

CALIFORNIA SAFE DRINKING WATER STATE REVOLVING FUND  
and SOURCE WATER PROTECTION PROGRAM  
**SFY 2015-16 ANNUAL REPORT**



STATE WATER RESOURCES CONTROL BOARD  
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.



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

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.

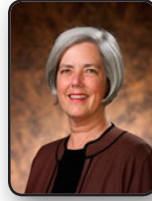
# Members and Executive Director

## STATE WATER RESOURCES CONTROL BOARD



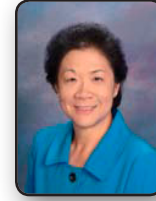
**Felicia Marcus**  
BOARD CHAIR

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 (CalEPA), 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 CalEPA'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

The California State Water Resources Control Board (State Water Board), Division of Financial Assistance (DFA) presents its California Drinking Water State Revolving Fund Program (DWSRF) annual report for State Fiscal Year (SFY) 2015-16. The DWSRF program provided approximately \$325,348,303 million in low-cost funding for 23 new planning and construction projects to address drinking water issues in SFY 2015-16. This report describes how the State Water Board implemented the objectives set in the [SFY 2015-16 Intended Use Plan \(IUP\)](#).



## II. Program Summary

The federal Safe Drinking Water Act (SDWA), as amended in 1996, authorized the creation of the national DWSRF program to assist public water systems achieve or maintain compliance with SDWA requirements and protect public health through the funding of drinking water infrastructure projects. Section 1452 of the SDWA grants the United States Environmental Protection Agency (USEPA) the authority to award capitalization grants to state DWSRF programs, which in turn provides low interest and subsidized funding for the projects. More information about the DWSRF program is located on the State Water Board DWSRF website at [http://www.waterboards.ca.gov/drinking\\_water/services/funding/SRF.shtml](http://www.waterboards.ca.gov/drinking_water/services/funding/SRF.shtml).

The State of California has promoted and protected the health and safety of Californians through the DWSRF program since the first DWSRF capitalization grant was awarded in 1998. Since the beginning of the program, public water systems have used DWSRF funding primarily to address drinking water quality and capacity issues, typically in response to compliance orders and enforcement actions by the Division of Drinking Water (DDW). The State Water Board also uses portions of a DWSRF capitalization grant, known as set-asides, to provide additional services such as small water system technical Assistance (SWSTA) and public water system (PWS) technical, managerial and financial (TMF) capacity development assistance. DWSRF set-asides also subsidize the DDW's Public Water System Supervision (PWSS) program and have funded, in the past, the implementation of a Source Water Protection (SWP) program.

As of June 30, 2016, the State Water Board has entered binding commitments for approximately 107% percent of all available DWSRF funds to eligible entities for drinking water planning and construction projects. As of June 30, 2016, approximately 70.8 percent of available DWSRF funds have been disbursed for such eligible projects. In addition, the State Water Board has expended approximately 96.3 percent of its total set-aside funds. Table 1 below shows the total DWSRF program activity.

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

CONSTRUCTION AND PLANNING FUNDING	
Activity	Life of Program
Number of Binding Commitments	395
Value of All Binding Commitments	\$2.54 billion <sup>2</sup>
Disbursements and Expenditures	\$1.8 billion <sup>2</sup>
Balance of Funding Agreements	\$742 million
SET-ASIDE FUNDING	
Set-Aside Amount	\$208.2 million <sup>3</sup>
Set-Aside Expenditures	\$190.4 million <sup>3</sup>
Balance of Set-Asides	\$17.7 million <sup>3</sup>

1 Program activity includes matching funds provided by funding recipients.

2 Amount includes ARRA funds and excludes LEFA funds.

3 Amount includes LEFA funds.

The DWSRF program operates on a cash-flow basis. One part of the cash-flow management process is the continuous acceptance, review, and approval of new project funding applications. The Intended Use Plan (IUP), which the State Water Board updates annually, forecasts projects that may receive funding in a fiscal year. The current SFY 2016-17 IUP is located on the State Water Board's website at: [http://www.swrcb.ca.gov/drinking\\_water/services/funding/DWSRFIUP.shtml#Current](http://www.swrcb.ca.gov/drinking_water/services/funding/DWSRFIUP.shtml#Current).

This SFY 2015-16 DWSRF and Source Water Protection Program Annual Report responds to the SFY 2015-16 DWSRF IUP, which is also located on the State Water Board's website at [http://www.swrcb.ca.gov/drinking\\_water/services/funding/DWSRFIUP.shtml#Current](http://www.swrcb.ca.gov/drinking_water/services/funding/DWSRFIUP.shtml#Current).

The State Water Board funds projects from the DWSRF for both small water systems (populations less than 10,000 persons) and large water systems (populations equal to or greater than 10,000 persons). Figure 1 below shows the amount of funding awarded to small and large water systems in SFY 2015-16.

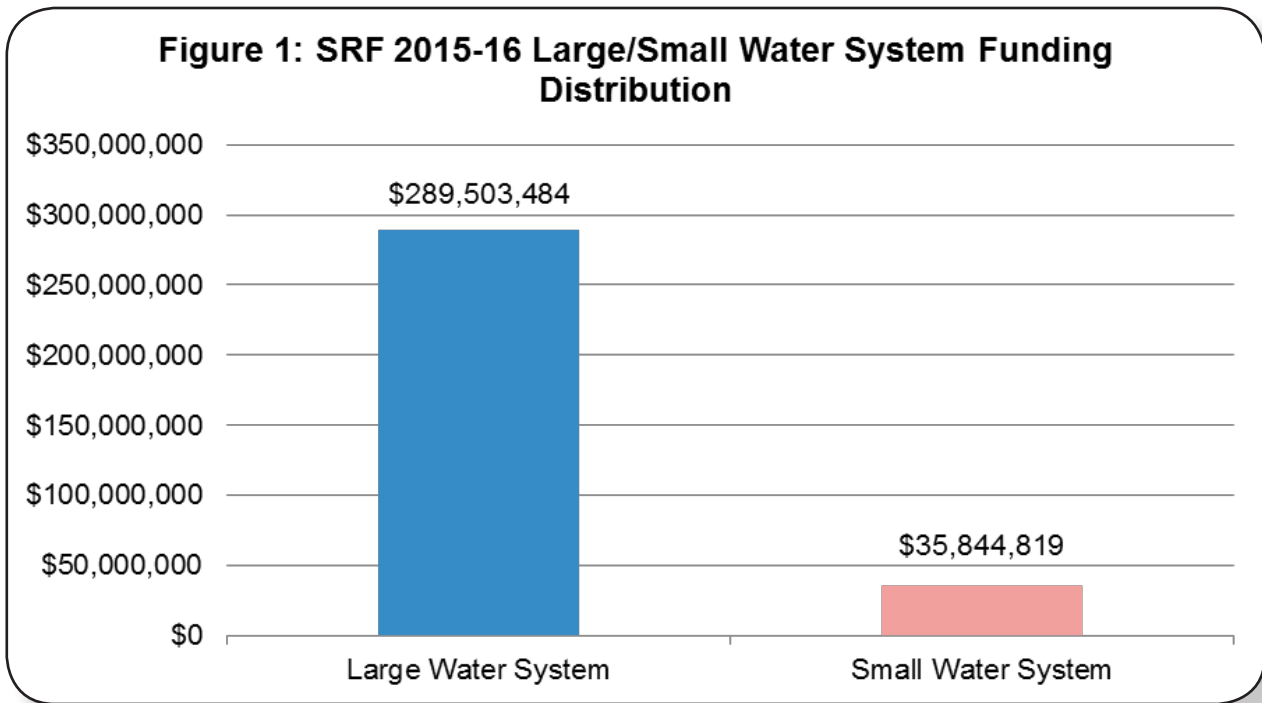
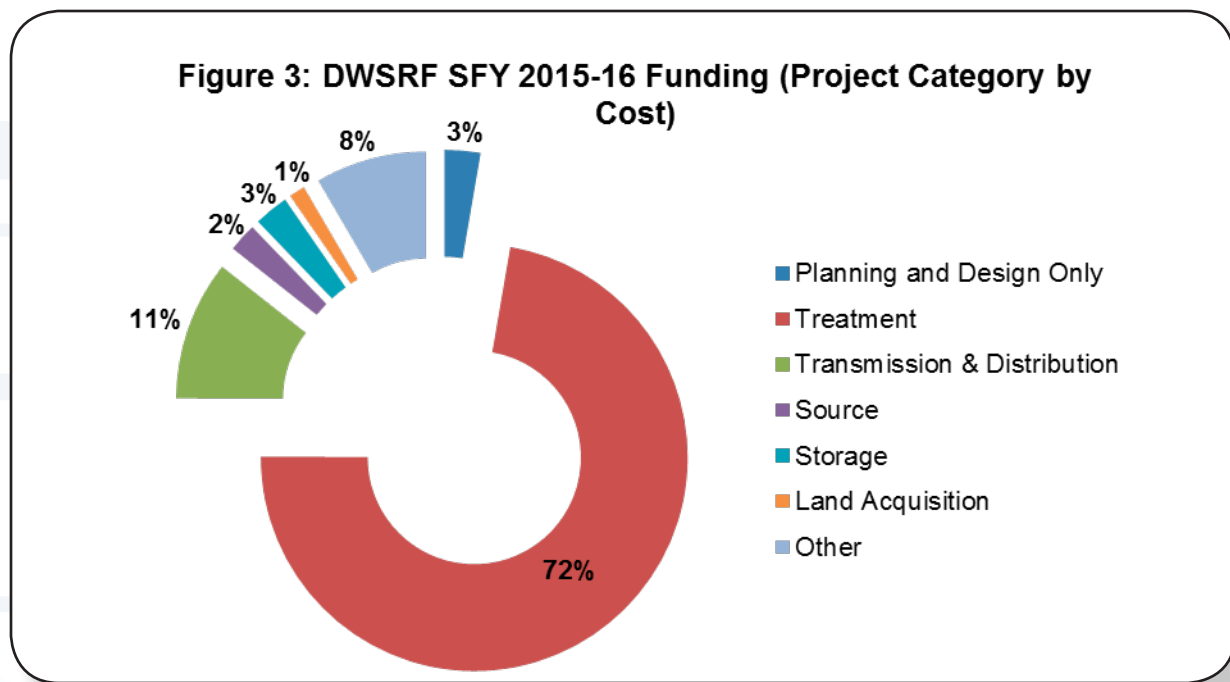
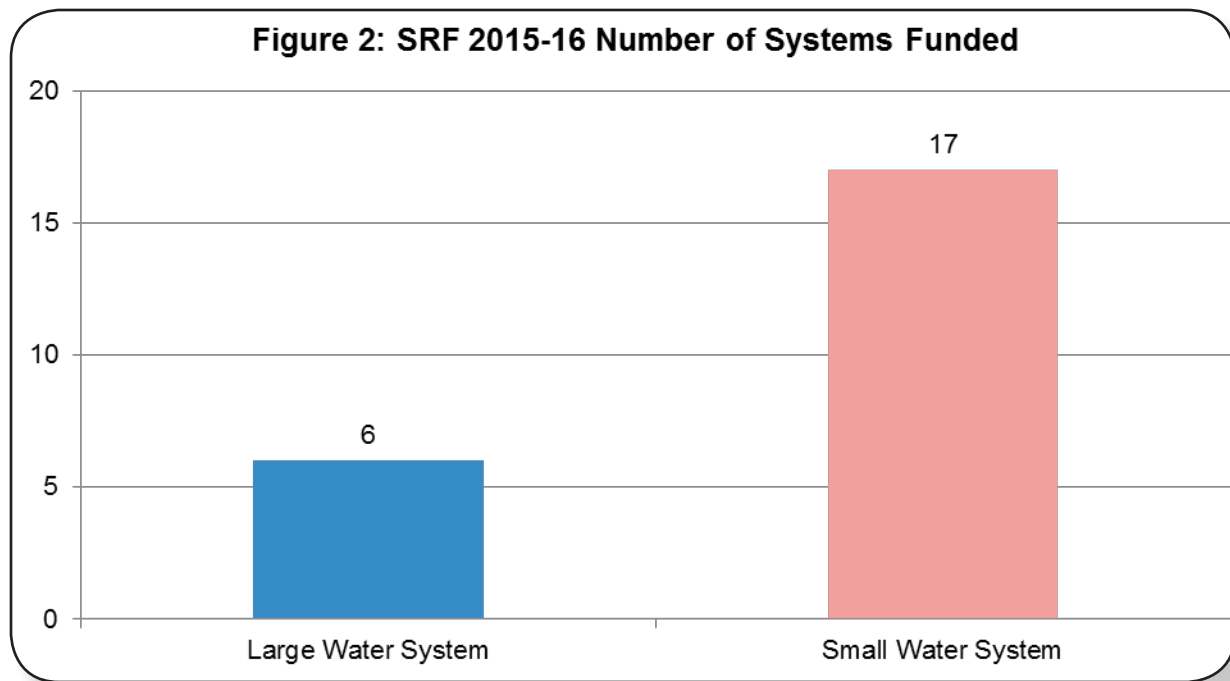




Figure 2 below shows the number of funding agreements entered into with those systems and Figure 3 below shows the total dollar amount of the funding agreements by project category.



# III. DWSRF Goals

## A. SHORT-TERM GOALS

This section describes the State Water Board's efforts to meet the following short term goals described earlier in the SFY 2015-16 DWSRF IUP.

1. **Develop and measure the performance of the streamlined DWSRF online application process, which initiated January 1, 2015, and present progress to stakeholders and the State Water Board.**
2. **Conduct DWSRF project staging meetings to better coordinate financial, environmental, technical and legal review of projects to reduce project-processing time.**

On January 1, 2015, DFA released a streamlined, continuous, online application process for the DWSRF programs. Throughout SFY 2015-16, DFA continued to assess performance metrics for the new application process, and retooled the State Water Board's Loans and Grants Tracking System (LGTS) to produce performance reports. Because of such streamlining efforts, DFA established a performance target for 95 percent of projects to receive an executed agreement within nine months of submitting a complete application.

