

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

**FINANCIAL STATEMENTS  
and SINGLE AUDIT REPORTS**

**June 30, 2021 and 2020**



WEALTH ADVISORY | OUTSOURCING  
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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the California State Water Resources Control Board, Safe Drinking Water Revolving Fund (Safe Drinking Water Revolving Fund), a governmental fund of the State of California, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, Safe Drinking Water Revolving Fund as of June 30, 2021 and 2020, and the respective changes in financial and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

As discussed in Note 1 – Definition of Reporting Entity, the basic financial statements of the Safe Drinking Water Revolving Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the California State Water Resources Control Board that is attributable to the transactions of the Safe Drinking Water Revolving Fund. They do not purport to, and do not, present fairly the financial position of the California State Water Resources Control Board or the State of California as of June 30, 2021 and 2020, and the changes in their financial position and their cash flows, where applicable, for the years then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

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

***Other Information***

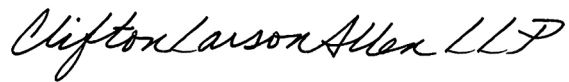
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Safe Drinking Water Revolving Fund's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200,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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2022, on our consideration of the Safe Drinking Water Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Safe Drinking Water Revolving Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Safe Drinking Water Revolving Fund's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
April 4, 2022

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**

The following Management's Discussion and Analysis is a required supplement to the California State Water Resources Control Board's (State Water Board), Safe Drinking Water State Revolving Fund (Drinking Water State Revolving Fund program) (DWSRF) financial statements. It describes and analyzes the financial position of the DWSRF providing an overview of the DWSRF's activities for the years ended June 30, 2021 and 2020. 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 \$62.8 million to a total of \$2.04 billion in 2021, which was \$29.9 million less than the increase of \$92.7 million in 2020. The smaller increase in net position is primarily due to lower capital contributions for loan disbursements during the year from the U.S. Environmental Protection Agency (EPA).
- Capital contributions decreased by \$43.8 million to \$78.9 million as compared to \$122.7 million in 2020. The decrease in capital contributions was mostly a result of capital available for loan disbursements from EPA capitalization grants. Capital contributions from EPA capitalization grant funds that were forgiven increased by \$5.7 million to \$7.2 million as compared to \$1.5 million in 2020.
- Cash and cash equivalents decreased by \$29.6 million in 2021 as compared to a decrease of \$44.4 million in 2020. The decrease in 2021 was mostly the result of a decrease in capital contributions.
- Loans receivable increased by \$90 million to \$1.9 billion in 2021 and increased by \$130.1 million in 2020. The increase in 2021 mostly reflects the continued steady rate of loan disbursements.
- Restricted portion of net position decreased by \$6 million to \$152 million in 2021 as compared to a decrease of \$2.5 million in 2020. The decrease in 2021 and 2020 reflects the decrease in notes receivables for loans pledged to the Series 2019 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 DWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the DWSRF are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of the State Water Board that is attributable to the transactions of the DWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2021 and 2020 and the change in their financial positions and their cash flows for the years then ended.

## Overview of Financial Statements

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

The financial statements of the DWSRF are presented as a special purpose government engaged only in business type activities - providing loans to other governmental entities. The statements provide both short-term and long-term information about the DWSRF's financial position, which assists the reader in assessing the DWSRF's economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

- The *Statements of Net Position* present information on all of the DWSRF's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position of the DWSRF is improving or deteriorating.
- The *Statements of Revenues, Expenses, and Changes in Net Position* present information which reflects how the DWSRF's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- The *Statements of Cash Flows* report the DWSRF's cash flows from operating activities, noncapital financing activities, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

## Net Position

In 2021, the DWSRF's net position continued to strengthen increasing by \$62.8 million, or 3.2%, to \$2.04 billion at June 30, 2021 as compared to an increase of \$92.7 million, or 4.9% the previous year. The increase in net position was \$29.9 million lower than in the previous year, mostly reflecting the lower level of capital contributions for loan disbursements from EPA capitalization grants.

The current portion of the DWSRF's liabilities was \$27.8 million in 2021 and \$16.6 million in 2020. Current liabilities primarily correspond to administrative expenses, which include employee salary and benefits and principal payments for the Series 2019 Revenue Bond. Noncurrent liabilities decreased by \$7.6 million in 2021 as compared to a decrease of \$7.5 million in 2020. The decrease in 2021 and 2020 was a result of ongoing principal payments of the Series 2019 Revenue bonds.

