Public Utility District	8038-110	\$6,000,000	C	3	POTW
Ventura County Waterworks District No. 1	8040-110	\$50,000,000	C	3	POTW
Ventura County Waterworks District No. 8	8027-110	\$19,620,000	C	3	POTW
Water Replenishment District of Southern California	8096-110	\$80,000,000	C	4	POTW
Watsonville, City of	8011-110	\$1,725,500	C	3	POTW
West Basin Municipal Water District	8084-110	\$23,803,808	C	2	POTW
Woodland, City of	8075-110	\$6,000,000	C	4	POTW
Yucaipa, City of	8079-110	\$4,000,000	C	3	EXP
Calaveras County Water District	7850-210	\$4,750,000	D	5	POTW
Del Mar, City of	8051-110	\$1,800,000	D	9	POTW
Madera, County of	7211-210	\$12,000,000	D	2	POTW
Mission Springs Water District	8070-110	\$17,855,000	D	3	POTW
Nevada County Sanitation District #1	8077-110	\$2,250,000	D	2	POTW
Red Bluff, City of	7866-110	\$4,000,000	D	3	POTW
San Diego, City of	4905-150	\$800,000	D	9	POTW
San Diego, City of	8032-110	\$38,610,000	D	2	POTW
San Francisco Public Utilities Commission	8088-110	\$32,088,516	D	4	POTW
San Jose, City of	8087-110	\$86,350,000	D	2	POTW

Applicant Name	Project Number	IUP Projected Amount	Priority Class	Reason for Delay	Project Type
Santa Barbara, City of	8078-110	\$22,000,000	D	3	POTW
Santa Cruz County Sanitation District	8090-110	\$3,932,400	D	3	POTW
Sausalito-Marín City Sanitary District	7837-110	\$26,000,000	D	3	POTW
South Coast Water District	7882-110	\$102,560,000	D	4	POTW
South Tahoe Public Utility District	8053-110	\$3,730,384	D	3	POTW
South Tahoe Public Utility District	8055-110	\$3,861,868	D	9	POTW
South Tahoe Public Utility District	8057-110	\$1,394,607	D	4	POTW
South Tahoe Public Utility District	8066-110	\$1,527,725	D	4	POTW
Victor Valley Wastewater Rec Authority	8083-110	\$6,600,000	D	3	POTW
Renewable Funding	8092-110	\$80,000,000	E	3	EXP
TOTAL:	85	\$3,104,446,010			

Reasons for Delay:

- 1) Change to the project's scope or objectives
- 2) CWSRF Reviews are not Complete. (Complete Application)
- 3) Application requires additional studies, more documents, and/or more hearings (Incomplete Application)
- 4) N/A - CWSRF financing agreement is pending.
- 5) N/A- financed with other (non-CWSRF) financing
- 6) N/A - funded as part of another CWSRF financing agreement
- 7) N/A- financed with CWSRF - SCG financing
- 8) Project dropped from consideration due to inactive status
- 9) N/A- application withdrawn

EXHIBIT D: SFY 15/16 DBE Report

		MBE	WBE	TOTAL
Annual Total	October 1, 2014 - September 30, 2015	\$16,833,802.00	\$5,200,213.00	\$22,034,015.00
Cumulative Total	October 1, 2014 - September 30, 2015	\$16,833,802.00	\$5,200,213.00	\$22,034,015.00
<hr/>				
Total Disbursements	October 1, 2014 - September 30, 2015			\$455,500,605.00
Percentage to Total Disbursements	October 1, 2014 - September 30, 2015	0.04%	0.010%	0.05%

Note: Percentage of DBE participation is determined by taking the percentage of MBE and WBE as compared to the total disbursements for the fiscal year for each category. Total disbursements equal \$455,500,605. DBE reports are collected annually based on the FFY.