The metrics for SFY 2015-16 showed that out of 23 DWSRF projects executed, nine percent received an executed agreement within nine months of a complete application. Many of these applications were submitted using the old application forms. To measure the effectiveness of the new process (which has been in place since January 1, 2015), DFA analyzed the processing time for projects that submitted their application after January 1, 2015. That analysis showed 25 percent of projects received funding within nine months of submitting a complete application.

To improve performance metrics next fiscal year, DFA will implement additional streamlining processes, which include modifications to the application forms and increased training for technical assistance providers and DFA staff.

The State Water Board conducted monthly staging meetings in SFY 2015-16 to plan project financing over a rolling six-month basis. The staging meetings greatly improved coordination amongst reviewing units, helped prioritize projects, and facilitated workload adjustments to minimize application-processing time.

3. **Increase public transparency and communication by posting application status reports online.**

A DWSRF application status report was posted quarterly on the State Water Board's DWSRF website throughout SFY 2015-16. The report included the applicant's name, project manager's name, project number, project name, the dates each application package was received, and whether a funding decision was in progress.

4. **Explore the feasibility of a Regional Operations and Maintenance Cooperative Fund to help small, disadvantaged communities pay for operation and maintenance of water distribution and treatment systems.**

DFA did not continue exploring the feasibility of a Regional Operations and Maintenance Cooperative Fund in SFY 2015-16 because DFA workload demanded staff focus on distributing and managing DWSRF funding as a result of increasing small water system funding demands. From July 1, 2015 to June 30, 2016, DFA received 183 new DWSRF applications, a 140 percent increase from SFY 2014-15.

5. Fully integrate Drinking Water and Clean Water State Revolving Fund data into one Loans and Grants Tracking System (LGTS) platform, and further develop and implement a new web-enabled LGTS database.

The DWSRF and Clean Water State Revolving Fund (CWSRF) LGTS databases were successfully merged into a single LGTS database in SFY 2015-16. With the merging of the two databases, progress continued on developing and beta testing a new web-enabled LGTS platform. It is anticipated that a full production model of a web-enabled LGTS for both the DWSRF and CWSRF programs will be operational in SFY 2016-17.

6. Develop a mobile application to expedite applicant access to program staff, funding and technical assistance services and information.

DFA staff and State Water Board-Division of Administrative Services (DAS) information technology (IT) staff met in SFY 2015-16 to initiate a mobile funding optimization project. The goal of the project is to improve funding and technical assistance data access for the public including remote, disadvantaged communities who lack desktop internet access and rely solely on mobile devices to access the internet.

The team will develop a mobile optimized website, which will work on a personal computer, as well as a phone or tablet, to access general DFA funding information and technical assistance, including such information for the DWSRF program. DAS IT capacities suggest that a mobile optimized website will be easier to update and more versatile than mobile applications for iPhone and Android users. The mobile optimized website will utilize existing LGTS information, such as DWSRF application status reports, and allow for other real-time updates from other applications and websites. Key features will include the ability for applicants to find where their application is at in the review process, the individual assigned as project manager, and direct links to technical assistance resources. The team anticipates launching the mobile optimized website in 2017.

7. Continue marketing and outreach to PWSs via the California Financing Coordinating Committee, California Technical Assistance Providers (CaTAP) Fairs, and workshops.

DFA continued to participate in various PWS marketing and outreach efforts in SFY 2015-16. Specifically, DFA marketed the DWSRF program at six California Financing and Coordinating Committee events, two CaTAP fairs, two distribution symposia (intensive hands-on events for water system operators and new board members) as well as 122 other online and onsite workshops and outreach events.

8. Utilize Spanish translation services, newsletters, and social media to advertise the new application process and the availability of technical assistance to assist small, disadvantaged communities.

DFA produced and distributed five newsletters in English and Spanish in SFY 2015-16. The July/August newsletter featured updates on drought funding and instructions for using the State Water Board's online Financial Assistance Application Submittal Tool (FAAST). The September/October issue presented information on consolidation and a map of funded drinking water projects. The November/December issue highlighted before and after photos of the Lewiston Community Services District's Drinking Water Improvement Project and how to access technical assistance. The January / February issue highlighted projects funded for schools and how the DWSRF can be used to fund photovoltaic (solar) systems. The March/April issue included the funding fair schedule and an update on the progress of the Highland Acres Project. These newsletters can be found online, in both English and Spanish, at [http://www.waterboards.ca.gov/water\\_issues/programs/grants\\_loans/sustainable\\_water\\_solutions/](http://www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/).

9. Immediately seek the award of the Federal Fiscal Year (FFY) 2015 Capitalization Grant (2015 Capitalization Grant). Upon award, commit funds from the 2015 Capitalization Grant by June 30, 2016, such that the federal funds can be utilized in an efficient and timely manner in accordance with 40 Code of Federal Regulations (CFR) §35.3550(c).

The 2015 Capitalization Grant was awarded on September 25, 2015, for a total of \$82,674,000. With a total commitment amount of \$325,348,303 for SFY 2015-16 to various planning and construction projects, DFA exceeded the amount necessary to ensure the obligation of the 2015 Capitalization Grant by June 30, 2016.

10. Ensure that at least 20 percent, but not more than 30 percent of the 2015 Capitalization Grant is provided to eligible recipients in the form of additional subsidy.

The State Water Board provided \$29,803,360 in principal forgiveness to DWSRF funding recipients, including additional principal forgiveness to prior year funding recipients. As shown in Table 2 ([page 18](#)), the State Water Board assigned the principal forgiveness to available additional subsidy authority for prior year Capitalization Grants as well as the 2015 Capitalization Grant. As a result, approximately 2.18 percent of the 2015 Capitalization Grant was committed as additional subsidy to eligible recipients in SFY 2015-16. The State Water Board intends to provide the remaining 27.82 percent of the 2015 Capitalization Grant as additional subsidy in SFY 2015-16.

11. Provide at least 15 percent of all DWSRF funds to PWSs serving fewer than 10,000 people to the extent such projects are ready to proceed to financing agreement.

The State Water Board provided \$32,438,745.00 million in new DWSRF funding to small water systems in SFY 2015-16, totaling \$160,797,138.48 million over the life of the program (approximately 12.54 percent).

12. Begin updating the State's DWSRF operating agreement with USEPA to represent current California DWSRF program operations. The update to the State's DWSRF operating agreement will include, at minimum, any changes to the State's DWSRF policies and procedures, including changes in DWSRF State statutes and regulations, since the State's DWSRF operating agreement was last executed.

DFA began updating the DWSRF operating agreement in late SFY 2015-16. DFA anticipates finalizing the new DWSRF operating agreement in SFY 2016-17. The new DWSRF operating agreement will be substantially similar in form to the California CWSRF operating agreement since the two programs are operating under similar policies and procedures. The new DWSRF operating agreement will also incorporate relevant State statute and policy changes since the DWSRF operating agreement was last adopted.

13. Position the DWSRF program to facilitate drought relief through expedited funding efforts to help ensure eligible PWSs, experiencing drought related drinking water emergencies or imminent threat of drought related drinking water emergencies, achieve permanent solutions.

The State Water Board continued to facilitate drought relief efforts with the use of DWSRF set-aside funds in SFY 2015-16. The DWSRF Local Assistance Set-Aside provided funding for state operational costs to support the Public Water System Drought Emergency Response (PWSDER) program within DFA. The PWSDER program received a \$15 million California State General Fund appropriation to fund drought emergency drinking water related projects and the encumbering authority of the General Fund appropriation expired June 30, 2016. Set-asides funded DFA staff reviews of PWSDER funding requests. It also funded personnel costs within DFA to coordinate with DDW in managing emergency projects, including the review of claims for reimbursement

within the program. DWSRF State Program Management set-asides also funded the state operation costs of DDW's drought relief efforts within the PWSS program by providing technical assistance to public water systems in coordination with other federal, state and local agencies. Exhibit J ([page 80](#)) shows drought emergency drinking water projects funded under the PWSDER program in SFY 2015-16.

**14. Continue to ensure compliance with USEPA's Notice of Non-Compliance dated April 19, 2013.**

The DWSRF Corrective Action Plan (CAP) was successfully concluded in SFY 2015-16 with USEPA acknowledging the program's return to compliance with 40 CFR§35.3550(1), 40 CFR §35.3550(c), and 40 CFR §35.3560(d) based upon the actions taken by the California Department of Public Health (CDPH) and the State Water Board. Additional information relating to the closure of the DWSRF CAP is included in Section V.A of this Annual Report ([page 26](#)).

**15. Continue to provide DWSRF funding to PWSs when possible for the installation of new water meters in order to promote the DWSRF Green Project Reserve and conservation.**

Funding projects as part of the Green Project Reserve (GPR) was optional under the 2015 DWSRF Capitalization Grant. However, the State Water Board provided \$379,596 in GPR funding in SFY 2015-16 (Exhibit E, [page 72](#)).

**16. Incorporate USEPA's claims eligibility guidance into the State Water Board's claims guidance when such guidance is published by USEPA.**

As of June 30, 2016, USEPA had not yet provided its national DWSRF claims guidance.

**17. Using a dedicated unit of drinking water technical staff, work closely with SWSs to identify problems and evaluate alternatives in facilitating SWSs eligibility for DWSRF funding.**

Project managers within the State Water Board's Office of Sustainable Water Solutions (OSWS), in coordination with technical assistance providers worked directly with SWSs to help such systems prepare applications for funding, successfully execute agreements, and evaluate technical feasibility of project alternatives.

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

Project managers within OSWS held monthly meetings with the State Water Board's DDW to coordinate technical assistance efforts and funding for SWSs, including those with significant SDWA violations. Technical assistance ranged from helping systems submit applications for funding to assisting systems prepare and submit claims for reimbursement of project expenses.

**19. Continue to require PWSs receiving assistance to complete TMF assessment.**

DWSRF applicants continued to provide a TMF assessment of their public water system and its operations for DWSRF applications submitted in SFY 2015-16. DFA project managers also continued to complete evaluations of such assessments as part of an application review for DWSRF funding eligibility. DWSRF applicants that lacked TMF capacity were also offered technical assistance by the State Water Board in SFY 2014-15 to help such applicants resolve their TMF deficiencies. Finally, new features were added to the State Water Board's LGTS database for improved tracking of technical assistance providers and tasks assigned to specific projects.

## 20. Perform the 2015 National Drinking Water Infrastructure Needs survey.

DFA staff successfully surveyed 173 medium and large public water systems, as selected and required by the USEPA, for the 2016 Drinking Water Infrastructure Needs Survey and Assessment (DWISNA). Specifically, the DWISNA captured the 20-year (January 1, 2015 through December 31, 2034) infrastructure needs of public water systems eligible for DWSRF financing. The results will be reported to Congress by USEPA and will be used to allocate the DWSRF federal capitalization grant for FFYs 2018 through 2021. The EPA plans to release results of the DWISNA in the spring of 2017.

## B. LONG-TERM GOALS

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

### 1. Address Significant Risks to Public Health

The State Water Board remained committed to helping PWSs address significant risks to public health in SFY 2015-16 by providing both funding and technical assistance. DFA staff in the OSWS continued to hold monthly coordination meetings with regulatory staff in DDW's small water systems unit. The meetings primarily focused on how to help PWSs regulated by county local primacy agencies (LPA) obtain funding and technical assistance from the State Water Board. In addition, OSWS staff interacted with the LPAs directly at conferences and other meetings.

Small water systems in California continued to experience unprecedented, extended drought conditions in SFY 2015-16, which further exacerbated water quality and water supply reliability problems. In response, DFA and DDW staff continued to coordinate emergency and long-term funding solutions for such drought stricken communities.

### 2. Ensure SDWA Compliance

DFA continued to work with DDW to ensure all PWS had the opportunity to apply for DWSRF funding in SFY 2015-16. DFA staff continued to make technical assistance available to help small water systems apply for planning and construction funding. DDW also continued its permitting, inspection, monitoring and enforcement activities for compliance with the SDWA.

### 3. Develop New User Interface

The creation of a funding communications portal was delayed in SFY 2015-16 pending the additional work required to web-enable the State Water Board's LGTS platform. However, DFA began working with the DIT to develop a concept project outline for a mobile optimization of specific information on the State Water Board's website. The mobile optimization project would allow users to view and search application status, assigned project managers and funding program information more easily on mobile devices.

### 4. Improve Management of Drinking Water Spatial Data

Because of the transition of the drinking water program to the State Water Board from CDPH, the GIS mapping responsibilities for PWS locations throughout California reside with the new DDW. Progress on this long-term goal by DFA was suspended in SFY 2015-16 pending DDW's continued efforts in mapping locations of PWSs throughout California.

### 5. Provide Affordable Financing Alternatives

The State Water Board continued to provide below market DWSRF financing and principal forgiveness in SFY 2015-16 to facilitate affordable financing alternatives for communities throughout California. In addition, with the ongoing drought, the State Water Board continued to finance the repair

or new installation of water meters with below market and additionally subsidized financing to encourage conservation as well as identify and address water loss problems within a PWS. These water meter projects, in coordination with State subsidized technical assistance were particularly critical for small water systems serving disadvantaged communities, whose limited financial capacity benefited from subsidized financing and a shoring up of their own revenues and expenses.

#### 6. Acknowledge and Address Household Affordability Constraints

The State Water Board continued to acknowledge the affordability constraints of public water systems in SFY 2015-16 and continued to provide principal forgiveness, below market interest rate financing and encourage consolidation of water systems to improve economies of scale. DFA staff also re-evaluated in SFY 2015-16 a simplified principal forgiveness affordability criteria as well as expanded eligibility criteria for 30-year term financing. As a result, the State Water Board agreed and adopted the SFY 2016-17 IUP in June of 2016, which included simplified principal forgiveness criteria that further addresses affordability constraints of small, disadvantaged communities. The SFY 2016-17 IUP also expanded 30-year financing terms for all water systems owned by a public agency, subject to USEPA review and approval.