A segment of the DWSRF's net position is subject to external restriction due to the debt service requirements of the Series 2019 Revenue Bond. The net position that is restricted decreased in 2021 by \$6 million to \$152 million, or 3.8%, as compared to a decrease of \$2.5 million in 2020. The decrease in 2021 and 2020 was primarily due to ongoing debt service payments.

Of the total restricted net position, \$112.5 million in 2021 and \$140.1 million in 2020 represent the balance of outstanding loans that were pledged as security to the Series 2019 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 of the revenue bonds.

The DWSRF received total payments on pledged loans of \$30.7 million (\$27.6 million of principal and \$3.1 million of interest) in 2021 of which the debt service payment was \$9.3 million (\$5.4 million of principal and \$3.9 million of interest). In 2020, the DWSRF received total payments on pledged loans of \$23.8 million (\$19.6 million of principal and \$4.2 million of interest), of which the debt service payment was \$6.7 million (\$3.1 million of principal and \$3.6 million of interest).

The remaining \$39.5 million of restricted net position in 2021 and \$18 million in 2020 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)**

	<b>June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 199,771	\$ 229,322	\$ 273,681
Loans receivable	1,922,434	1,832,421	1,702,335
All other assets	25,176	19,160	25,906
<b>Total assets</b>	<b>2,147,381</b>	<b>2,080,903</b>	<b>2,001,922</b>
<b>LIABILITIES</b>			
Current liabilities	27,826	16,562	22,785
Noncurrent liabilities	80,107	87,737	95,233
<b>Total liabilities</b>	<b>107,933</b>	<b>104,299</b>	<b>118,018</b>
<b>NET POSITION</b>			
Restricted			
Debt Service	39,563	17,981	887
Security for revenue Bonds	112,527	140,093	159,647
Subtotal restricted assets	152,090	158,074	160,534
Unrestricted	1,887,358	1,818,530	1,723,370
<b>Total net position</b>	<b>\$ 2,039,448</b>	<b>\$ 1,976,604</b>	<b>\$ 1,883,904</b>

## Changes in Net Position

Program revenue for the DWSRF in 2021 was \$25.3 million of which \$2.8 million is restricted for debt service. Program revenue in 2020 was \$25.3 million of which \$3.7 million was restricted for debt service. In 2021 program revenue remained steady and in 2020 increased by \$2.9 million or 12.8%. In 2021 and 2020, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2021, general revenue was \$1.1 million, which was a decrease of \$3.3 million or 74.5%, when compared to \$4.4 million in 2020. In 2020, general revenue increased by \$1.1 million or 33% when compared to \$3.3 million in 2019. The decrease in 2021 mostly reflects reduced earnings as a result of lower interest rates earned on the cash on deposit. The increase in investment income during 2020 mostly reflects increased earnings that resulted from more cash on deposit.

Total expenses decreased by \$17.3 million in 2021 as compared to an increase of \$16.7 million in 2020. The decrease in 2021 was primarily due to a decrease in principal forgiveness expenses while the increase in 2020 was primarily due to an increase in administrative and principal forgiveness expenses.

Administrative expenses decreased by \$1.5 million to \$21.8 million in 2021 compared to 2020. Administrative expenses increased by \$5.1 million to \$23.3 million in 2020 compared to 2019. The decrease of administrative expenses charged to the DWSRF during 2021 primarily reflects a decrease in capital available from EPA capitalization grants for administrative activities. The increase in 2020 primarily reflects an increase in capital available from EPA capitalization grants for administrative activities.

Capital contributions to the DWSRF decreased by \$43.8 million or 35.7% in 2021 when compared to 2020. The decrease in 2021 was due to a decrease in capital contributions for loan disbursements from EPA capitalization grants. In 2020, capital contributions increased by \$30.9 million or 33.6% when compared to 2019. The increase in 2020 was primarily due to an increase in capital contributions available for loan disbursements from EPA capitalization grants.