EXHIBIT E: SFY 15/16 CWSRF Green Project Reserve and Additional Subsidy Funded Projects

Financial Assistance Recipient Name	Project Number	Funding Agreement Number	Agreement Date	Principal Forgiveness ¹⁴	Green Projects ¹⁵	Total Agreement Amount
Pleasanton, City of	8024-110	D1501003	7/3/2015	\$0	\$6,453,533	\$11,317,177
Pajaro Valley Water Management Agency	8072-110	D1501022	5/13/2016	\$0	\$1,069,000	\$1,069,000
Fresno, City of	8061-110	D1501011	9/24/2015	\$0	\$37,475,049	\$37,475,049
San Francisco, Public Utilities Commission of the City & County of	8064-110	D1501009	1/12/2016	\$0	\$7,435,000	\$7,435,000
Eastern Municipal Water District	7831-110	D1501017	1/25/2016	\$0	\$7,798,170	\$7,798,170
Orange County Water District	8101-110	D1501016	2/17/2016	\$0	\$5,763,932	\$5,763,932
Sacramento Regional County Sanitation District	8082-110	D1501015	3/21/2016	\$0	\$8,182,200	\$8,182,200
Pacific Grove, City of	8026-110	D1501021	4/5/2016	\$0	\$5,285,000	\$5,285,000
Pajaro Valley Water Management Agency	8072-120	D1501023	5/13/2016	\$0	\$3,617,500	\$3,617,500
Malibu, City of	8018-110	D1501033	5/19/2016	\$0	\$8,117,647	\$50,735,291
Clear Creek Community Services District	8130-110	D1501028	5/26/2016	\$446,170	\$446,170	\$877,340
Pismo Beach, City of	8016-110	D1501027	6/9/2016	\$700,000	\$700,000	\$1,960,800
North Marin Water District	8086-110	D1501034	6/17/2016	\$0	\$6,592,295	\$6,592,295
Pajaro Valley Water Management Agency	8072-130	D1501024	5/13/2016	\$0	\$1,355,500	\$1,355,500
Total: 14				\$1,146,170	\$100,290,996	\$149,464,254

¹⁴ Includes projects receiving Principal Forgiveness per the IUP.

¹⁵ All Green Project Reserve funded 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 15/16 Projects Reported to FFATA

Financial Assistance Recipient Name	Project Number	Agreement Date	FFATA Reporting Due	Actual Date Reported	FFATA* Reporting Amount	Total Agreement Amount
Sacramento Regional County Sanitation District	8025-150	04/05/16	05/31/16	05/31/16	\$49,027,709	\$62,357,282
Malibu, City of	8018-110	05/19/16	06/30/16	05/31/16	\$50,735,291	\$50,735,291
Total:					\$99,763,000	\$113,092,573

*Based on FFY 2015 Capitalization Grant of \$99,763,000

EXHIBIT G: SFY 15/16 Projects with Financing Service 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%
07-828	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
00-802	4665-110	Stege Sanitary District	1%
00-804	4486-110	Templeton Community Services District	1%
00-818	4062-220	Santa Rosa, City of	1%
00-825	4062-170	Santa Rosa, City of	1%
00-831	4062-250	Santa Rosa, City of	1%
01-803	4053-110	McCloud Community Services District	1%
01-810	4062-160	Santa Rosa, City of	1%
01-811	4062-230	Santa Rosa, City of	1%
01-813	6036-110	Santa Cruz, County of	1%
01-814	4062-150	Santa Rosa, City of	1%
02-821	4812-110	Napa Sanitation District	1%
02-826	4845-110	Santa Margarita Water District	1%
02-827	4802-110	Corona, City of	1%
03-846	4783-110	Los Angeles County Sanitation District	1%
03-847	4783-210	Los Angeles County Sanitation District	1%
04-814	4450-110	Coachella Sanitary District	1%
04-815	4252-510	La Canada Flintridge, City of	1%
05-809	4665-210	Stege Sanitary District	1%
05-810	4200-110	Yucaipa Valley Water District	1%
05-811	4729-110	La Mesa, City of	1%
07-815	4632-110	Alturas, City of	1%
07-816	4728-120	South San Francisco, City of	1%
07-818	4729-120	La Mesa, City of	1%
97-804	4001-220	Los Angeles County Sanitation District	1%
97-809	4505-110	Placerville, City of	1%
97-813	6031-110	Mammoth Lakes, Town of	1%
98-813	4262-110	Humboldt County Res. Imp. Dist. 1	1%
98-818	4001-250	Los Angeles County Sanitation District	1%
98-837	4452-110	Santa Ana Watershed Project Authority	1%