#### 7. Ensure Program Outcomes

The State Water Board continued to monitor and manage the DWSRF in a financially sound manner to ensure a self-sustaining source of funding for PWSs to achieve and maintain SDWA compliance. Specifically, DFA further refined its cash flow modeling tools. DFA also further developed the LGTS platform to effectively track and coordinate project funding amongst various reviewing units within the State Water Board, as well as the applicants. As a result, the commitment of DWSRF funds within SFY 2015-16 exceeded the minimum funding targets resulting in PWSs receiving the necessary funding to address SDWA compliance issues. The use of the DWSRF Set-Asides was also expanded in SFY 2015-16 to provide technical assistance funding to urban water supplier's in support of California's efforts to begin developing water loss standards within the State's drinking water infrastructure.

#### 8. Ensure TMF Capacity of PWSs

Continue to provide financial and technical assistance to PWSs through DFA and DDW under California's drinking water capacity development strategy.

### C. OPERATING AGREEMENT AND CAPITALIZATION GRANT CONDITIONS

The DWSRF program agreed to meet a number of conditions described in the Operating Agreement and Capitalization Grant agreements. These conditions were met as described below.

#### 1. Assistance Activities

A total of \$325,348,303 in new DWSRF funding agreements was awarded in SFY 2015-16. DWSRF funds were provided to enhance drinking water treatment, distribution, and storage as well as provide for water meters, improved water system reliability with PWS interties, and the consolidation of PWSs. Due to a fourth year of severe drought in California, both water quantity and water quality issues were addressed by DWSRF projects in SFY 2015-16 as groundwater and surface water suppliers continued to diminish. Water quality issues such as arsenic and nitrate contamination as well as

groundwater under direct influence, and disinfection by-product formation continued to be addressed by DWSRF funding in SFY 2015-16. Projects funded under the DWSRF by the State Water Board in SFY 2015-16 are detailed in Exhibit B ([page 63](#)).

#### 2. Eligible Categories of Projects and Funding Terms

The State Water Board offered funding to all eligible categories of projects in SFY 2015-16. The eligible categories for SFY 2015-16 included categories A-F, with DWSRF funding generally prioritized for

higher ranked public health categories and those projects benefiting small disadvantaged communities. Types of assistance from the DWSRF included loans and installment sales agreements for the planning, design, and construction of drinking water infrastructure projects.

Principal forgiveness was provided for the benefit of SWSs systems that served disadvantaged and severely disadvantaged communities. Generally, SWSs serving disadvantaged communities received zero percent interest rates on any associated DWSRF repayable financing while the standard interest rate for all other repayable financing averaged 1.6 percent. In SFY 2015-16, the standard interest rate continued to be one-half the state's average general obligation rate, as established each calendar year. Standard repayable financing for a planning project was amortized over five years while standard repayable financing for a construction project was amortized over a 20-year period. Generally, repayable financing was amortized over 30 years for PWSs serving small disadvantaged communities.

### 3. State Match

The State Water Board demonstrated the source of its 20 percent general state match requirement for the 2015 DWSRF Capitalization Grant in SFY 2015-16 through the appropriation of funds from Chapter 5, Section 79724 of Proposition 1 (Prop 1 Drinking Water). Specifically, \$100 million of two appropriations of Prop 1 Drinking Water totaling \$241,800,000 was allocated as state match for the 2015 DWSRF Capitalization Grant, as well as future DWSRF capitalization grants (Prop 1 Drinking Water State Match). As of June 30, 2016, California had provided approximately \$393.3 million in cumulative state match funds to the DWSRF program through a combination of state General Funds, state general obligation bond revenue proceeds, local match, and short-term obligations with the California Infrastructure and Economic Development Bank (IBank). As of June 30, 2016 all available state match funds, with the exception of Prop 1 Drinking Water State Match funds, had been disbursed. Approximately \$1,552,339.63 of Prop 1 Drinking Water State Match funds were

disbursed to eligible DWSRF projects in SFY 2015-16.

Finally, California provided approximately \$8.3221 million in additional 1:1 matching funds for the \$8.3221 million budgeted for the 2015 State Program Management set-aside. Specifically, the \$8.3221 million in 1:1 matching funds was provided through a \$14 million General Fund appropriation to the State Water Board's Safe Drinking Water Account in support of PWSS activities.

### 4. Binding Commitments Within One Year

The State Water Board must commit funding agreements to projects in an amount equal to 120 percent of each federal quarterly payment within one year of that payment. As of June 30, 2016, executed funding agreements totaled \$2.54 billion, which is approximately 170 percent of the total federal payments received for DWSRF loans.

### 5. Expedient and Timely Expenditure

The State Water Board continued to work on advanced cash-flow modeling to demonstrate the timely and expeditious use of DWSRF funds. In SFY 2015-16, the minimum commitment amount to ensure optimal use of DWSRF funds without leveraging was \$279 million. The State Water Board exceeded the minimum amount by committing \$43 million under new agreements by June 30, 2016. The minimum commitment target for SFY 2015-16 depended upon projected funding disbursement averages relative to projected future receipts based on claim submittals for reimbursement.

The minimum annual commitment target also depended upon the timeline for processing complete disbursement requests from funding recipients. To ensure the timely reimbursement of claims, DFA staff review and approve complete disbursement requests, then route the requests to DAS for processing and payment. DAS typically processes disbursement requests within seven calendar days of receiving the claim



then routes the approved requests to the State Controller's Office (SCO), which issues a check (warrant) to the funding recipient generally within 10 calendar days.

The State Water Board continued to draw federal funds from the United States Treasury in SFY 2015-16 via the Automated Standard Application for Payments (ASAP) system as warrants were issued by SCO. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the United States Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board draws USEPA federal capitalization grant funds for expenditures incurred by the DWSRF program in an expeditious and timely manner. Draw requests were generally made within one week of an issued warrant. Requested funds were also deposited electronically the next business day to account(s) specified by the State Water Board. For the DWSRF set-aside accounts, federal draws were typically requested through ASAP on a monthly basis for prior month's administration costs.

The State Water Board also integrated the DWSRF program into existing administrative activities to ensure the efficient encumbering and disbursement of funding agreements. The State Water Board encumbered all loan balances to DWSRF federal funds to prioritize the liquidation of federal DWSRF capitalization grants. As a result, the timely and expeditious use of federal funds can be measured through the amount of unliquidated federal funds. USEPA's best practices call for a capitalization grant to be liquidated within two years of its award. The Notice of Non-Compliance to CDPH, dated April 19, 2013, cited a federal unliquidated obligation (ULO) of approximately \$455 million. As of June 30, 2016 and upon conclusion of the DWSRF CAP with USEPA, the DWSRF federal ULO was approximately \$ 84.1 million. Both CDPH and the State Water Board achieved the ultimate output of the CAP by reducing the DWSRF federal ULO from \$455 million to 75.9 million less than the USEPA mandated target of \$160 million.

## 6. Eligibility Activities

The DWSRF program requires each applicant to submit a detailed application to ensure USEPA eligibility requirements are satisfied. All activities

funded in SFY 2015-16 were eligible under Section 35.3520 of Title 40 CFR.

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

All DWSRF funded projects, with the exception of planning projects, were required to comply with DBE requirements in SFY 2015-16. The State Water Board also negotiated a total fair share DBE objective with the USEPA beginning FFY 2014-15 for the DWSRF program. The objective was two percent for the Minority Owned Business Enterprises (MBE) and one percent for Women Owned Business Enterprises (WBE) participation for a combined three-percent goal. Funding recipients reported participation as 0.02 percent for MBE and 0.03 percent for WBE. Exhibit D ([page 71](#)) provides a breakdown of DBE participation. The State Water Board will continue to monitor participation to ensure that the "positive effort process" is followed by funding recipients.

All DWSRF funded projects, with the exception of planning projects, were required to comply with Davis-Bacon prevailing wage requirements in SFY 2015-16. DFA staff also continued to review reports and verify that sub-recipients had complied with Davis-Bacon requirements in SFY 2015-16. DFA staff also continued its tracking mechanisms to ensure federal quarterly baseline monitoring requirements were satisfied. Records of all documents and site inspection reports were saved in project files DFA staff also continued their quarterly site inspection reports on a rolling annual basis in SFY 2015-16 to determine whether the number of site inspections was satisfactory and whether any modifications to the control activities were needed.

Finally, all DWSRF funded projects, with the exception of planning projects, were required to comply with American-made iron and steel requirements in SFY 2015-16. Specifically, funding recipients were required to use American-made iron and steel products pursuant to USEPA guidelines 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 applied.

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

The DWSRF program began reporting FFATA data in FFY 2011 on an equivalency basis, by choosing loans that equaled the total DWSRF grant amount received from the USEPA. The

DWSRF program continued to report FFATA loan data, on an equivalency basis, to the FSRS in SFY 2015-16 (Exhibit F, [page 73](#)).

## 8. Additional Subsidy and Green Requirements

In accordance with USEPA requirements, a portion of each DWSRF capitalization grant must be used for additional subsidy. Beginning in FFY 2010, Congress began prescribing minimum and maximum amounts of a DWSRF capitalization grant that must be committed in the form of additional subsidization to DWSRF projects. Table 2 below shows the amounts necessary for compliance and Exhibit E ([page 72](#)) identifies 17 additional subsidy projects funded by through the DWSRF in SFY 2015-16.

**Table 2: Additional Subsidization Funding Table**

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant <sup>4</sup>	Maximum Subsidy Amount by FFY Grant <sup>5</sup>	Committed Subsidy Amount by FFY Grant Assignment <sup>5</sup>	Uncommitted Subsidy Amount by FFY Grant Assignment <sup>6</sup>	Disbursed Subsidy Amount by SFY <sup>7</sup>	Undisbursed Subsidy Amount by SFY <sup>8</sup>
2010	10-11	\$126,958,000	\$38,087,400	\$38,087,400	\$38,087,400	\$0	\$475,501.49	\$0
2011	11-12	\$86,698,000	\$26,009,400	\$26,009,400	\$26,009,400	\$0	\$6,383,939.66	\$0
2012	12-13	\$85,358,000	\$17,071,600	\$25,607,400	\$25,607,400	\$0	\$9,295,930.38	\$0
2013	13-14	\$78,770,000	\$15,754,000	\$23,631,000	\$23,631,000	\$0	\$12,441,320.03	\$0
2014	14-15	\$83,521,000	\$16,704,200	\$25,056,300	\$25,056,300	\$0	\$15,940,787.48	\$0
2015	15-16	\$83,069,000	\$16,613,800	\$24,920,700	\$1,809,694.61	\$23,111,005.39	\$29,523,638.88	\$89,251,082.08
Totals:		\$544,374,000	\$130,240,400	\$163,312,200	\$140,201,194.61	\$23,111,005.39	\$74,061,117.92	\$89,251,082.08
<b>Grand Total:</b>				<b>\$163,312,200</b>	<b>\$163,312,200</b>			

<sup>4</sup> USEPA generally requires that the State Water Board commit and expend a minimum amount of a DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA's "Green Project Reserve."

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

<sup>6</sup> In accordance with USEPA procedures, these amounts represent the additional subsidy balances under the maximum authority of the respective DWSRF capitalization grant that have not yet been committed to eligible DWSRF projects as of 6/30/2016.

<sup>7</sup> These amounts represent the additional subsidy disbursements of the assigned projects per State fiscal year. In accordance with USEPA Policy, additional subsidy is encumbered and expended from any available funding sources within the DWSRF (i.e. federal capitalization grants, state match, repayments funds).

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

Also in accordance with USEPA requirements, a portion of a DWSRF capitalization grant may be allocated for a GPR whereby DWSRF funds are reserved for projects that provide environmental benefits per USEPA's GPR criteria. Unlike some prior year DWSRF capitalization grants, the 2015 Capitalization Grant did not include a minimum amount for the GPR. Nonetheless, the State Water Board furthered its efforts of promoting the GPR by financing the installation or replacement of water meters through the DWSRF. Water meter installation was an eligible GPR project because of its water conservation and efficiency benefits. Table 3 below shows the amount of DWSRF GPR funded projects assigned to the 2015 Capitalization Grant and prior year capitalization grants.

**Table 3: Green Project Reserve Funding Table**

FFY Grant	SFY	Grant Award Amount	Minimum Green Project Reserve Amount By FFY Grant <sup>9</sup>	Committed Green Project Reserve Amount Per FFY Grant Assignment <sup>10</sup>	Disbursed Green Project Reserve Amount By State Fiscal Year <sup>11</sup>	Undisbursed Green Project Reserve Amount By State Fiscal Year <sup>12</sup>
2010	10-11	\$126,958,000.00	\$25,391,600	\$25,391,600	\$0	\$0
2011	11-12	\$86,698,000.00	\$17,339,600	\$26,013,832	\$12,457,278	\$0
2012	12-13	\$85,358,000.00	\$0	\$8,663,771.74	\$31,910,689.91	\$0
2013	13-14	\$78,770,000.00	\$0	\$0	\$7,037,464	\$0
2014	14-15	\$83,521,000.00	\$0	\$0	\$2,242,734	\$0
2015	15-16	\$83,069,000.00	\$0	\$521,670.00	\$2,715,139.40	\$4,227,568.63
Totals		\$647,881,800	\$42,731,200	\$60,590,873.74	\$56,363,305.11	\$4,227,568.63
Grand Total:				\$60,590,873.74	\$60,590,873.74	

## 9. Federal Environmental Cross-Cutters

In SFY 2015-16, the State Water Board used 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 (CEQA), each applicant must also complete and submit an [Evaluation Form for Environmental Review and Federal Coordination Form](#) (Evaluation Form). Based on the Evaluation Form and review of the application documents, DFA staff distributed environmental analysis documents and consulted with the appropriate federal agencies on projects with known (or suspected) effects under federal environmental regulations, which is consistent with the Operating Agreement between the State Water Board and USEPA.