In 2021, the DWSRF received principal forgiveness funds from EPA capitalization grants and Proposition 1 State Match funding of \$7.2 million and \$2.5 million, respectively. In 2020, the DWSRF received principal forgiveness funds from EPA capitalization grants and Proposition 1 State Match funding of \$1.5 million and \$17.6 million, respectively. The loans made with these funds were forgiven as disbursed and must be repaid if certain loan conditions are not met.

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

	Year Ended June 30,		
	2021	2020	2019
<b>Revenues</b>			
Program revenues:			
Loan interest income	\$ 25,340	\$ 25,343	\$ 22,477
General revenues:			
Investment income	1,117	4,374	3,285
<b>Total revenues</b>	<b>26,457</b>	<b>29,717</b>	<b>25,762</b>
<b>Expenses</b>			
Program expenses:			
Administrative expenses	21,830	23,281	18,225
Principal Forgiveness expense	18,904	34,718	23,694
Revenue Bond Interest expense	1,740	1,727	366
Revenue Bond issuance costs	-	(1)	780
<b>Total expenses</b>	<b>42,474</b>	<b>59,725</b>	<b>43,065</b>
<b>Decrease in net position before contributions</b>	<b>(16,017)</b>	<b>(30,008)</b>	<b>(17,303)</b>
<b>Capital contributions:</b>			
EPA capitalization grant	66,706	102,063	67,720
EPA capitalization grant Principal Forgiveness	7,177	1,484	2,047
State and other contributions	2,465	1,532	727
State and other contributions Principal Forgiveness	2,513	17,629	21,329
Subtotal capital contributions	<b>78,861</b>	<b>122,708</b>	<b>91,823</b>
<b>Change in net position</b>	<b>62,844</b>	<b>92,700</b>	<b>74,520</b>
<b>Net position - beginning of year</b>	<b>1,976,604</b>	<b>1,883,904</b>	<b>1,809,384</b>
<b>Net position - end of year</b>	<b>\$ 2,039,448</b>	<b>\$ 1,976,604</b>	<b>\$ 1,883,904</b>

## Budgetary Information

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

## Debt Administration

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

As of June 30, 2021, outstanding bonds totaled \$87.7 million, a decrease of \$7.5 million compared to \$95.2 million in 2020 as shown in Table 3. The decrease in 2021 and 2020 was due primarily to the ongoing principal payments for the Series 2019 Revenue Bond. The revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

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

**Table 3**

**Outstanding Long-term Debt**  
(in thousands)

	<b>June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenue bonds</b>			
Bond principal	\$ 75,445	\$ 80,855	\$ 83,920
Bond premium	12,292	14,378	16,447
<b>Total revenue bonds</b>	<b>\$ 87,737</b>	<b>\$ 95,233</b>	<b>\$ 100,367</b>

## **Economic Conditions and Outlook**

In 2021, new binding loan commitments (encumbrances) were \$174.8 million, which is a 20.1% decrease when compared to new commitments made in 2020. The decrease in 2021 financing activity reflects a decrease in eligible planning and construction projects ready-to-proceed with financing. There continues to be a strong demand, however, for DWSRF financing which reflects the ongoing need for additional infrastructure improvements and the generally positive capacity of water agencies to finance those improvements. A strong demand for DWSRF financing activity 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 2021, the EPA allocated \$97 million to the DWSRF which was equal to the 2020 grant allocation. With the approval of the “Infrastructure Investment and Jobs Act” (IIJA) on November 15, 2021, the 2022 grant levels will significantly increase for the DWSRF to the \$600 million to \$700 million range depending on the final 2022 federal budget appropriation. The additional IIJA capitalization will help California address the high demand for affordable drinking water infrastructure financing and provide additional funds to address emerging contaminants and replacement of lead service lines.

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

Economic conditions generally improved during 2021. The DWSRF, however, continues to monitor the impacts associated with the COVID-19 virus on the local entities’ revenues and to diligently work with and surveil loan recipients to ensure full and timely repayment of all loans.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**STATEMENTS OF NET POSITION**  
**June 30, 2021 and 2020**  
(in thousands)