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99-802	4704-110	Windsor, Town of	1%
99-805	4610-110	Vacaville, City of	1%
99-807	4679-110	Los Angeles, County of	1%
99-811	4429-120	Thousand Oaks, City of	1%

Fund 3147 and 9739 (percentage of outstanding principal balance)				
Contract Number	Project Number	Recipient	Fee Rates	
			Admin	SCG
00-801	4610-120	Vacaville, City of	1%	1.7%
00-805	4596-110	Hilmar County Water District	1%	1.6%
00-806	4685-110	Sacramento, City of	1%	1.6%
00-809	4708-110	Redding, City of	1%	1.6%
00-815	4465-110	Yreka, City of	1%	1.6%
00-816	4062-140	Santa Rosa, City of	1%	1.6%
00-819	4086-110	Lake County Sanitation District	1%	1.6%
01-802	4173-110	Laguna County Sanitation District	1%	1.4%
01-804	4655-110	Piedmont, City of	1%	1.4%
01-815	4771-110	Union Sanitary District	1%	1.4%
01-816	4684-110	Ventura, County of	1%	1.4%
01-817	4062-240	Santa Rosa, City of	1%	1.6%
01-821	4800-110	Redlands, City of	1%	1.5%
01-825	4790-110	Vallejo Sanitation & Flood Dist.	1%	1.5%
02-804	4252-410	La Canada Flintridge, City of	1%	1.4%
02-809	4846-130	Inland Empire Utilities Agency	1%	1.5%
02-810	4772-110	Burlingame, City of	1%	1.5%
02-811	6061-120	Napa, County Of, Flood Control and Water	1%	1.5%
02-816	4801-110	North San Mateo County Sanitation District	1%	1.5%
02-817	4655-120	Piedmont, City of	1%	1.5%
02-818	4307-110	San Luis Obispo, City of	1%	1.5%
02-823	4007-610	Alameda, City of	1%	1.6%
02-824	4728-110	South San Francisco, City of	1%	1.5%
02-825	4658-110	Victor Valley Wastewater Rec Authority	1%	1.5%
03-801	4695-110	Escondido, City of	1%	1.4%
03-804	4657-110	Tahoe-Truckee Sanitation Agency	1%	1.6%
03-806	4528-210	Benicia, City of	1%	1.6%
03-811	4655-130	Piedmont, City of	1%	1.5%
03-848	4783-310	Los Angeles County Sanitation District	1%	1.3%
05-803	4693-110	Petaluma, City of	1%	1.4%
05-808	4844-110	North Marin Water District	1%	1.4%
06-801	4823-110	Sonoma Valley County Sanitation District	1%	1.3%
06-802	6090-110	The Conservation Fund	1%	1.3%
06-803	4971-110	Redding, City of	1%	1.2%
06-806	4969-110	Nevada County Sanitation District #1	1%	1.2%
07-813	5053-110	Union Sanitary District	1%	1.4%
07-817	6093-110	St Helena, City of	1%	1.4%
07-819	4971-210	Redding, City of	1%	1.4%
07-820	4790-120	Vallejo Sanitation & Flood Dist.	1%	1.4%
07-825	4303-110	East Bay Municipal Utility District	1%	1.4%