<sup>9</sup> USEPA generally requires that the State Water Board commit and expend a minimum amount of a DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA's "Green Project Reserve."

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

<sup>11</sup> These amounts represent the Green Project Reserve disbursements for each respective state fiscal year. Per USEPA policy, Green Project Reserve funding is not necessarily encumbered and liquidated from DWSRF capitalization grants.

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

## D. FINANCIAL ACTIVITY

### 1. Net Assets

Net assets of the DWSRF program are shown below.

Statement of Net Assets		
June 30, 2016 and 2015 (\$ in thousands)		
Assets	2016	2015
Current Assets	\$433,846	\$391,754
Other Assets	\$1,162,689	\$1,069,141
<b>Total Assets</b>	<b>\$1,596,535</b>	<b>\$1,460,895</b>
Liabilities		
Current Liabilities	\$5,933	\$5,570
Non-Current Liabilities	\$0	\$0
<b>Total Liabilities</b>	<b>\$5,933</b>	<b>\$5,570</b>
Net Assets		
Restricted	\$0	\$17,900
Unrestricted	\$1,590,602	\$1,437,425
<b>Total Net Assets</b>	<b>\$1,590,602</b>	<b>\$1,455,325</b>

### 2. Revenues

Revenue for the DWSRF program is described in the State Water Board's DWSRF Financial Statements. The total revenues for SFY 2015-16 were \$187 million. Revenues for the period of this report were as follows:

Loan Interest income:	\$16.3 million
Net investment income:	\$1.2 million
Capitalization Grants - Principal Forgiveness Receipts:	\$22.3 million
State Match Revenue	\$0
ARRA Capitalization Grant:	\$0
Capitalization Grant:	\$146.2 million
State match revenue – Principal Forgiveness:	\$1.5 million

### 3. Disbursements and Expenses

Total disbursements are based on Financial Statements and do not include matching funds provided by funding recipients. Total disbursements for SFY 2015-16 were \$222 million. Disbursements for the period of this report were made as follows:

Loan disbursements:	\$170 million
Grants disbursements:	\$466 thousand
Principal Forgiveness disbursements:	\$29.5 million
Employees' salaries and vendors' payments:	\$22.0 million
Principal paid for state match loan:	\$0
State match fees paid:	\$0
Interest paid on state match loan:	\$0

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

In accordance with federal rules and regulations, the State Water Board continued to provide extended term financing (ETF) in the form of 30-year loan repayment terms to funding applicants that served disadvantaged communities. In SFY 2015-16, four projects received approximately \$240 million in ETF as shown in Exhibit K ([page 81](#)).

ETF for disadvantaged communities has historically provided more manageable financing for funding recipients. Based on current analysis, providing ETF for disadvantaged communities has not jeopardized the financial strength of the DWSRF program, but rather has led to an increased demand for funding. This has provided more manageable and stable funds returning to the program. Such demand has been necessary in recent years to reduce historical ULOs.

State law requires the State Water Board to provide zero percent interest rate loans if the funding recipient serves a disadvantaged community with financial hardship. The DWSRF Policy defines financial hardship to mean the funding applicant is a small water system with high residential water rates. Previously, CDPH's regulations had provided for zero percent interest rate loans from the DWSRF if the funding applicant served a disadvantaged community regardless of the size of the water system size. In SFY 2015-16, to ensure the long-term financial growth of the fund while considering the financial limitations of certain public water system types, the State Water Board limited zero percent interest rate loans from the DWSRF program to small water systems serving disadvantaged communities.

## 5. DWSRF Credit Risk

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

In SFY 2015-16, the DWSRF program did not restructure any commitments due to a recipient's inability to make payment on a DWSRF loan. Also, initial concerns about the current drought impacting revenue streams of existing loan recipients due to water conservation measures has not resulted in any requests for loan restructuring or warnings about potential delays or defaults in payment.

There is no allowance for uncollectible accounts as all repayments are current and all loans are anticipated to be repaid in accordance with the loan terms. There have been no loan defaults in the DWSRF program and State Water Board staff continues to ensure that funding agreements are secure and all payments are made on time and in full. This is done by using a variety of analysis and monitoring measures to reduce the possibility of non-payment and continually evaluating additional steps to ensure full and timely payments.

# FROM SOURCE

## IV. Public Health Benefits

The contributions of the DWSRF program to water quality are diverse. The program has the strength and versatility to address a wide range of drinking water-quality issues. To the maximum extent possible, priority was given to projects in SFY 2015-16 which address the most serious risks to human health, are necessary to ensure compliance with SDWA requirements, and assist water systems in need the most on a per household basis. Projects were ranked by the categories below:

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

The information below summarizes the public health benefits from DWSRF funded projects in SFY 2015-16. The data supporting this summary was reported to the USEPA through the DWSRF Project Benefits Reporting database.

### A. PROJECTS IN SFY 2015-16 HELPED ACHIEVE AND MAINTAIN SDWA GOALS

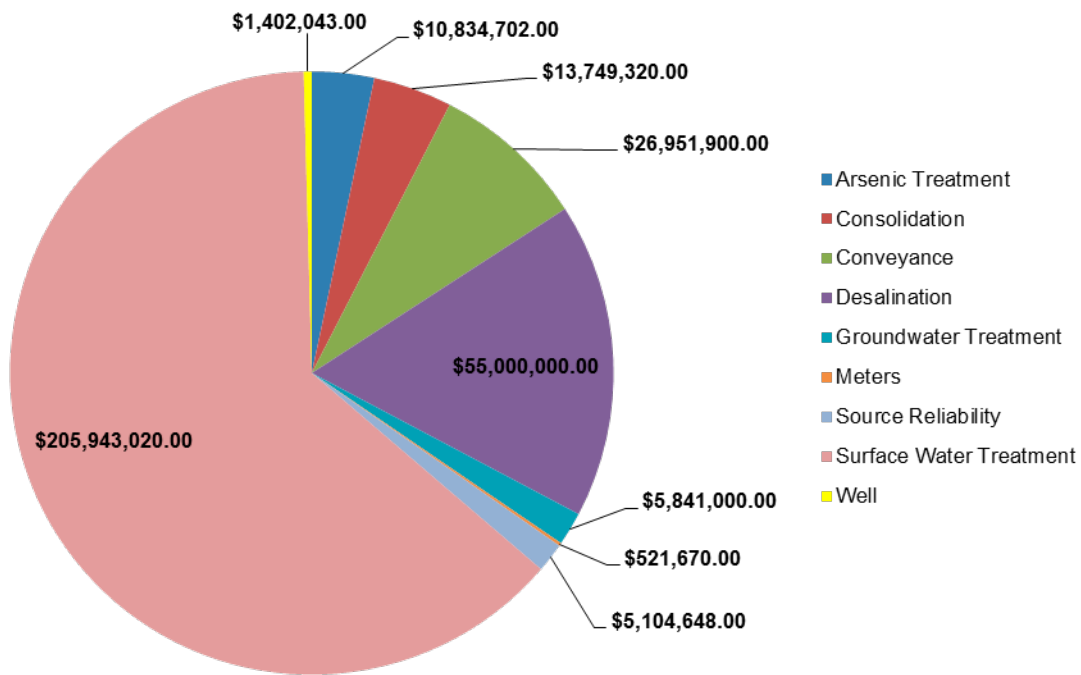
1. The State Water Board through the DWSRF funded 23 new projects totaling \$325,348,303.
2. 1,593,280 people reside within the boundaries of the PWSs that were awarded DWSRF funding for their planning and construction projects.
3. \$29.8 million in DWSRF principal forgiveness was awarded under new agreements and amendments to prior year agreements for PWSs serving disadvantaged and severely disadvantaged communities.
4. Projects funded by the DWSRF program fall into the categories noted earlier and as defined in the DWSRF Policy, Section V.C. The number of projects funded and the category they were given are as follows:

Category A:	3
Category B:	3
Category C:	14
Category D:	2
Category E:	0
Category F:	1

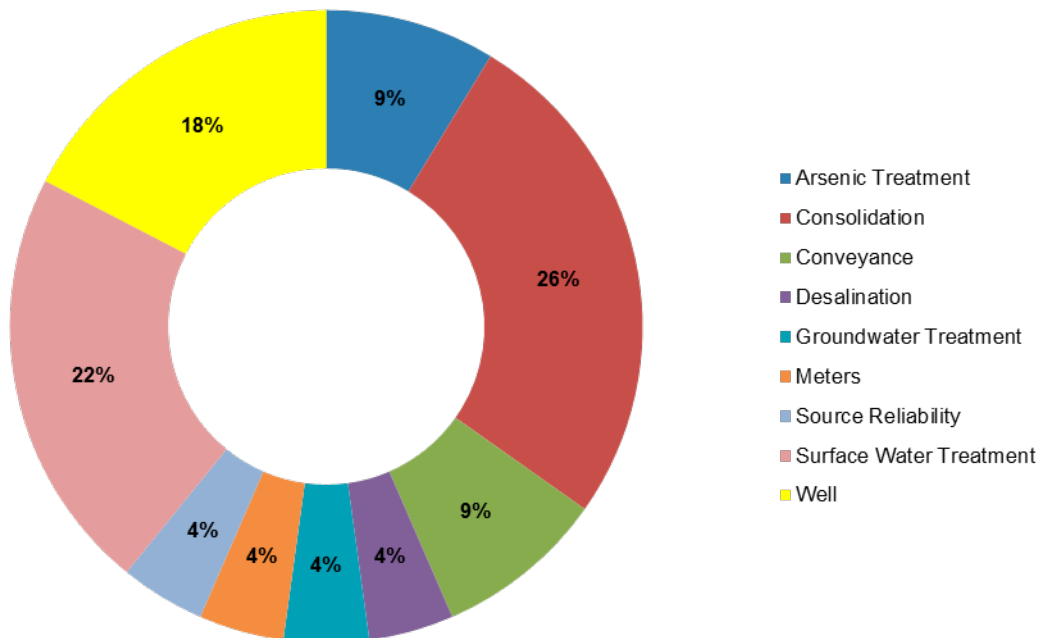
### B. DWSRF PROJECTS ACHIEVE MULTIPLE BENEFITS

DWSRF projects provide water system improvement benefits in many different ways. Figure 4 and Figure 5 ([page 23](#)) demonstrate the many infrastructure benefits provided by DWSRF funding in SFY 2015-16.

**Figure 4: Water System Improvements (Project Type by Cost)**  
 Total Financed: \$325,348,303



**Figure 5: Water System Improvements (by Percent of Projects)**  
 Total Financed: 23 Projects



## C. HIGHLIGHTS OF PROJECTS FUNDED BY DWSRF IN SFY 2015-16



**Total Assistance**     \$1,879,620

**Total Assistance**     \$476,443

**Total Assistance**     \$242,685,322

**Total Assistance**     \$60,104,648

**Total Assistance**     \$20,202,270

**23 PROJECTS:**     \$325,348,303



Colusa, City of  
Tahoe City Public Utility District  
Winship Elementary School  
Gratton School District  
Donner Summit Public Utility District

**05 projects**

Napa County Schools: Pope Valley  
North Gualala Water Company, Inc.

**02**

City of Santa Barbara Water Department  
City of Los Angeles Department of  
Water and Power

**02 projects**

San Joaquin, City of  
Pershing High School  
Del Oro Water Company  
Las Deltas Mutual Water System  
Fresno, City of  
Orange Center Schools  
Armona Community Services District  
Livingston, City of  
Fresno, City of  
Washington Union High School

**10 projects**

Heber Public Utility District  
Gordon Acres Water Company  
Elsinore Valley Municipal Water District  
Elsinore Valley Municipal Water District

**04 projects**

# V. Administrative and Programmatic Update

## A. Notice of Non-Compliance / Corrective Action Plan

On April 19, 2013, the USEPA issued a Notice of Non-Compliance to CDPH, the department formerly with primacy over the DWSRF program. The USEPA determined that CDPH “had not timely and efficiently committed and expended funds in the DWSRF, nor employed adequate financial resources to operate the SDWSRF in a sound financial manner....” CDPH did not dispute the findings and had already implemented strategies addressing these issues as demonstrated by the DWSRF program’s increase in its fund utilization rate.

CDPH was given 60 days from the date of receipt of the notice to either remedy the issues addressed or submit a CAP outlining the methods in which the issues would be addressed and resolved. On June 24, 2103, CDPH submitted the CAP to the USEPA and at the request of USEPA, submitted a revised version of the CAP on July 12, 2013. USEPA accepted and approved the revised CAP on July 23, 2013. The State Water Board assumed primacy over the DWSRF program on July 1, 2014 and continued to fulfill remaining CAP commitments.

In a letter to USEPA Region 9, dated March 30, 2016, DFA formerly requested the closure of the DWSRF CAP. In a subsequent letter dated May 17, 2016, USEPA Region 9 approved DFA’s request to close the CAP. Specifically, USEPA Region 9 acknowledged that the California DWSRF program had been successfully restored to compliance with 40 CFR§35.3550(1), 40 CFR §35.3550(c), and 40 CFR §35.3560(d) based upon the actions taken by the CDPH and the State Water Board.

The DWSRF CAP included final targets and deliverables scheduled for June 30, 2016. DFA demonstrated completion with all of those targets, except for the target pertaining to disbursements over the period beginning with June 30, 2012 and ending June 30, 2016. However, USEPA Region 9 acknowledged that the California DWSRF program had met the intent of the disbursement target by disbursing more than twice as much DWSRF funds in the

last four years (approximately \$738 million) than it did in the four years prior (approximately \$336 million).

The State Water Board will no longer be reporting on the DWSRF CAP given its successful completion and the DWSRF program’s return to compliance with governing federal requirements.