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 160,208	\$ 211,341
Cash and cash equivalents - Restricted	39,563	17,981
Receivables:		
Loan interest	6,015	6,386
Investment interest	119	676
Due from other funds and other governments	19,042	12,098
Loans receivable:		
Current portion	58,403	98,469
Current portion - Restricted	7,773	26,183
Total current assets	291,123	373,134
<b>OTHER ASSETS</b>		
Loans receivable:		
Noncurrent	1,751,504	1,593,859
Noncurrent - Restricted	104,754	113,910
Total other assets	1,856,258	1,707,769
<b>TOTAL ASSETS</b>	<b>2,147,381</b>	<b>2,080,903</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Revenue bond interest payable	943	997
Due to other funds	19,253	8,064
Due to other governments	-	5
Revenue bond payable	7,630	7,496
Total current liabilities	27,826	16,562
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	80,107	87,737
Total noncurrent liabilities	80,107	87,737
Total liabilities	107,933	104,299
<b>NET POSITION</b>		
Restricted for:		
Debt Service	39,563	17,981
Security for revenue bonds	112,527	140,093
Unrestricted	1,887,358	1,818,530
Total net position	\$ 2,039,448	\$ 1,976,604

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended June 30, 2021 and 2020**  
(in thousands)

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUE</b>		
Loan interest income	\$ 25,340	\$ 25,343
Total operating revenue	<u>25,340</u>	<u>25,343</u>
<b>OPERATING EXPENSES</b>		
Principal Forgiveness	18,904	34,718
Personnel services	13,179	14,141
Other expenses	8,639	9,138
Total operating expenses	<u>40,722</u>	<u>57,997</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(15,382)</u>	<u>(32,654)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	1,117	4,374
Revenue bond interest expense	(1,740)	(1,727)
Revenue bond fees	(12)	(2)
Revenue bond issuance costs	-	1
Total nonoperating revenue (expense)	<u>(635)</u>	<u>2,646</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>(16,017)</u>	<u>(30,008)</u>
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	66,706	102,063
EPA capitalization grant - Principal Forgiveness	7,177	1,484
State match revenue	2,465	1,532
State match revenue-Principal Forgiveness	2,513	17,629
Total contributions	<u>78,861</u>	<u>122,708</u>
<b>CHANGE IN NET POSITION</b>	62,844	92,700
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,976,604</u>	<u>1,883,904</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,039,448</u>	<u>\$ 1,976,604</u>

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



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2021 and 2020**  
(in thousands)

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to employees and vendors	\$ (10,630)	\$ (31,812)
Cash flows provided (required) by operating activities	(10,630)	(31,812)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA capitalization grant	66,939	108,356
Funds received from the State of California	4,978	19,162
Revenue bond issuance costs paid	-	(249)
Revenue bond fees paid	(12)	(2)
Principal paid on revenue bonds	(5,410)	(3,065)
Interest paid on revenue bonds	(3,880)	(3,604)
Cash flows provided (required) by noncapital financing activities	62,615	120,598
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest on loans	25,711	26,721
Loans disbursed	(245,928)	(229,388)
Principal forgiveness disbursed	(18,904)	(34,718)
Principal received on loans receivable	155,916	99,302
Due to other governments	(5)	5
Net investment income received	1,674	4,933
Net cash provided (required) by investing activities	(81,536)	(133,145)
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(29,551)	(44,359)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	229,322	273,681
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 199,771	\$ 229,322
<b>Reconciliation of operating income to net cash provided (required) by operating activities</b>		
Loss from operations	\$ (15,382)	\$ (32,654)
Adjustments to reconcile income from operations to net cash required by operating activities		
Cash received from interest on loans	(25,711)	(26,721)
Loans disbursed	245,928	229,388
Principal forgiveness disbursed	18,904	34,718
Principal received on loans receivable	(155,916)	(99,302)
Effect of changes in operating assets and liabilities:		
Loans receivable	(90,013)	(130,086)
Loan interest receivable	371	1,377
Due to other funds	11,189	(8,532)
Net cash provided (required) by operating activities	\$ (10,630)	\$ (31,812)

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
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**NOTE 1 - DEFINITION OF REPORTING ENTITY**