07-826	4971-220	Redding, City of	1%	1.6%
07-835	5045-110	Union Sanitary District	1%	1.7%
09-851	5152-110	Burlingame, City of	1%	1.9%
10-801	7245-110	El Toro Water District	1%	1.7%
10-805	6601-110	Yolo County Flood Control and Water Conservation District	1%	1.7%
10-818	5571-110	Delta Diablo	1%	1.6%
10-820	5160-110	Sunnyslope County Water District	1%	1.6%
10-835	5533-110	Burbank, City of	1%	1.6%
10-838	5310-110	Seal Beach, City of	1%	1.6%
10-842	5310-120	Seal Beach, City of	1%	1.6%
11-809	4971-230	Redding, City of	1%	1.6%
97-812	4504-110	Chico, City of	1%	1.6%
97-815	4155-110	San Elijo Joint Powers Authority	1%	1.5%
97-817	4251-110	Colton, City of	1%	1.5%
97-827	4614-110	South San Francisco, City of	1%	1.6%
97-829	4441-120	Sacramento, City of	1%	1.2%
98-811	6050-110	Merced, County of	1%	1.6%
98-816	4429-110	Thousand Oaks, City of	1%	1.4%
98-817	4001-260	Los Angeles County Sanitation District	1%	1.4%
98-826	6026-110	South Lake Tahoe, City of	1%	1.6%
98-828	6061-110	Napa, County Of, Flood Control and Water	1%	1.4%
98-830	4529-110	Banning, City of	1%	1.6%
99-809	4452-120	Santa Ana Watershed Project Authority	1%	1.7%
99-819	4666-110	American Canyon, City of	1%	1.7%
99-825	4452-130	Santa Ana Watershed Project Authority	1%	1.6%
99-829	4616-110	Calistoga, City of	1%	1.6%
99-830	4452-140	Santa Ana Watershed Project Authority	1%	1.6%
99-831	4653-110	Sacramento, City of	1%	1.6%

EXHIBIT H: SFY 15/16 SCG Prop 1

Project Number	Recipient	Planning Project	Construction Project	Prop 1 SCG Funding	Agreement Date
8093-110	Huron, City of	X		\$345,000	8/14/15
8037-110	Amador Water Agency	X		\$500,000	9/24/15
8052-110	Housing Authority of the County of San Joaquin	X		\$216,000	9/24/15
8085-110	Shasta, County of	X		\$434,000	10/23/15
8109-110	Groveland Community Services District	X		\$399,000	12/17/15
8108-110	Burney Water District	X		\$500,000	1/6/16
8135-110	Riverdale Public Utility District	X		\$500,000	1/28/16
8145-110	Newman, City of	X		\$500,000	2/4/16
8131-110	Clearlake Oaks County Water District	X		\$299,640	2/10/16
8124-110	Firebaugh, City of	X		\$380,000	2/29/16
8140-110	Tehama County Sanitation District No. 1	X		\$500,000	4/1/16
8191-110	Paradise, Town of	X		\$500,000	4/26/16
8160-110	Quincy Community Services District	X		\$500,000	5/3/16
8193-110	Parlier, City of	X		\$400,000	5/16/16
Total Funding SFY 2015-16:				\$5,973,640	