## B. Performance Evaluation Report

On August 18, 2016, the USEPA presented the State Water Board its Program Evaluation Report (PER) for the DWSRF program for SFY 2014-15. The PER addresses California’s performance and compliance with the requirements of DWSRF base program activities and ARRA requirements. The PER also provided observations made by the USEPA and recommendations for follow up actions related to specific DWSRF required elements listed below:

### 1. Required Program Elements

- a. Annual/Biennial Report
- b. Funding Eligibility
- c. Compliance with DBE Requirements
- d. Compliance with Federal Cross-Cutting Authorities
- e. Compliance with Environmental Review Requirements
- f. Operating Agreement
- g. Staff Capacity
- h. Set-aside Activity
- i. Status of Corrective Action Plan

## 2. Required Financial Elements

- a. State Match
- b. Binding Commitment Requirements
- c. Rules of Cash Draw (including improper payments)
- d. Timely and Expeditious Use of Funds
- e. Compliance with Audit Requirements
- f. Assistance Terms
- g. Use of Fees
- h. Assessment of Financial Capability and Loan Security
- i. Financial Management

The State Water Board has considered each recommendation and is developing best practices to help ensure the program's overall effectiveness and efficiency improvements.

The USEPA stated two findings concerning improper transactions in the PER. The State Water Board issued a PER response to the USEPA, dated September 20, 2016, stating that the transactions in questions had been analyzed again and found no evidence to support the improper transaction findings totaling \$78.68.

As for the status of the CAP, on May 17, 2016, the USEPA sent a letter to the State Water Board finding that the State was in full compliance with financial requirements of the DWSRF program and officially closed the CAP.

### C. Comprehensive List

The DWSRF Comprehensive List identified projects potentially eligible for funding assistance from the DWSRF program in SFY 2015-16. The Comprehensive List was also a tool for the DFA to identify potentially prioritize the marketing, technical assistance, and application review efforts of DFA staff and management. As the program received applications, it assigned each project a category as described in Section V.C.1 of the [DWSRF Policy](#). The program then recommended to the Executive Director of the

State Water Board, in consultation with DDW, to either add the project to the Comprehensive List or update an existing project. On three separate occasions throughout SFY 2015-16, the Executive Director of the State Water Board updated the DWSRF Comprehensive List with new eligible projects or additional project information in accordance with the DWSRF Policy.

### D. Fundable List and Project Bypass

There were 70 projects identified on the fundable list in the SFY 2015-16 IUP. Of these, 36 were planning projects and 34 were construction projects. The DWSRF program awarded funding to 10 planning projects and 13 construction projects in SFY 2015-16. In addition, the Prop 1 Drinking Water funds were awarded to six planning projects. At the time of this report, three more construction projects and a planning project were funded, and the remaining projects' status is noted in Exhibit C ([page 65](#)). Several of the projects not funded in SFY 2015-16 are anticipated to be funded in SFY 2016-17.

## VI. Set-Aside Activities

The DWSRF program used a percentage of each federal capitalization grant, known as “Set-Asides” to fund the administration of the DWSRF program as well as other activities critical to the success of the program in SFY 2015-16. The Set-Aside accounts included the DWSRF Administration Set-Aside, the Small Water System Technical Assistance Set-Aside (SWSTA), the Local Assistance Set-Aside, and State Program Management Set-Aside. These Set-Asides aided in providing funding and technical assistance to public water systems. The State Water Board budgeted 18 percent of the 2015 Capitalization Grant for all four set-asides.

### A. Administration Set-Aside

The DWSRF program budgeted four percent of the 2015 Capitalization Grant along with prior years’ capitalization grants to the Administration Set-Aside to fund the management of the DWSRF program. The Administration set-aside funded technical and administrative personnel within DFA as well as legal staff in the State Water Board’s Office of Chief Counsel who prepared construction and planning approvals and agreements, inspected and evaluated projects, and processed claims for reimbursement. The Administration set-aside also funded personnel activities associated with various project tracking and reporting required by USEPA as well as other state and federal agencies.

A portion of the Administration set-aside also funded state procurement contracts with other entities, such as CliftonLarsonAllen. In SFY 2015-16, CliftonLarsonAllen completed the federal single-audit of the DWSRF program for SFY 2014-15 as well as produce audited financial statements for the program.

The budgeting and expenditures of the DWSRF Administration set-aside, as of June 30, 2016 are shown in Exhibit G ([page 74](#)).

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

The DWSRF program budgeted two percent of the 2015 Capitalization Grant along with prior year Capitalization Grants for SWSTA. SWSTA focuses on small water systems. Its primary goals are to reduce the instances of non-compliance with drinking water standards and requirements, establish and assure safe and dependable water supplies, improve operational capability, and establish or improve the TMF capacity of small water systems.

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

The budgeting and expenditures of the SWSTA set-aside as of June 30, 2016 are shown in Exhibit G ([page 74](#)).

### C. Local Assistance Set-Aside

The DWSRF program budgeted two percent of the 2015 Capitalization Grant, along with unspent funds from prior year capitalization grants, for technical assistance to public water systems to support TMF capacity development strategies. The set-aside amount budgeted from the 2015 Capitalization Grant supported technical and administrative staff within DFA and their assistance to public water systems for TMF capacity development. DFA staff oversaw and engaged third-party technical assistance contractors on the activities described below as well as assisted funding applicants in achieving the TMF capacity necessary to be eligible for DWSRF funding, reviewed the TMF assessments necessary for the approval of DWSRF funding, advised and reviewed proposed water system consolidations and

interties, assisted and mediated in legal entity formation and water system ownership issues, and reviewed water rate studies.

Local Assistance set-aside also funded staff in support of the drought relief efforts through the PWSDER program. Staff reviewed applications for drought emergency funding from the \$15 million State General Fund appropriation provided through the PWSDER program. Staff also developed PWSDER funding agreements and coordinated drought relief efforts with DDW in review of reimbursement claims and project inspections.

Unspent Local Assistance set-aside funds from prior year capitalization grants was allocated for third-party technical assistance contracts with CRWA, RCAC and Self-Help Enterprises, which provided on-site technical assistance to over 200 small public water systems in SFY 2015-16. Some of the technical assistance included income surveys, water rate studies, and DWSRF application development. CRWA, RCAC and Self-Help Enterprises also provided TMF assistance in SFY 2015-16, including mutual water company board training, public water system operation training, and water system ownership research.

In addition, RCAC developed and conducted statewide onsite and online training workshops that focused on building the TMF capacity of public water systems. In SFY 2015-16, RCAC held two CalTAP funding fairs. These fairs displayed and demonstrated the free services and materials available to the water systems and two Arsenic Symposia on arsenic treatment alternatives and case studies. The CalTAP fairs averaged 70 attendees and the Symposia averaged 28. In addition to these fairs, RCAC also held 48 onsite and 74 online workshops. Board members, water system staff and operators from more than 938 individual water systems participated in these training events cumulatively. In a survey conducted by RCAC, of the 3,467 responses received to request for feedback on the value and usefulness of the workshops and training, 94 percent reported positively regarding the workshops and the information provided, five percent had neutral responses, and only one percent reported negatively to the workshops. These statistics demonstrate the effectiveness of these programs and workshops and give the DWSRF program a good indication of its effectiveness in communicating with the public and its ability to provide helpful information.

Finally, a local assistance grant agreement was awarded to the American Water Works Association-California/Nevada Section (AWWA) in SFY 2015-16 and funded from the 2015 Capitalization Grant Local Assistance Set-Aside. In support of California's Capacity Development Strategy, the purpose of the grant agreement was for AWWA to provide third-party technical assistance to urban water suppliers in support of water-loss audit validations and other reporting requirements under California Senate Bill 555. Approximately \$700,000 of the 2015 Capitalization Grant Local Assistance Set-aside was allocated for this technical assistance contract with an additional \$2,515,756 expected from the FFY 2016 capitalization grant.

The budgeting and expenditures of the DWSRF Local Assistance set-aside, as of June 30, 2016, are shown in Exhibit G ([page 74](#)).

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

The DWSRF program budgeted 10 percent of the 2015 Capitalization Grant, along with prior year Capitalization Grants, for the State Program Management set-aside. This set-aside funded DDW's PWSS regulatory program. In SFY 2015-16, the State Program Management

set-aside subsidized a pro-rated portion of DDW's permitting, inspection, compliance, monitoring (PICM) activities as well as the general administration activities of DDW with the 2015 PWSS grant and California's safe drinking water cost-recovery account.

In general, DDW staff conducted inspections and surveys of both large and small water systems, evaluated treatment and infrastructure improvement needs, reviewed plans and specifications in relation to and for conformance with treatment requirements, and assisted public water systems with state and federal drinking water compliance issues. The State Program Management set-aside funds were used to enhance emergency preparedness and terrorism/disaster response preparedness of the PWSS program as well as California's public water systems. The DWSRF program also utilized this set-aside to enhance and manage its data reporting mechanisms, including the Safe Drinking Water Information System. The TMF capacity development activities inherent within the PICM activities of DDW were partially funded by the set-aside as well. The budgeting and expenditures of the State Program Management set-aside as of June 30, 2016 are shown in Exhibit G ([page 74](#)).

# REVENUE

## VI. Program Comments

### A. General Comments

In SFY 2015-16, the State Water Board continued to implement the DWSRF Policy and DFA procedural changes associated with the transfer of the DWSRF program from CDPH to the State Water Board. The State Water Board and DFA also continued to implement and award funding to planning and construction projects in coordination between the DWSRF and Prop 1 Drinking Water funds. As stated in the SFY 2015-16 DWSRF IUP, the State Water Board acknowledged the benefits of co-managing the DWSRF and Prop 1 Drinking Water funds in coordination within DFA to ultimately provide the best financing terms possible for public water system applicants. Because of such coordination, \$325,348,303 of DWSRF funding was awarded to 23 planning and construction projects, of which \$ 18,587,787.50 were actually Prop 1 Drinking Water funds serving as state match for the DWSRF program. In addition, \$2,169,550.00 of Prop 1 Drinking Water funds were awarded to six planning projects separately from the DWSRF, for a combined total of \$20,757,337.50 Prop 1 Drinking Water funds awarded to PWS serving small, disadvantaged communities. The State Water Board's co-management of DWSRF and Prop 1 Drinking Water funds further enabled California to capitalize and maximize state match for the DWSRF while simultaneously providing financial benefits to California's PWSs, especially those PWSs serving small, disadvantaged communities. The tremendous amount of funding provided through the DWSRF in SFY 2015-16 has also enabled the State Water Board to maintain a low and acceptable federal ULO balance for the near future.

### B. Consolidation Incentive Program

With the DWSRF Policy in effect as of January 1, 2015, all DWSRF eligible projects became eligible to apply for funding via FFAST. The Consolidation Incentive Program, as described in the IUP, became less of an incentive as originally intended. The DWSRF program did not receive requests for this program, but will continue to process the existing projects under the current Policy.

### C. LEFA Program

Of the eight percent of DWSRF funding budgeted for the Local Assistance set-aside, two percent was allocated to the Legal Entity Formation Assistance (LEFA) program. The LEFA program was established as a pilot program, which provided grant funding to assist communities not currently served domestic water from an existing community water system, and public water systems not eligible for DWSRF funding due to the lack of an eligible entity. These communities and systems also have domestic water sources with a water quality or quantity public health problem. The purpose of the LEFA program is to provide financial assistance for the formation of a legal entity for such communities, which would have among other things, the authority to own and/or operate a public water system, assess rates and charges for domestic water supply, or have the authority to consolidate with an existing public water system. Eligible applicants were limited to public agencies, Local Agency Formation Commissions (LAFCO), public colleges and/or universities, Joint Power Authorities, and non-profit organizations that could enter into a funding agreement with the State Water Board and demonstrate their ability to carry out the project. Once an appropriate governing entity is identified and/or formed, that governing entity would be able to apply for planning or construction funding.

### D. Source Water Protection Program

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

Funding for the SWP program provides loans to public water systems for the purchase of land or conservation easements. A public water system may only purchase land or a conservation easement from a willing party. The purchase must be for the purposes of protecting the system's source water and ensuring compliance with national drinking water regulations. The DWSRF program

evaluated all projects using the priority system described within the IUP in effect at the time such SWP loans were awarded.

As of SFY 2015-16, the program had set aside a total of \$24,889,390 from the 2000-2005 Capitalization Grants for this program, but, due to lack of demand from public water systems, subsequent federal grant amendments returned \$22,889,390 from the 2000-2005 Capitalization Grants to the DWSRF infrastructure loan fund. As shown in Table 4 below, \$2,000,000 has been committed and expended for SWP loans.