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

Since 1997, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). States are required to provide matching funds equal to 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. States may elect to use up to 31% of each grant for other eligible activities, such as DWSRF administration, other local assistance and special programs, small water system-technical assistance, and the State program management of its public water system supervision/capacity development programs. These other eligible activities under a DWSRF capitalization grant are accounted in separate funds, known as Set-asides. An additional 1:1 in matching funds must be provided by the State for the amount budgeted and expended under the State Program Management Set-aside for the 1997 thru 2017 EPA capitalization grants. As such, the State has provided \$90,540 in 1:1 matching funds as of June 30, 2017. As of June 30, 2021 and 2020, the EPA has awarded cumulative capitalization grant funding of \$2,037,684 and \$1,897,735, respectively to the State of California (State), for which the State is required to provide \$407,537 and \$379,547, respectively, of cumulative match funding to the Fund. As of June 30, 2021 and 2020, the Fund has designated \$322,456 and \$297,201, respectively, of the cumulative capitalization grant for Set-aside funding. In addition, in June 2009, the EPA awarded \$159,008 in ARRA grant funding, including \$8,152 of Set-aside funding, for which there is no State Match requirement.

Initially, the Fund was administered by the California Department of Health Services (CDHS) and then administered by the California Department of Public Health (CDPH) under the Division of Drinking Water after a restructure of CDHS by the State in July 2007. The Division of Drinking Water within CDPH managed both the DWSRF program and the State’s Public Water System Supervision program (PWSS) implementing the primacy authority in CDPH under USEPA to enforce the Safe Drinking Water Act.

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

As of July 1, 2014, the DWSRF program is administered by the California State Water Resources Control Board (Board), a part of the California Environmental Protection Agency, through the Division of Financial Assistance. The Division of Drinking Water, also under the Board, is focused primarily on the State's PWSS and Capacity Development programs under the primacy authority now delegated to the Board by USEPA.

The Board's primary responsibilities with the DWSRF include obtaining capitalization grants from the EPA, soliciting potential applicants, negotiating loan agreements with local communities, reviewing and approving disbursement requests from loan recipients, managing the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements. The Board's primary responsibilities with the State's PWSS program include technical assistance and enforcement of the requirements of the Act as well as other governing State drinking water requirements. The Board consists of five member positions, which are appointed by the Governor and confirmed by the Senate.

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

**Reporting Entity**

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

The activities of the Fund and the five Set-aside funds are included in the State's Annual Comprehensive Financial Report as a governmental fund using the accrual basis of accounting. The Set-aside funds are the: (1) Administration Account, (2) Water System Reliability Account, (3) Source Protection Account, (4) Small System Technical Assistance Account, and (5) Public Water System, Safe Drinking Water Revolving Fund. The Fund is engaged only in business-type activities and therefore is required to present financial statements as a proprietary enterprise fund.

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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.

**Operating Revenues and Expenses**

The Fund distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from carrying out the purpose of the Fund of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include principal forgiveness, direct salary costs and benefits expenses, and allocated indirect costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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

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

**Budgets**

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

**Use of Estimates in Preparing Financial Statements**

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

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

**Loans Receivable**

Loans are funded by capitalization grants from the EPA, State matching funds, short term state matching loans, loan repayments and fund earnings. Loans are advanced to local agencies on a cost reimbursement basis. Interest is calculated from the date that funds are advanced. Standard construction loans are amortized over periods up to 30 years, and not to exceed the useful life of the facilities, while construction loans for public water systems that serve "disadvantaged" communities are amortized over periods up to 40 years, also not to exceed the useful life of the facilities. Planning loans are amortized over periods of either 5 or 10 years. Interest only repayments begin within either 6 or 12 months of the first disbursement with principal repayments beginning within either 6 or 12 months after planning and/or construction completion date and are made on a semi-annual or annual basis.

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

**Allowance for Bad Debts**

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

**Due to Other Funds**

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

**Revenue Bond Issue Costs and Original Issue Premium**

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

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**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, 2021 and 2020, the Fund’s cash deposits had a carrying balance of \$8,932 and \$9,472, respectively.

Investments held by the State Treasurer are stated at fair value

<u>Investments</u>	<u>2021</u>	<u>2020</u>
Treasury/Trust Portfolio	<u>\$ 190,839</u>	<u>\$ 219,850</u>
Total cash deposits and investments	<u>\$ 199,771</u>	<u>\$ 229,322</u>

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**NOTE 3 - CASH AND CASH EQUIVALENTS (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, 2021 and 2020, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

Cash deposits and cash equivalents are reflected on the June 30, 2021 and 2020 statements of net position as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 160,208	\$ 211,341
Cash and cash equivalents - Restricted	39,563	17,981
Total cash deposits and cash equivalents	<u>\$ 199,771</u>	<u>\$ 229,322</u>

Cash and investments in the amount of \$39,563 and \$17,981 representing various reserve accounts required by the revenue bonds, at June 30, 2021 and 2020, respectively, were restricted for future loan disbursements and debt service.