EXHIBIT I: Series 2016 (Green Bonds) Projects

Project Number	Party	CWSRF Financing Amount ¹⁷	Project Description	Amount Disbursed from Series 2016 Bonds as of 9/30/2016 ¹⁸	Anticipated Future Disbursements from Series 2016 Bonds	Construction Completion Date
4806-110	Victor Valley Wastewater Reclamation Authority	\$27,072,759.00	The Project will address wastewater flow and water supply issues by strategically locating a subregional wastewater reclamation plant in the sewer shed. This will reduce the load on the Authority's collection system by diverting wastewater, a valuable commodity, to a recycled wastewater scalping plant and reduce recycled wastewater pumping costs. The scope of work includes repurposing 10,600 feet of existing sewer main into a reuse pipeline, construction of 4,600 feet of new reuse main, construction of percolation basins for groundwater recharge, and 9,700 feet of sewer main to convey waste activated sludge from the new plant to an existing sewer interceptor that runs to the Authority's regional treatment plant for further processing.	\$12,067,842.00	\$1,064,113.02	2/28/2018
4807-110	Victor Valley Wastewater Reclamation Authority	\$40,549,955.00	The Project will address wastewater flow and water supply issues by strategically locating a subregional wastewater reclamation plant in the sewer shed. This will reduce the load on the Authority's collection system by diverting wastewater, a valuable commodity, to a recycled wastewater scalping plant and reduce recycled wastewater pumping costs. The scope of work includes 730 feet of gravity sewer line, a new lift station, and 2,265 feet of force main to convey wastewater from the existing collection system to the new scalping plant, 3,000 feet of force main from the plant to an existing interceptor to convey waste activated back to the Authority's regional treatment plant for further processing, and percolation basins for groundwater recharge.	\$18,744,760.00	\$1,549,051.79	2/28/2018
5069-110	San Diego, City of	\$7,203,499.00	The Project will add two new chemical storage silos identical to its existing eight storage silos at its Metropolitan Biosolids Center. Each silo has a capacity of approximately 7,000 cubic feet. The new silos will provide additional storage capacity to accommodate projected increased loadings and to facilitate major rehabilitation of the existing silos.	\$7,203,499.00	\$0.00	4/30/2015
5175-210	Modesto, City of	\$128,161,776.00 ¹⁹	This is the second phase of a five phase Project to construct a 27.5 million gallon per day (mgd) tertiary wastewater treatment system. The second phase will bring the tertiary treatment capacity to 12.6 mgd. The Project consists of three aeration basins, six membrane bioreactors, ultraviolet disinfection systems, pump stations, structures, and auxiliary equipment. Completion of the Project will allow the City to discharge tertiary treated effluent to the San Joaquin River year round.	\$4,227,012.03	\$3,461,502.25	12/1/2015
5223-110	Union Sanitary District	\$12,200,000.00	The piping and related electrical and control equipment in the District's Thickener Control Building has reached the end of its useful life. The District will replace the outdated systems and equipment as part of the Project. The District will also make other changes to improve the reliability of the gravity sludge thickening process, and add additional metering equipment and pipelines to facilitate automated, precise, and reliable control of the thickened sludge feed rate and density to each digester. The greater reliability and control will increase the District's sludge handling and digestion efficiency, thereby improving the efficiency and reliability of the entire treatment plant.	\$4,036,881.00	\$543,305.00	3/31/2017
5295-110	Hi-Desert Water District	\$142,349,314.00	The purpose of the project is to move the Town of Yucca Valley from its current wastewater discharge method, individual septic tanks, to a community sewer collection and treatment system. The facilities will be constructed in three phases. Phase 1 of the District's Project will include installation of approximately 77 miles of sewer pipeline in the central portion of the Town, a wastewater treatment facility (WWTF), and water reclamation (groundwater) recharge ponds. The WWTF system will convey an annual average flow of one million gallons per day (mgd) of wastewater to the proposed WWTF. This first phase of the project will provide the core infrastructure for expansion of the collection, treatment and disposal system needed for Phases 2 and 3.	\$695,924.00	\$5,975,751.75	6/30/2019
5402-110	Hillsborough, Town of	\$12,000,000.00	The Project includes upsizing approximately 10,000 feet of existing trunk sewer on Crystal Springs Road and El Cerrito Ave. Increasing the size of the trunk sewer will eliminate sewage overflows in this area.	\$6,982,206.00	\$644,330.94	9/15/2016
7215-110	Visalia, City of	\$117,490,000.00	Water demands in the area have increased and resulted in significant overdraft of the groundwater table. The objective of the Project is to upgrade the Visalia wastewater treatment plant to produce recycled water that will lessen current groundwater demands. To mitigate the project's increased power consumption, a 1 MW solar photovoltaic facility will be installed onsite. Additional work and associated support facilities will also be completed as part of the Project to ensure that the City can reliably meet its overall wastewater recycling objective.	\$28,053,178.00	\$3,270,317.34	9/13/2017
7613-110	Fallbrook Public Utilities District	\$28,723,000.00	The Project includes rehabilitation of the District's facilities to ensure that it can reliably meet its wastewater discharge requirements. This includes rehabilitating the equalization basin, the operations center (lab, bathrooms, and work areas), and the reclamation facilities (flocculation and filtration); repurposing a primary clarifier and an existing emergency storage holding tank; and construction of an additional secondary clarifier.	\$6,177,341.00	\$0.00	3/31/2016
7617-110	San Diego, City of	\$12,425,000.00	The Project will replace six of the eight existing sludge centrifuges. The new centrifuge units, each with a processing capacity of 400 gallons per minute, have approximately twice the capacity of the existing units, and are more energy efficient. Operation of the new units requires the same power as that of the existing units.	\$4,258,189.00	\$545,607.33	8/11/2017