**TABLE 4: SOURCE WATER PROTECTION LOAN SET-ASIDES**

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





## VIII. Acronyms

ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application of Payments
CAP	Corrective Action Plan
CDPH	California Department of Public Health
CRWA	California Rural Water Association
CWSRF	Clean Water Safe Revolving Fund
DAS	Division of Administrative Services
DBE	Disadvantaged Business Enterprise
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DWR	Department of Water Resources
DWISNA	Drinking Water Infrastructure Needs Survey and Assessment
DWSRF	Drinking Water State Revolving Fund
ETF	Extended Term Financing
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FSRS	FFATA Subaward Reporting System
IUP	Intended Use Plan
LGTS	Loans and Grants Tracking System
MBE	Minority Owned Business Enterprise
NIMS	National Information Management System
OMB	Office of Management and Budget
PWS	Public Water Systems
RCAC	Rural Community Assistance Corporation
SCO	State Controller's Office
SERP	State Environmental Review Process
SFY	State Fiscal Year
SWP	Source Water Protection
SWRCB	State Water Resources Control Board
UCC	Uniform Commercial Code
USEPA	United States Environmental Protection Agency
WBE	Women Owned Business Enterprise

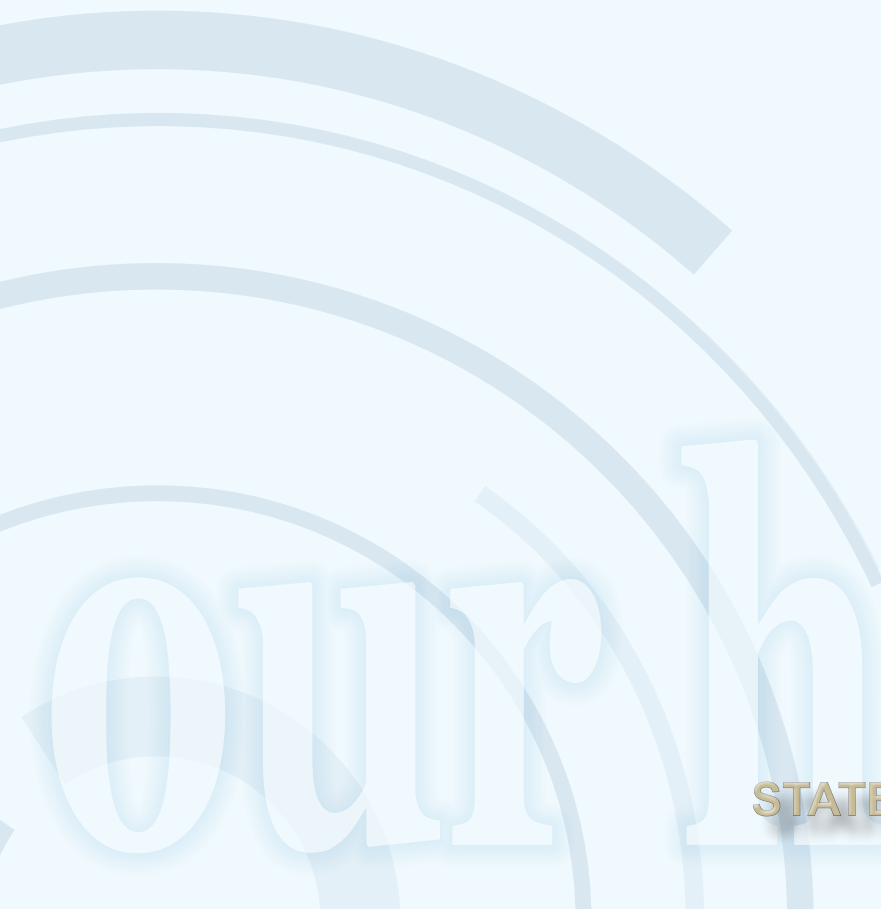
## IX. Exhibits

Exhibit A:	SFY 2015-16 Audited Financial Statements	<a href="#">page 35</a>
Exhibit B:	Projects Funded by Needs Category	<a href="#">page 63</a>
Exhibit C:	Projects Not Funded	<a href="#">page 65</a>
Exhibit D:	Disadvantaged Business Enterprise Report	<a href="#">page 71</a>
Exhibit E:	Green and Additional Subsidy Projects Funded	<a href="#">page 72</a>
Exhibit F:	Projects Reported to FFATA	<a href="#">page 73</a>
Exhibit G:	Set-Aside Funds	<a href="#">page 74</a>
Exhibit H:	Small Water Systems Funding	<a href="#">page 78</a>
Exhibit I:	LEFA Projects	<a href="#">page 79</a>
Exhibit J:	PWSDER Projects	<a href="#">page 80</a>
Exhibit K:	Extended Term Financing Projects	<a href="#">page 81</a>
Exhibit L:	DWSRF Fundable List	<a href="#">page 82</a>

FORCE TO TRAP



**Exhibit A: SFY 2015-16 Audited Financial Statements**



our health

**CALIFORNIA STATE WATER RESOURCES  
CONTROL BOARD  
SAFE DRINKING WATER STATE 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, 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, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

As discussed in Note 1 - Definition of Reporting Entity, the basic financial statements of the 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, 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 Safe Drinking Water 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*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, 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 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 Safe Drinking Water Revolving Fund's internal control over financial reporting and compliance.

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

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 30, 2016



## **BASIC FINANCIAL STATEMENTS**

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

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 377,393	\$ 312,700
Cash and cash equivalents - Restricted	-	17,900
Receivables:		
Loan interest	4,935	4,868
Investment interest	421	176
Due from other funds and other governments	5,723	7,055
Loans receivable:		
Current portion	45,374	49,055
Total current assets	<u>433,846</u>	<u>391,754</u>
<b>OTHER ASSETS</b>		
Loans receivable:		
Noncurrent	1,162,689	1,069,141
Total other assets	<u>1,162,689</u>	<u>1,069,141</u>
<b>TOTAL ASSETS</b>	<u>1,596,535</u>	<u>1,460,895</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Due to other funds	5,933	5,570
Total current liabilities	<u>5,933</u>	<u>5,570</u>
Total liabilities	<u>5,933</u>	<u>5,570</u>
 <b>NET POSITION</b>		
Restricted for:		
Future loan disbursements	-	17,900
Unrestricted	1,590,602	1,437,425
Total net position	<u>\$ 1,590,602</u>	<u>\$ 1,455,325</u>

See accompanying Notes to Financial Statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended June 30, 2016 and 2015**  
**(in thousands)**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUE</b>		
Loan interest income	\$ 16,301	\$ 14,718
Total operating revenue	16,301	14,718
<b>OPERATING EXPENSES</b>		
Principal forgiveness	29,510	17,399
Personnel services	13,190	11,938
Other expenses	9,250	9,144
Grants and subventions-setsides	466	851
Total operating expenses	52,416	39,332
<b>INCOME (LOSS) FROM OPERATIONS</b>	(36,115)	(24,614)
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	1,268	631
Other nonoperating expense	-	(1,519)
State match loan expense	-	(5)
Total nonoperating revenue (expense)	1,268	(893)
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(34,847)	(25,507)
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	146,219	160,871
EPA-capitalization grant - Principal Forgiveness	22,353	7,234
EPA - ARRA capitalization grant	-	1,054
State match revenue	-	44,520
State match revenue-Principal Forgiveness	1,552	1,230
Total contributions	170,124	214,909
<b>CHANGE IN NET POSITION</b>	135,277	189,402
<b>NET POSITION - BEGINNING OF YEAR</b>	1,455,325	1,265,923
<b>NET POSITION - END OF YEAR</b>	\$ 1,590,602	\$ 1,455,325

See accompanying Notes to Financial Statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**SAFE DRINKING WATER STATE REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2016 and 2015**  
**(in thousands)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants disbursed	\$ (466)	\$ (851)
Cash paid to employees and vendors	(22,076)	(17,681)
Cash flows (required) by operating activities	<u>(22,542)</u>	<u>(18,532)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA capitalization grant	169,904	161,216
Funds received from the State of California	1,552	45,750
State loan match proceeds	-	17,900
Principal paid for state match loan	-	(17,900)
State match fees paid	-	(4)
Interest paid on state match loan	-	(1)
Cash flows provided by noncapital financing activities	<u>171,456</u>	<u>206,961</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest on loans	16,233	15,224
Loans disbursed	(170,781)	(198,844)
Principal forgiveness disbursed	(29,510)	(17,399)
Principal received on loans receivable	80,914	44,077
Net investment income received	1,023	602
Net cash (required) by investing activities	<u>(102,121)</u>	<u>(156,340)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	46,793	32,089
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>330,600</u>	<u>298,511</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 377,393</u>	<u>\$ 330,600</u>
<b>Reconciliation of operating income to net cash required</b>		
<b>by operating activities</b>		
Loss from operations	\$ (36,115)	\$ (24,614)
Adjustments to reconcile income from operations to net cash required by operating activities		
Cash received from interest on loans	(16,233)	(15,224)
Loans disbursed	170,781	198,844
Principal forgiveness disbursed	29,510	17,399
Principal received on loans receivable	(80,914)	(44,077)
Effect of changes in operating assets and liabilities:		
Loan receivable	(89,866)	(154,768)
Loan interest receivable	(68)	507
Due to other funds	363	3,401
Net cash (required) by operating activities	<u>\$ (22,542)</u>	<u>\$ (18,532)</u>

See accompanying Notes to Financial Statements.

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

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The California State Water Resources Control Board, Safe Drinking Water State Revolving Fund (Fund) was established pursuant to the Federal Safe Drinking Water Act of 1974 (Act) as amended in 1996. The 1996 amendment to the Act established the Drinking Water State Revolving Fund (DWSRF) program for the purposes of providing low interest financing and/or subsidies, in the form of grants and loan principal forgiveness, to public water systems for drinking water infrastructure projects necessary to establish and/or maintain compliance with safe drinking water standards. Standard construction financing has repayment terms of up to 20-years, not to exceed the useful life of the facilities. Public water systems that serve “disadvantaged” communities can have repayment terms up to 30-years, not to exceed the useful life of the facilities. Standard planning financing has repayment terms of 5-years. Both planning and construction financing have a standard interest rate that is half of the State of California’s (State) general obligation bond rate from the prior calendar year. Public water systems that serve “disadvantaged” communities and have financial hardship may be eligible for 0% interest rate financing. All repayments, including interest and principal, must remain in the Fund.

Since 1997, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). States are required to provide matching funds equal to 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. States may elect to use up to 31% of each grant for other eligible activities, such as DWSRF administration, other local assistance and special programs, small water system-technical assistance, and the State program management of its public water system supervision/capacity development programs. These other eligible activities under a DWSRF capitalization grant are accounted in separate funds, known as Set-asides. An additional 1:1 in matching funds must be provided by the State for the amount budgeted and expended under the State Program Management Set-aside. As of June 30, 2016 and 2015, the EPA has awarded cumulative capitalization grant funding of \$1,546,185 and \$1,463,511, respectively to the State of California (State), for which the State is required to provide \$309,237 and \$292,702, respectively, of cumulative match funding to the Fund. As of June 30, 2016 and 2015, the Fund has designated \$201,670 and \$186,819, respectively, of the cumulative capitalization grant for Set-aside funding, including \$82,719 and \$74,451, respectively, under the State Program Management Set-aside. As such, as of June 30, 2016 and 2015, the State is also required to provide \$82,719 and \$74,451, respectively, in cumulative 1:1 matching funds. In addition, in June 2009, the EPA awarded \$159,008 in ARRA grant funding, including \$8,152 of Set-aside funding, for which there is no State Match requirement.

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

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

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

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

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

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

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

**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 GASB 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.

The implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 was not required for the DWSRF as the fund is reported in the State's Comprehensive Annual Financial Report as a governmental fund and does not receive any allocation of the net pension liability.

**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.

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

**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 20 years, and not to exceed the useful life of the facilities, while construction loans for public water systems that serve "disadvantaged" communities are amortized over periods up to 30-years, also not to exceed the useful life of the facilities. Planning loans are amortized over periods up to 5-years. Interest only repayments begin within 6 months of the first disbursement with principal repayments beginning within 6 months after project completion date and are made on a semi-annual basis.

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

**Allowance for Bad Debts**

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

**Due to Other Funds**

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

**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.



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

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

The investments allowed by State statute, bond resolutions and investment policy resolutions restrict investments of the pooled investment program to investments in U.S. Government securities, negotiable certificates of deposit, bankers’ acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds, and other investments. The Fund’s proportionate share of the investment income, based on the average daily balance for the period, is credited to the Fund quarterly. The Treasurer charges all funds of the State an administrative fee, which reduces the interest earned by each fund. All cash and cash equivalents 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 \$58,816 and \$68,151, 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>\$ 318,577</u>	<u>\$ 262,449</u>
Total cash deposits and investments	<u>\$ 377,393</u>	<u>\$ 330,600</u>

The State Treasurer is responsible for investing funds of the Treasury/Trust Portfolio and managing the credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency credit risk of the Portfolio. Refer to the State’s Pooled Investments disclosure in the June 30, 2016 and 2015, 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, 2016 and 2015 statement of net position as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	<u>\$ 377,393</u>	<u>\$ 312,700</u>
Cash and cash equivalents - restricted	<u>-</u>	<u>17,900</u>
Total cash and cash equivalents	<u>\$ 377,393</u>	<u>\$ 330,600</u>

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

**NOTE 4 - LOANS RECEIVABLE**

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

As of June 30, 2016 and 2015, the Fund had total binding commitments of \$2,548,367 and \$2,223,846, respectively, since program inception. As of June 30, 2016, the remaining commitment on these loans amounted to \$746,174, of which \$721,926 is federal funds. The federal loan commitments included capitalization funds of \$34,227, which will be forgiven. As of June 30, 2015, the remaining commitment on these loans amounted to \$621,944, of which \$591,141 is federal funds. The federal loan commitments included capitalization funds of \$46,307, 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, 2016 and 2015, the unpaid balance on all loans receivable outstanding amounted to \$1,208,063 and \$1,118,196, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 13,881	\$ 45,374	\$ 59,255
2018	15,744	61,171	76,915
2019	14,841	62,422	77,263
2020	13,897	63,209	77,106
2021	12,927	64,420	77,347
2022-2026	49,569	319,886	369,455
2027-2031	25,451	274,892	300,343
2032-2036	9,908	160,036	169,944
2037-2041	3,684	58,997	62,681
2042-2046	1,586	45,754	47,340
2047-2051	82	4,619	4,701
Total	<u>\$ 161,570</u>	<u>1,160,780</u>	<u>\$ 1,322,350</u>
Loans not yet in repayment		47,283	
Total loans receivable		<u>\$ 1,208,063</u>	

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

**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 47.2 and 44.0 percent of the total loans receivable and are as follows:

	<b>2016</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)	\$ 901,358	\$ 485,023
Woodland- Davis Clean Water Agency	111,358	85,102
	<b>\$ 1,012,716</b>	<b>\$ 570,125</b>
	<b>2015</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)	\$ 802,113	\$ 425,037
San Diego, City of	89,074	66,624
	<b>\$ 891,187</b>	<b>\$ 491,661</b>

**NOTE 5 - CAPITAL CONTRIBUTIONS**

The Fund is capitalized by annual grants from the EPA. The State must also contribute an amount equal to 20 percent of the federal capitalization amount. The State's matching contribution has been provided through the appropriation of State resources. As of June 30, 2016 and 2015, the EPA has awarded to the State cumulative capitalization grants, including in-kind of, \$1,546,185 and \$1,463,511, respectively. As of June 30, 2016 and 2015, the State has drawn, cumulatively \$1,462,061 and \$1,293,094, respectively, for loans, and administrative expenses. The State has provided matching funds of \$296,003 and \$294,451, respectively.