**NOTE 4 - LOANS RECEIVABLE**

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

As of June 30, 2021 and 2020, the Fund had total binding commitments of \$3,666,440 and \$3,491,654, respectively, since program inception. As of June 30, 2021, the remaining commitment on these loans amounted to \$569,947, of which \$30,353 is federal funds. The federal loan commitments included capitalization funds of \$10,821 which will be forgiven.

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**NOTE 4 - LOANS RECEIVABLE (CONTINUED)**

As of June 30, 2020, the remaining commitment on these loans amounted to \$659,993, of which \$177,197 is federal funds. The federal loan commitments included capitalization funds of \$17,501 which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

At June 30, 2021 and 2020 the unpaid balance on all loans receivable outstanding amounted to \$1,922,434 and \$1,832,421, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	\$ 19,190	\$ 66,176	\$ 85,366
2023	25,036	89,534	114,570
2024	23,798	92,779	116,577
2025	22,495	92,921	115,416
2026	21,171	93,346	114,517
2027-2031	86,245	450,894	537,139
2032-2036	56,930	386,529	443,459
2037-2041	33,574	291,469	325,043
2042-2046	17,474	219,393	236,867
2047-2051	5,010	128,204	133,214
2052-2056	201	10,292	10,493
2057-2063	-	897	897
Total	<u>\$ 311,124</u>	<u>1,922,434</u>	<u>\$ 2,233,558</u>
Loans not yet in repayment		-	
Total loans receivable		<u>\$ 1,922,434</u>	

**Restricted Loans Receivable**

At June 30, 2021 and 2020, \$112,527 and \$140,093, 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, 2021, the Fund received \$27,566 and \$3,146 of principal and interest, respectively, on these loans. During the year ended June 30, 2020, the Fund received \$19,554 and \$4,239 of principal and interest, respectively, on these loans. Any excess of the principal and interest received over debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event certain requirements are met.



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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, 2021 and 2020 of these major local agencies represent approximately 56.5 and 69.7 percent of the total loans receivable.

	<b>2021</b>	
<b><u>Borrower</u></b>	<b>Authorized Loan Amount</b>	<b>Outstanding Loan Balance</b>
Los Angeles, City of (acting by and through the Department of Water & Power)	\$ 910,383	\$ 749,079
Fresno, City of	418,382	336,692
Total	\$ 1,328,765	\$ 1,085,771

	<b>2020</b>	
<b><u>Borrower</u></b>	<b>Authorized Loan Amount</b>	<b>Outstanding Loan Balance</b>
Los Angeles, City of (acting by and through the Department of Water & Power)	\$ 1,028,587	\$ 749,095
Fresno, City of	418,382	338,986
Santa Barbara, City of	115,454	94,389
Woodland-Davis Clean Water Agency	103,295	94,533
Total	\$ 1,665,718	\$ 1,277,003

**NOTE 5 - LONG-TERM DEBT**

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

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**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

At the time of issuance of the Series 2019 Revenue Bonds, the Fund pledged \$159,647 of the Fund's outstanding loans as security for all outstanding bonds. The principal and interest received during the fiscal year from these loans is to be used to make annual debt service payments on the revenue bonds. Any excess principal and interest received over the debt service payments required may be used for future loan disbursements and/or release from restriction upon approval by the Trustee in the event that certain requirements are met. The pledged loans are part of the April 1, 2019 Amended and Restated Master Payment and Pledge Agreement. This pledge agreement includes pledged outstanding loans from both DWSRF and California State Water Resources Control Board Water Pollution Control Revolving Fund (CWSRF) in regards to their respective bond issuances. DWSRF would only be obligated for CWSRF bond payments in the event that CWSRF would not be able to make their bond payments.