Project Number	Party	CWSRF Financing Amount ¹⁷	Project Description	Amount Disbursed from Series 2016 Bonds as of 9/30/2016 ¹⁸	Anticipated Future Disbursements from Series 2016 Bonds	Construction Completion Date
7694-110	Los Angeles County Sanitation District No. 2	\$41,510,796.00	The Long Beach Main Pumping Plant was constructed in 1947, and has been modified several times since then. The facility is near the end of its useful life. USEPA issued a compliance order in September 2003, requiring the District to reduce sanitary sewer overflows, and the District's Project is needed to bring it into compliance. The proposed Project involves building a new pumping plant on adjacent land and rehabilitating a 54-inch concrete force main. The new pumping plant will include a 78-inch inlet and cross connections between two existing inlets, a wet well, dry well, two buildings, headers, six pumps, and an emergency generator.	\$16,109,563.00	\$1,132,748.56	5/31/2017
7834-110	Corona, City of	\$14,035,163.00	The City is required to come into compliance with a Regional Water Board enforcement order. The Project will improve overall treatment efficiency by improving the headwork's screening process and adding tertiary treatment of wastewater to the facility. The Project will include construction of on-site piping, site grading, storm drain improvements, reinforced concrete structures, pumping equipment, flow meters, manual and motor-operated valves, above-ground piping, chemical storage and pumping equipment, electrical equipment, and controls.	\$9,795,188.00	\$383,954.18	8/31/2016
7845-110	Western Municipal Water District	\$24,000,000.00	The Project will expand the desalter program to increase the flow rate to 40,000 acre-feet per year. The Project is expected to achieve hydraulic control to help reduce salt loading to the upper Santa Ana River from the Chino Groundwater Basin. Phase 3 includes expansion of desalter capacity, construction and operation of new groundwater wells, and new pipelines to convey water both to and from the desalters.	\$1,527,745.00	\$1,447,972.61	7/31/2018
7847-110	Vista, City of	\$21,991,869.00	The Project will upgrade the Vista/Carlsbad Sewer Interceptor System, jointly owned by the cities of Vista and Carlsbad. The affected segments are part of a regional sewage collection system located in North San Diego County. The Project includes replacing a bridge to support a 54-inch replacement sewer pipe, replacing a sewer lift station and 30-inch force main, and installing a new 54-inch gravity sewer. The improvements are necessary because the existing sewer line and lift station are under-sized, outdated, and nearing the end of their useful lives. The current infrastructure also has insufficient capacity for future wastewater flows.	\$4,766,085.00	\$1,672,706.27	6/30/2017
7857-110	Santa Barbara, City of	\$31,388,033.00	The Project will upgrade the aeration and secondary clarification systems at the City's El Estero Wastewater Treatment Plant.	\$0.00	\$3,845,037.31	7/1/2018
7871-110	Galt, City of	\$26,369,200.00	The objective of the Project is to expand and improve the existing oxidation ditch system and construction of a new (third) secondary clarifier.	\$8,088,957.00	\$509,807.61	9/30/2016