In addition, as of June 30, 2016, 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, 2016 \$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, 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 as of June 30, 2016 and 2015. As of June 30, 2016 and 2015, the state match required is \$292,412 and \$258,619, respectively. As of June 30, 2016 and 2015, the state match available for potential future state match is \$3,591 and \$35,832, respectively.

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

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

**TABLE 1**

<b>Year</b>	<b>Grant Award</b>	<b>Funds Drawn As of June 30, 2014</b>	<b>Funds Drawn During Year Ended June 30, 2015</b>	<b>Funds Drawn As of June 30, 2015</b>	<b>Funds Drawn During Year Ended June 30, 2016</b>	<b>Funds Drawn As of June 30, 2016</b>	<b>Available for Loans and Setasides As of June 30, 2016</b>
1997-2009	\$ 1,003,064	\$ 1,003,064	\$ -	\$ 1,003,064	\$ -	\$ 1,003,064	\$ -
2010	126,958	95,069	31,889	126,958	-	126,958	-
2011	86,698	10,604	76,094	86,698	-	86,698	-
2012	84,758	12,601	47,351	59,952	24,806	84,758	-
2013	77,916	2,455	7,999	10,454	63,628	74,082	3,834
2014	82,921	-	4,772	4,772	70,029	74,801	8,120
2015	82,279	-	-	-	10,109	10,109	72,170
	<u>1,544,594</u>	<u>1,123,793</u>	<u>168,105</u>	<u>1,291,898</u>	<u>168,572</u>	<u>1,460,470</u>	<u>84,124</u>
In-kind (direct payment made by EPA)	1,591	896	300	1,196	395	1,591	-
	<u>1,546,185</u>	<u>1,124,689</u>	<u>168,405</u>	<u>1,293,094</u>	<u>168,967</u>	<u>1,462,061</u>	<u>84,124</u>
2008-ARRA	159,008	157,954	1,054	159,008	-	159,008	-
	<u>\$ 1,705,193</u>	<u>\$ 1,282,643</u>	<u>\$ 169,459</u>	<u>\$ 1,452,102</u>	<u>\$ 168,967</u>	<u>\$ 1,621,069</u>	<u>\$ 84,124</u>

**TABLE 2**

	<b>State Match Paid As of June 30, 2014</b>	<b>State Match Paid During Year Ended June 30, 2015</b>	<b>State Match Paid As of June 30, 2015</b>	<b>State Match Paid During Year Ended June 30, 2016</b>	<b>State Match Paid As of June 30, 2016</b>
State disbursed	\$ 195,751	\$ 45,750	\$ 241,501	\$ 1,552	\$ 243,053
State interest disbursed	35,050	17,900	52,950	-	52,950
	<u>\$ 230,801</u>	<u>\$ 63,650</u>	<u>\$ 294,451</u>	<u>\$ 1,552</u>	<u>\$ 296,003</u>

**NOTE 6 - RISK MANAGEMENT**

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

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

**NOTE 7 - NET POSITION**

Governmental Accounting Standards Board Statement provides for three components of net position: net investment in capital assets, restricted and unrestricted. As of June 30, 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 \$0 and \$17,900, respectively, representing amounts received from short-term loans for state matching purposes.

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.

## **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, 2016**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Direct Programs:			
Capitalization Grants for State Revolving Funds	66.468	\$ 168,571,485 (*)	\$ 146,131,971
		<u>\$ 168,571,485</u>	<u>\$ 146,131,971</u>

(\*) Tested as a Major Program

**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, 2016**

**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, 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 SIGNICANT 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 Guidance.

**NOTE 3 – DISBURSEMENTS TO SUBRECIPIENTS**

Capitalization Grants for Safe Drinking Water State Revolving Fund CFDA# 66.468 include \$145,665,861 of expenditures that were disbursed as loan awards, which includes \$22,352,676 of principal forgiveness loans and \$466,110 of expenditures that were disbursed as grant awards to qualifying subrecipients.





## CliftonLarsonAllen

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California State Water Resources Control Board, Safe Drinking Water Revolving Fund (Safe Drinking Water Revolving Fund), a governmental fund of the State of California, as of and for the year ended June 30, 2016, 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 September 30, 2016.

#### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

### **CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 30, 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  
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, 2016. 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, 2016.

## **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 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  
September 30, 2016

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
SAFE DRINKING WATER 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 program:

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

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

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

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

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

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

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

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

**PART IV – PRIOR YEAR FINDINGS**

Finding 2015-001

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

Finding 2015-002

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

Finding 2015-003

During this year's testing of the timing of the first principal repayment, we determined corrective action was implemented. No similar findings noted during the current year.

# EXHIBIT B

## Projects Funded by Needs Category

Entity Name	Project Name	Category	Population	Connections	Initial Funding Date	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Status
Central Unified School District (Pershing High School)	Consolidation between Pershing HS (Western Arts Center) and Central HS	A	1,625	11	11/13/2015	\$3,000,000	\$0	\$3,000,000	Severely Disadvantaged
Elsinore Valley Municipal Water District	County Water Company, Consolidation with Elsinore Valley MWD	A	462	140	1/4/2016	\$4,393,270	\$0	\$4,393,270	Severely Disadvantaged
Gordon Acres Water Company (Stewart Water Company)	Insufficient Delivery, Water Outages and TCR Contamination	A	195	48	9/24/2015	\$468,000	\$0	\$468,000	Severely Disadvantaged
Livingston, City of	Well #13 Arsenic Removal Treatment System	B	13,793	3,907	6/1/2016	\$0	\$1,548,836	\$1,548,836	Not Disadvantaged
Donner Summit Public Utility District (Big Bend Water Users Association)	Big Bend Water Supply Study	B	98	29	4/28/2016	\$308,376	\$77,094	\$385,470	Disadvantaged
Tahoe City Public Utility District (McKinney/Quail)	West Lake Tahoe Regional Water Treatment Plant	B	8,184	557	9/2/2015	\$500,000	\$0	\$500,000	Disadvantaged
Colusa, City of (Del Oro Water Corporation Walnut Ranch)	City of Colusa - Walnut Ranch Consolidation	C	182	2,140	11/13/2015	\$500,000	\$0	\$500,000	Severely Disadvantaged
Colusa, City of	Water Well Consolidation Project	C	5,625	2,140	8/4/2015	\$453,500	\$0	\$453,500	Severely Disadvantaged
Firebaugh, City of (Las Deltas Mutual Water Company)	Las Deltas Distribution System Project	C	375	200	12/1/2015	\$431,900	\$0	\$431,900	Severely Disadvantaged
Washington Union High School	Washington Union High School	C	1,000	23	6/9/2016	\$2,455,450	\$0	\$2,455,450	Severely Disadvantaged
Fresno, City of (Orange Center School District)	City of Fresno and Orange Center Water System Consolidation	C	410	1	3/3/2016	\$2,932,600	\$0	\$2,932,600	Severely Disadvantaged
Fresno, City of	City of Fresno Southeast Surface Water Treatment Facility	C	514,090	130,530	12/7/2015	\$3,000,000	\$192,489,000	\$195,489,000	Disadvantaged
Heber Public Utility District	Water Treatment Plant Expansion Project	C	7,447	1,608	7/7/2015	\$3,000,000	\$3,236,000	\$6,236,000	Disadvantaged
Armona Community Services District	Arsenic Treatment	C	3,419	1,255	4/21/2016	\$5,000,000	\$4,285,866	\$9,285,866	Severely Disadvantaged
North Gualala Water Company	Water Source & Storage Construction	C	3,671	1,049	12/17/2015	\$0	\$407,893	\$407,893	Disadvantaged
Napa County Schools: Pope Valley	Pope Valley School Surface Water Project	C	100	1	11/3/2015	\$68,550	\$0	\$68,550	Severely Disadvantaged

# EXHIBIT B

## Projects Funded by Needs Category

Entity Name	Project Name	Category	Population	Connections	Initial Funding Date	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Status
Elsinore Valley Municipal Water District	Back Basin Reverse Osmosis Treatment Plant Phase I	C	133,000	41,000	12/17/2015	\$0	\$5,841,000	\$5,841,000	Not Disadvantaged
Santa Barbara, City of	Desalination Plant Reactivation Project	C	92,371	26,709	9/11/2015	\$0	\$55,000,000	\$55,000,000	Not Disadvantaged
Gratton School District	Well Replacement Project	C	110	2	12/31/2015	\$290,400	\$0	\$290,400	Severely Disadvantaged
Winship Elementary School	Arsenic Exceedance-Remediation Planning Project	C	50	1	9/14/2015	\$250,250	\$0	\$250,250	Severely Disadvantaged
San Joaquin, City of	Water Meter Installation	D	4,000	702	9/2/2015	\$379,596	\$0	\$379,596	Severely Disadvantaged
Los Angeles Department of Water and Power	Eagle Rock Reservoir Floating Cover Replacement	D	289,393	679,000	1/4/2016	\$0	\$5,104,648	\$5,104,648	Not Disadvantaged
Fresno, City of	Friant-Kern Canal Pipeline	F	514,090	111,041	6/8/2016	\$0	\$26,520,000	\$26,520,000	Disadvantaged



# EXHIBIT C

## Projects Not Funded

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Estimated SRF Financing	Status	Comment/ Explanation why it was not funded in SFY 15-16
WOODVILLE PUBLIC UTILITY DIST	A	1,678	478	3/25/2014	Replacement Well Project	5410025-002P	Planning	\$416,465	Severely Disadvantaged	Applicant delayed signing FA. To be funded in SFY 16-17
EASTERN MUNICIPAL WD (Consolidation)	A	414,710	141,243	7/5/2013	County Water Company, Consolidation with Eastern MWD	3310009-067C	Construction	\$3,000,000	Severely Disadvantaged	Funded in SFY 16-17
Boe Del Heights Mutual Water	A	250	125	3/26/2014	BOEDEL HEIGHTS MUTUAL WATER ASSOCIATION CONNECTION TO INDIO WATER AUTHORITY	3301046-001P	Planning	\$1,200,000	Severely Disadvantaged	Planning application changed to CONSTRUCTION application (submitted August 2016)
EASTERN MUNICIPAL WD	A	414,710	141,243	4/22/2014	Perris II Desalter	3310009-062P	Planning	\$500,000	Disadvantaged	Planning complete by applicant
AMADOR COUNTY SERVICE AREA #3/ UNIT 6	A	2,386	723	2/27/2009	Camanche Water Quality Compliance - Disinfection Bi-Products Requirement Improvements	0310021-003C	Construction	\$1,805,292	Disadvantaged	Unable to afford a loan component. To be funded with all PF in SFY 16-17
CENTRAL WATER CO	A	170	42	11/15/2013	Well Replacement and Nitrate Treatment	5400682-002P	Planning	\$500,000	Severely Disadvantaged	Incomplete older application - working with technical assistance provider to complete application; to be funded in SFY 16-17
HUGHSON, CITY OF	A	6,082	1,779	8/29/2013	Well #7 Replacement Project	5010008-011C	Construction	\$6,607,210	Disadvantaged	Incomplete application; to be funded in SFY 16-17
LOS ANGELES-CITY, DEPT. OF WATER & POWER	B	4,071,873	680,607	6/24/2014	Headworks West Reservoir	1910067-048C	Construction	\$112,166,326	Not Disadvantaged	Application not complete, may be pursuing funding in SFY 16-17
GEORGETOWN DIVIDE PUD	B	9,021	3,589	2/27/2014	Auburn Lake Trails Water Treatment Plant Upgrade	0910013-005C	Construction	\$4,000,000	Not Disadvantaged	Delays in completing environmental and financial documents. To be funded in SFY 16-17

# EXHIBIT C

## Projects Not Funded

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Estimated SRF Financing	Status	Comment/ Explanation why it was not funded in SFY 15-16
Lake Amador Recreation Area	B	2,000	190	1/13/2015	Jackson Valley ID Treated WaterSystem	0300037-002C	Construction	\$6,042,729	Severely Disadvantaged	Delays in completing environmental documents. To be funded in SFY 16-17
ALLEGHANY COUNTY W.D.	B	80	55	4/6/2015	Planning and Engineering Analysis for Renovations of the ACWD Storage Tank and Water Sources	4600012-006P	Planning	\$97,000	Severely Disadvantaged	Funded with Proposition 1
LEWISTON PARK MWC	B	450	162	9/19/2013	SWTR Compliance	5301003-001P	Planning	\$343,800	Disadvantaged	Funded with Proposition 1
TRINITY CO. W.W. DIST #1	B	1,500	540	4/22/2015	Water Treatment Plant Modification	5310002-002P	Planning	\$270,000	Severely Disadvantaged	Incomplete application; to be funded in SFY 16-17
JED SMITH HOMEOWNERS ASSN.	B	58	24	9/30/2014	Jed Smith Homeowners Well 1 & 2 Ecoli Treatment Project	0800825-001P	Planning	\$192,800	Disadvantaged	Incomplete application; not interested in pursuing funding; Inactive.
PHILLIPSVILLE C.S.D.	B	300	65	9/30/2014	Treatment Deficiency Remediation	1200541-003P	Planning	\$267,720	Severely Disadvantaged	Incomplete application – Assigned technical assistance provider to help complete application, but the applicant is nonresponsive; Might be funded in SFY 16-17
ORLEANS C.S.D.	B	430	139	10/1/2014	Filter plant upgrade	1200729-003P	Planning	\$87,000	Disadvantaged	Technical assistance was provided to complete application; to be funded in SFY 16-17
PASKENTA COMM. SERVICES DIST.	B	120	67	9/3/2014	Long Term Source Reliability Study	5200534-003P	Planning	\$500,000	Severely Disadvantaged	Funding agreement executed 7/6/2016
NAPA, CITY OF	C	79,959	24,990	10/1/2014	Compliance for Hennessey Treatment Plant Washwater Discharge	2810003-014P	Planning	\$220,000	Not Disadvantaged	Affordability issues