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

<b>Series 2019</b>			
<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 5,690	\$ 3,630	\$ 9,320
2023	6,040	3,337	9,377
2024	6,410	3,026	9,436
2025	6,395	2,705	9,100
2026	6,400	2,385	8,785
2027-2031	31,735	7,152	38,887
2032-2036	12,775	1,256	14,031
Total	<u>\$ 75,445</u>	<u>\$ 23,491</u>	<u>\$ 98,936</u>

The detail of the Fund's long-term debt for the year ended June 30, 2021 is as follows:

	<b>Balance June 30, 2020</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Balance June 30, 2021</b>	<b>Due Within One Year</b>
<b>Series 2019 Revenue Bonds:</b>					
Bond principal	\$ 80,855	\$ -	\$ 5,410	\$ 75,445	\$ 5,690
Bond premium	14,378	-	2,086	12,292	1,940
Total	<u>95,233</u>	<u>\$ -</u>	<u>\$ 7,496</u>	<u>87,737</u>	<u>\$ 7,630</u>
Less current portion:					
Bond principal	(5,410)			(5,690)	
Bond premium amortization	(2,086)			(1,940)	
Long-term portion	<u>\$ 87,737</u>			<u>\$ 80,107</u>	

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**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The detail of the Fund's long term debt for the year ended June 30, 2020 is as follows:

	<b>Balance June 30, 2019</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Balance June 30, 2020</b>	<b>Due Within One Year</b>
<b>Series 2019 Revenue Bonds:</b>					
Bond principal	\$ 83,920	\$ -	\$ 3,065	\$ 80,855	\$ 5,410
Bond premium	16,447	-	2,069	14,378	2,086
Total	<u>100,367</u>	<u>\$ -</u>	<u>\$ 5,134</u>	<u>95,233</u>	<u>\$ 7,496</u>
Less current portion:					
Bond principal	(3,065)			(5,410)	
Bond premium amortization	<u>(2,069)</u>			<u>(2,086)</u>	
Long-term portion	<u>\$ 95,233</u>			<u>\$ 87,737</u>	

**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 of June 30, 2021 and 2020, the EPA has awarded to the State cumulative capitalization grants, including in-kind of, \$2,037,684 and \$1,897,735, respectively. As of June 30, 2021 and 2020, the State has drawn, cumulatively \$1,938,336 and \$1,864,453, respectively, for loans, and administrative expenses. The State has provided matching funds of \$423,397 and \$418,419, respectively.

In addition, as of June 30, 2021, the EPA has awarded the ARRA grant of \$159,008 to the fund for which there is no State matching requirements. As of June 30, 2021, \$159,008 has been drawn, cumulatively, for loans and administrative expenses, of which \$121,290 was for principal forgiveness (See Note 4). There were no State matching requirements for the grant which was fully drawn as of June 30, 2015.

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2021 and 2020, and balances available for future loans as of June 30, 2021. Table 2 summarizes the state match amounts paid by the state as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, the state match required for capitalization grants awarded is \$407,537 and \$379,547, respectively. As of June 30, 2021 and 2020, the state match available for potential future state match is \$15,860 and \$38,872, respectively.

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**NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)**

Year	Grant Award	Funds Drawn		Funds Drawn		Available for Loans and Setasides	
		As of June 30, 2019	During Year Ended June 30, 2020	As of June 30, 2020	During Year Ended June 30, 2021	As of June 30, 2021	as of June 30, 2021
1997-2016	\$ 1,623,461	\$ 1,623,461	\$ -	\$ 1,623,461	\$ -	\$ 1,623,461	\$ -
2017	77,545	75,799	1,746	77,545	-	77,545	-
2018	97,991	59,980	36,060	96,040	1,341	97,381	610
2019	97,984	-	65,741	65,741	28,664	94,405	3,579
2020-Asadra	41,903	-	-	-	-	-	41,903
2020	97,134	-	-	-	43,878	43,878	53,256
<b>Total</b>	<b>\$ 2,036,018</b>	<b>\$ 1,759,240</b>	<b>\$ 103,547</b>	<b>\$ 1,862,787</b>	<b>\$ 73,883</b>	<b>\$ 1,936,670</b>	<b>\$ 99,348</b>
In-kind (Direct Payment)							
Made by EPA	\$ 1,666	\$ 1,666	\$ -	\$ 1,666	\$ -	\$ 1,666	\$ -
<b>Total</b>	<b>\$ 2,037,684</b>	<b>\$ 1,760,906</b>	<b>\$ 103,547</b>	<b>\$ 1,864,453</b>	<b>\$ 73,883</b>	<b>\$ 1,938,336</b>	<b>\$ 99,348</b>
2008-ARRA	\$ 159,008	\$ 159,008	\$ -	\$ 159,008	\$ -	\$ 159,008	\$ -
<b>Total</b>	<b>\$ 2,196,692</b>	<b>\$ 1,919,914</b>	<b>\$ 103,547</b>	<b>\$ 2,023,461</b>	<b>\$ 73,883</b>	<b>\$ 2,097,344</b>	<b>\$ 99,348</b>