7873-110	Woodland-Davis Clean Water Agency	\$95,461,000.00	The Cities of Woodland and Davis are subject to Cease and Desist Orders and Time Schedule Orders from the Regional Water Board to bring their respective wastewater treatment plants into compliance with selenium discharge limits. Replacing the current groundwater source with water from the Sacramento River will allow both cities to meet their permit limits. The Project involves construction of an intake on the Sacramento River, a new regional water treatment facility, pipelines from the intake to the treatment facility, and pipelines to the cities' distribution systems.	\$60,622,212.00	\$1,907,945.42	12/31/2016
7876-130	West County Wastewater District	\$10,829,156.00	The objective of the District's Project is to rehabilitate aging facilities to avoid equipment failure, eliminate unsafe working conditions, and avoid wastewater discharge permit violations. The scope of work includes replacing the 12 kV main switchgear and seven motor control centers, performing seismic retrofits of various buildings and process structures, rehabilitating and replacing various components at the plant including the chlorine contact tank, the effluent flow meter, and the effluent chlorine analyzers, and rehabilitating or replacing the primary clarifier sludge collector drives and associated components.	\$2,941,291.00	\$1,061,222.43	8/30/2017
7885-110	Inland Empire Utilities Agency	\$17,100,000.00 ¹⁹	The Project will construct a one-story, approximately 16,000 square-foot regional laboratory at the Agency's Regional Water Recycling Plant No. 5 in Chino, California. The building will also include office spaces, a visitor's center, and rooms for electrical, mechanical, telecommunication equipment, and storage. The Project replaces the Agency's outdated 2,200 square-foot laboratory facility, which will be renovated for use by plant operations staff.	\$236,823.00	\$1,990,032.14	6/29/2017
7893-110	Fresno, City of	\$33,138,638.00	The Project will increase tertiary treatment and ultraviolet disinfection capacity to 5 million gallons per day, and add a solar photovoltaic facility to provide electricity at the wastewater treatment plant.	\$32,440,566.00	\$92,611.65	7/12/2016
7894-110	Western Riverside County Regional Wastewater Authority	\$72,620,000.00 ¹⁹	The Authority's wastewater plant has a tertiary treatment capacity of 8 million gallons per day (mgd). Due to high demand, the plant will be expanded from 8 mgd to 13.50 mgd. The upgrades will include improvements to the head works, equalization tanks, biological treatment, tertiary treatment and solids handling processes.	\$42,584,397.00	\$2,385,685.90	6/30/2017
7899-110	Carlsbad Municipal Water District	\$22,150,000.00	The Project will expand the District's recycled water system to the north area of Carlsbad and the neighboring water service areas. The project expands the wastewater recycling capacity from 4 million gallons per day to 6 million gallons per day, installs 85,000 feet of pipe, and relocates or constructs new recycled wastewater storage capacity.	\$223,155.00	\$2,113,077.70	6/30/2017
8001-120	Dixon, City of	\$28,500,000.00	The Project will upgrade and replace aged facilities with more reliable and efficient wastewater treatment systems. The current pond treatment method will be replaced with an activated sludge process, including construction of a new influent pump station and a new headworks with mechanical screening and flow measurement. Piping and pumping upgrades, an equalization basin, and disposal area will also be constructed as part of the proposed project.	\$18,259,649.00	\$569,592.83	12/1/2016

Project Number	Party	CWSRF Financing Amount ¹⁷	Project Description	Amount Disbursed from Series 2016 Bonds as of 9/30/2016 ¹⁸	Anticipated Future Disbursements from Series 2016 Bonds	Construction Completion Date
8002-110	Woodland, City of	\$21,397,336.00 ¹⁹	The City will complete various improvements to improve energy use and plant performance. The Project will convert the existing oxidation ditch system to a nitrifying and denitrifying bioreactor. The improvements are expected to reduce power usage by 30 percent, increase process capacity, and reduce operations costs. An alkalinity feed facility and a new blower building will also be constructed.	\$12,070,031.00	\$638,574.82	12/31/2016
8010-110	Davis, City of	\$81,057,000.00	The City will replace the existing ponds and overland flow fields with a conventional activated sludge process with tertiary treatment. The Project will also upgrade ancillary facilities such as electrical, maintenance, disinfection, and solids handling.	\$20,020,335.00	\$4,974,100.28	10/1/2018
8019-110	Davis, City of	\$35,500,000.00	The City's Project is a critical part of the Woodland-Davis Clean Water Agency's Water Supply Project (7873-110) to replace groundwater with surface water from the Sacramento River. The Project will tie the new water system to the existing distribution pipelines within the City. Changing the drinking water source from groundwater to surface water will help the City meet its wastewater discharge requirements.	\$13,962,909.00	\$1,912,337.69	6/30/2018
8024-110	Pleasanton, City of	\$11,317,177.00	The City's Project includes a recycled water distribution system with 13 miles of new pipelines in existing developed areas, as well as adding treatment capacity at the Dublin-San Ramon Services District wastewater treatment facility. The Project is estimated to replace 1,303 acre-feet per year of potable water demand with recycled water.	\$8,629,306.00	\$248,182.90	10/31/2016
8025-110	Sacramento Regional County Sanitation District	\$43,949,856.00	The Project is the first phase of the District's Echo Water Project. The Echo Water Project will upgrade the Sacramento Regional Wastewater Treatment Plant to comply with the NPDES permit requirement to remove ammonia from its discharge to protect the Sacramento-San Joaquin Delta downstream. The plant is the largest wastewater discharger to the Delta, and the Delta is a significant source of California's water and a critical ecosystem. The Project will also substantially increase water recycling opportunities for agricultural and landscape irrigation and industrial process water by producing highly treated water that meets wastewater reuse standards. Use of recycled water helps preserve scarce water supplies, especially during drought conditions. The Project scope includes temporary and permanent infrastructure, demolition of existing buildings and infrastructure, and construction of new facilities to support construction activities associated with the Project.	\$34,473,941.00	\$4,163,203.94	9/15/2016
8025-120	Sacramento Regional County Sanitation District	\$138,672,372.00	The Project is the second phase of the District's Echo Water Project. The scope of this phase includes deepening and lining of the emergency storage basins (ESB). The ESB currently store partially or fully treated wastewater under a variety of circumstances. The proposed improvements and modifications to the ESB will ensure continued operational flexibility and permit compliance.	\$39,203,946.00	\$7,289,793.05	4/13/2018
8025-130	Sacramento Regional County Sanitation District	\$3,439,831.00	The Project is the third phase of the District's Echo Water Project. This phase of the Project will expand the existing 12 kV electrical switchgear to include new sections with circuit breakers to feed power to the Echo Water Project. The existing transformer has adequate capacity, but new switchgear will be installed into the existing substation in space that was prepared as part of the original substation expansion in the late 1990s.	\$672,248.00	\$830,545.96	11/30/2016
8025-140	Sacramento Regional County Sanitation District	\$21,465,759.00	The Project is the fourth phase of the District's Echo Water Project. This phase will improve the disinfection facilities at the plant to meet stricter discharge limits. The District is converting the existing chlorine gas system to a liquid system, and will upgrade the disinfection contact basin as part of its tertiary treatment efforts.	\$12,135,782.00	\$2,749,850.76	3/8/2017
8034-110	Mckinleyville Community Services District	\$19,598,527.00	The District will improve its wastewater treatment facility to ensure reliable operation through the year 2030. The major improvements include a new headworks facility, aeration basins, a blower/electrical maintenance building, two new secondary clarifiers, including return activated sludge/waste activated sludge pumping, and a biosolids storage basin.	\$3,527,493.00	\$1,317,571.54	9/8/2017
8043-110	West County Wastewater District	\$21,100,763.00	The Project will improve the District's secondary treatment process to increase the reliability of its recycled wastewater deliveries.	\$1,759,640.00	\$1,246,220.82	6/3/2017
8061-110	Fresno, City of	\$37,475,049.00	The Project includes construction of a pipeline and booster pump station to convey tertiary treated recycled wastewater from the City's treatment plant to landscape irrigation sites in the City's Southwest Quadrant.	\$0.00	\$1,965,150.16	12/31/2017
Total:				\$436,498,094.03	\$63,501,905.97	
Grand Total:				\$500,000,000.00		

DISCLAIMER: The 2016 series revenue bond disbursements represented herein are unreconciled as of 9/30/2016 and may be subject to change.

¹⁷ The CWSRF financing amount includes anticipated Series 2016 Bond proceeds and CWSRF equity funds.

¹⁸ The 2016 series revenue bond disbursements represented herein are unreconciled as of 9/30/2016 and may be subject to change.

¹⁹ Loan Amount includes Principal Forgiveness (PF). PF will not be reimbursed/dispensed with Series 2016 Bond proceeds.

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