**TABLE 2**

	State Match Paid		State Match Paid		State Match Paid
	As of June 30, 2019	During Year Ended June 30, 2020	As of June 30, 2020	During Year Ended June 30, 2021	
State Disbursed	\$ 310,308	\$ 19,161	\$ 329,469	\$ 4,978	\$ 334,447
State Interest Disbursed	88,950	-	88,950	-	88,950
<b>Total</b>	<b>\$ 399,258</b>	<b>\$ 19,161</b>	<b>\$ 418,419</b>	<b>\$ 4,978</b>	<b>\$ 423,397</b>

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**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, 2021 and 2020, Comprehensive Annual Financial Reports.

**NOTE 8 - NET POSITION**

Governmental Accounting Standards Board Statement provides for three components of net position: net investment in capital assets, restricted and unrestricted. As of June 30, 2021 and 2020, 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, 2021 and 2020 the Fund had restricted net position of \$39,563 and \$17,981, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2021 and 2020, pledged loans restricted for future bond debt service payments were \$112,527 and \$140,093, respectively, representing loans receivable pledged as security for the revenue bond (see Note 5).

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

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

## **SINGLE AUDIT REPORTS**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER STATE REVOLVING FUND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

<u>Grantor and Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Direct Programs:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>\$ 73,883,435 (*)</u>	<u>\$ 52,064,633</u>
Total		<u>\$ 73,883,435</u>	<u>\$ 52,064,633</u>

(\*) Tested as a Major Program

See notes to schedule of expenditures of federal awards

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER STATE REVOLVING FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the California State Water Resources Control Board, Safe Drinking Water State Revolving Fund under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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

**Expenditures**

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

**NOTE 3 - DISBURSEMENTS TO SUBRECIPIENTS**

Capitalization Grants for Safe Drinking Water State Revolving Fund Assistance Listing Number 66.468 include \$52,064,633 of expenditures that were disbursed as loan awards, which includes \$7,177,145 of principal forgiveness loans and \$-0- of expenditures that were disbursed as grant awards to qualifying subrecipients.





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California State Water Resources Control Board, Safe Drinking Water Revolving Fund (Safe Drinking Water Revolving Fund), a governmental fund of the State of California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Safe Drinking Water Revolving Fund's basic financial statements, and have issued our report thereon dated April 4, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Safe Drinking Water Revolving Fund internal control over financial reporting (internal control) as a basis for designing 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 Safe Drinking Water Revolving Fund internal control. Accordingly, we do not express an opinion on the effectiveness of Safe Drinking Water Revolving Fund internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Safe Drinking Water Revolving Fund 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 financial statements. 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 results 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**

Bellevue, Washington  
April 4, 2022



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

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

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

We have audited California State Water Resources Control Board, Safe Drinking Water revolving Fund's (Safe Drinking Water Revolving Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Safe Drinking Water Revolving Fund's major federal programs for the year ended June 30, 2021. Safe Drinking Water Revolving Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

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

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

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

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

In our opinion, Safe Drinking Water Revolving Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

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

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

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

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

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*

**CliftonLarsonAllen LLP**

Bellevue, Washington  
April 4, 2022

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER REVOLVING FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   √   no

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

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes   √   no

**Federal Awards**

Internal control over major program:

Material weakness(es) identified? \_\_\_\_\_ yes   √   no

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

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

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

Identification of major program:

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between  
Type A and Type B programs: \$2,216,503

Auditee qualified as low-risk auditee?   √   yes \_\_\_\_\_ no

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

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

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

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER REVOLVING FUND  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2021**

**PART IV - PRIOR YEAR FINDINGS**

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

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