# EXHIBIT C

## Projects Not Funded

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Estimated SRF Financing	Status	Comment/ Explanation why it was not funded in SFY 15-16
LOS ANGELES-CITY, DEPT. OF WATER & POWER	C	4,071,873	680,607	6/24/2014	99th Street Wells Ammoniation Station	1910067-035C	Construction	\$18,731,841	Not Disadvantaged	Application not complete, may be pursuing funding in SFY 16-17
LINDSAY, CITY OF	C	12,400	2,542	5/13/2013	Lindsay - 14 Dibromochloropropane (DBCP) Mitigation Project	5410006-007P	Planning	\$120,000	Severely Disadvantaged	Changed planning scope; to be funded in SFY 16-17
KETTLEMAN CITY CSD	C	1,499	358	11/4/2011	New SWTP [Construction Phase]	1610009-005C	Construction	\$3,926,000	Severely Disadvantaged	Delays in completing environmental documents. To be funded in SFY 16-17
FCSA #49/ FIVE POINTS	C	450	31	8/21/2014	FCSA # 49 Consolidation	1000546-001P	Planning	\$400,000	Severely Disadvantaged	Funded with Proposition 1
BELLEVUE UNION SCH DIST-KAWANA SCHOOL	C	481	1	10/1/2014	Kawana Elementary School Diminishing Water Source	4901111-001P	Planning	\$242,350	Severely Disadvantaged	Funded with Proposition 1
CLEARLAKE OAKS COUNTY WATER DISTRICT	C	2,458	1,667	3/26/2015	Storage Tanks Replacement Project	1710001-002C	Construction	\$603,000	Severely Disadvantaged	Inactive; pursue other funding sources
HURON, CITY OF	C	7,306	862	2/27/2014	Construction Water Treatment Plant	1010044-001C	Construction	\$7,992,250	Severely Disadvantaged	Plans and Specs not complete; affordability issues; will take it to Board for consideration in SFY 16-17
AWA BUCKHORN PLANT	C	8,508	2,558	9/26/2012	CAWP - Buckhorn WTP Disinfection By-Products Compliance	0310012-006C	Construction	\$986,000	Not Disadvantaged	Scope changed; Unable to afford a loan component. To be funded with all PF in SFY 16-17
KEYES COMMUNITY SERVICES DIST.	C	4,575	1,450	8/24/2012	Arsenic Mitigation Project	5010009-003C	Construction	\$15,000,000	Disadvantaged	To be funded in SFY 16-17

# EXHIBIT C

## Projects Not Funded

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Estimated SRF Financing	Status	Comment/ Explanation why it was not funded in SFY 15-16
MADERA CMD NO 19 PARKWOOD	C	1,240	634	12/31/2014	Madera CMD #19AB Parkwood- New well & tank	2010004-002P	Planning	\$500,000	Disadvantaged	Will be consolidating to City of Madera; to be funded in SFY 16-17
METROPOLITAN WATER DIST. OF SO. CAL.	C	18,379,000	378	9/9/2014	Enhanced Bromate Control Program (Mills WTP)	1910087-018C	Construction	\$3,000,000	Not Disadvantaged	Withdrew application
METROPOLITAN WATER DIST. OF SO. CAL.	C	18,379,000	378	12/5/2013	Enhanced Chlorine Control Program (Weymouth WTP)	1910087-019C	Construction	\$11,000,000	Not Disadvantaged	Withdrew application
COLUSA CO. W.D. #1 - GRIMES	C	500	104	1/5/2015	CCWD #1 Arsenic Removal System	0600008-001P	Planning	\$500,000	Severely Disadvantaged	Currently receiving technical assistance to complete application; To be funded in SFY 16-17
KRISTA MUTUAL WATER COMPANY	C	428	171	8/22/2012	Krista Water Well Project	1500475-002P	Planning	\$496,565	Severely Disadvantaged	Filed for 501(c)3 in Fall 2015; Application needed to be updated; to be funded in SFY 16-17
L.A. Residential Community Foundation	C	175	12	10/1/2014	L.A Residential Children Ranch Water Agency	1900062-001P	Planning	\$200,000	Severely Disadvantaged	Assigned technical assistance to complete application; Planning application changed to CONSTRUCTION APPLICATION SUBMITTED Aug2016 (Planning withdrawn)
VIEIRA S RESORT, INC	C	150	107	1/27/2011	Arsenic Treatment System	3400164-002P	Planning	\$183,040	Disadvantaged	Incomplete older application; The planning application is being bypassed; System is considering applying for construction, but the applicant is nonresponsive; Withdrawn

# EXHIBIT C

## Projects Not Funded

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Estimated SRF Financing	Status	Comment/ Explanation why it was not funded in SFY 15-16
SKY VIEW CWD (AKA PONDEROSA SKY RANCH)	C	120	98	9/30/2014	Sky View CWD (Source Improvements)(aka Ponderosa Sky Ranch)	5200562-001P	Planning	\$315,412	Severely Disadvantaged	Receiving technical assistance to complete application; System was previously in receivership - during the 15-16 fiscal year the CWD formation was properly/officially completed; to be funded in SFY 16-17
LONDON COMMUNITY SERV DIST	C	1,638	432	8/21/2012	London Community Services District Water System Rehabilitation	5410017-003P	Planning	\$500,000	Severely Disadvantaged	Received technical assistance to complete construction application; Planning application withdrawn
RIVER HIGHLANDS COM.SERV.DIST	C	100	24	4/10/2014	River Highlands CSD Public Water System	5800820-002P	Planning	\$500,000	Not Disadvantaged	Incomplete application and inactive applicant
MARKLEEVILLE WATER CO.	C	25	167	4/13/2015	Water Line Replacement	0202504-002C	Construction	\$5,678,237	Disadvantaged	Completed income survey to show they qualified for a grant in 7/2016; Requested technical assistance to complete planning application; Construction application on hold
LANARE COMMUNITY SERVICES DIST	C	400	154	10/30/2014	Well Replacement and Distribution Replacement	1000053-004C	Construction	\$6,420,000	Severely Disadvantaged	To be funded in SFY 16-17
LAKE DON PEDRO C S D	C	3,600	1,442	2/11/2015	Wells #3 and #4	5510008-013C	Construction	\$1,076,900	Not Disadvantaged	Obtained other funding source. Inactive.
LOS ANGELES CO WW DISTRICT 29 & 80-MALIB	C	27,807	7,733	3/5/2013	Owen water tank	1910204-003C	Construction	\$1,740,510	Not Disadvantaged	Incomplete application; to be funded in SFY 16-17

# EXHIBIT C

## Projects Not Funded

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Estimated SRF Financing	Status	Comment/ Explanation why it was not funded in SFY 15-16
PARADISE IRRIGATION DISTRICT	D	26,299	10,063	10/22/2013	Reservoir B replacement	0410007-001P	Planning	\$500,000	Disadvantaged	Applicant financials improved; to be funded in SFY 16-17
MADERA CMD NO 19 PARKWOOD	D	1,240	634	6/25/2014	Madera CMD #19 Parkwood Water Meter Installation	2010004-001C	Construction	\$458,210	Disadvantaged	Applicant put project on hold; waiting for planning project.
MADERA CO SA NO 19-ROLLING HILLS	D	727	333	6/2/2014	Water Meter Installation	2010009-002C	Construction	\$722,000	Not Disadvantaged	incomplete application; Affordability issues
MADERA COUNTY M.D. #10A - MADERA RANCHOS	D	2,255	922	6/3/2014	Maders CMD #10A Madera Ranchos - Water Main Replacement	2010008-002C	Construction	\$15,508,940	Not Disadvantaged	Not affordable
SOUTH TAHOE PUD - MAIN	D	60,000	13,635	9/9/2014	Water Meter Installation - Phase 2-5	0910002-010C	Construction	\$18,921,500	Disadvantaged	Revised Scope; funded in SFY 16-17
SUTTER CO. WWD#1 (ROBBINS)	D	336	94	5/22/2014	Water Meter Installation Project	5100107-008P	Planning	\$199,000	Severely Disadvantaged	Application incomplete and outdated. A technical assistance provider has been assigned to help them complete their application
FRESNO, CITY OF	F	457,511	130,176	3/12/2015	Kings River Pipeline	1010007-031C	Construction	\$75,165,000	Disadvantaged	Funded in SFY 16-17
RESORT IMPRVMT. DIST. #1	F	1,500	513	1/8/2015	Water Tank Replacement	1210022-001P	Planning	\$462,000	Disadvantaged	Funded with Proposition 1
CLEARLAKE OAKS COUNTY WATER DISTRICT	F	2,458	1,667	4/2/2015	Water System Mapping, Modeling, Leak Detection, and Deficiency Evaluation	1710001-001P	Planning	\$450,000	Severely Disadvantaged	Inactive; pursue other funding sources
FRESNO, CITY OF	F	457,511	130,176	3/12/2015	Regional Transmission Mains	1010007-030C	Construction	\$63,100,000	Disadvantaged	To be funded in SFY 16-17

# EXHIBIT D

## Disadvantaged Business Enterprise Report

		MBE	WBE	Total Financed
<b>Annual Total</b>	October 1, 2013 - September 30, 2014	\$3,784,601.08	\$5,492,238.76	\$9,276,839.84
<b>Total Disbursements</b>	October 1, 2013 - September 30, 2014			\$181,628,485.81
<b>Percentage to Total Disbursements</b>	October 1, 2013 - September 30, 2014	0.02 percent	0.030 percent	0.05 percent

# EXHIBIT E

## Green and Additional Subsidy Projects Funded

Project Name	Project Number	Principal Forgiveness	Loan	Total SRF Financing	FA Execution Date	Status
Washington Union High School	1000221-001C	\$2,455,450	\$0	\$2,455,450	6/9/2016	Severely Disadvantaged
Donner Summit Public Utility District (Big Bend Water Users Association)	3100034-003P	\$308,376	\$77,094	\$385,470	4/28/2016	Disadvantaged
Colusa, City of (Del Oro Water Company Walnut Ranch)	0600011-002P	\$500,000	\$0	\$500,000	11/13/2015	Severely Disadvantaged
Elsinore Valley Municipal Water District	3310012-016C	\$4,393,270	\$0	\$4,393,270	1/4/2016	Severely Disadvantaged
Heber Public Utility District	1310007-002C	\$3,000,000	\$3,236,000	\$6,236,000	7/7/2015	Disadvantaged
Colusa, City of	0610002-001CIP	\$453,500	\$0	\$453,500	8/4/2015	Severely Disadvantaged
Central Unified School District (Pershing High School)	1000207-001C	\$3,000,000	\$0	\$3,000,000	11/13/2015	Severely Disadvantaged
Gordon Acres Water Company (Stewart Water Company)	3600297-005P	\$468,000	\$0	\$468,000	9/24/2015	Severely Disadvantaged
Winship Elementary School	5100145-001P	\$250,250	\$0	\$250,250	9/14/2015	Severely Disadvantaged
Armona Community Services District	1610001-007C	\$5,000,000	\$4,285,866	\$9,285,866	4/21/2016	Severely Disadvantaged
Tahoe City Public Utility District (McKinney/Quail)	3110011-004P	\$500,000	\$0	\$500,000	9/2/2015	Disadvantaged
Fresno, City of	1010007-028C	\$3,000,000	\$192,489,000	\$195,489,000	12/7/2015	Disadvantaged
Fresno, City of (Orange Center School District)	1000276-001C	\$2,932,600	\$0	\$2,932,600	3/3/2016	Severely Disadvantaged
*San Joaquin, City of	1010034-001C	\$379,596	\$0	\$379,596	9/2/2015	Severely Disadvantaged
Gratton School District	5000273-001C	\$290,400	\$0	\$290,400	12/31/2015	Severely Disadvantaged
Napa County Schools: Pope Valley	2800840-003P	\$68,550	\$0	\$68,550	11/3/2015	Severely Disadvantaged
Firebaugh, City of (Las Deltas Mutual Water Company)	1000054-002P2	\$431,900	\$0	\$431,900	12/1/2015	Severely Disadvantaged

\*Green Projects (water meter projects)



# EXHIBIT F

## Projects Reported to FFATA

Financial Assistance Recipient	Project Number	Agreement Date	FFATA Reporting Due	Date Reported	FFATA Reporting Amount*	Total SRF Financing
Fresno, City of	1010007-028C	12-07-2015	01-31-2016	07-07-2016	\$82,279,000	\$195,489,000
<b>Total:</b>	<b>\$195,489,000</b>					

\*Based on the FFY 2015 Capitalization Grant of \$82,279,000

# EXHIBIT C

## Set-Aside Fund 0625 (DD) - Administration (Maximum Four Percent)

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	Expenditure Amount	Balance
1997	\$75,565,707.20	\$3,027,304.00	\$3,027,304.00	\$0.00
1998	\$77,108,200.00	\$3,084,328.00	\$3,084,328.00	\$0.00
1999	\$80,816,700.00	\$3,232,668.00	\$3,232,668.00	\$0.00
2000	\$83,993,100.00	\$0.00	\$0.00	\$0.00
2001	\$84,340,000.00	\$3,373,600.00	\$3,373,600.00	\$0.00
2002	\$82,460,900.00	\$3,229,883.00	\$3,229,883.00	\$0.00
2003	\$81,966,200.00	\$3,278,648.00	\$3,278,648.00	\$0.00
2004	\$85,027,600.00	\$6,609,752.00	\$6,609,752.00	\$0.00
2005	\$84,847,500.00	\$2,781,076.00	\$2,781,076.00	\$0.00
2006	\$67,153,678.00	\$2,654,166.00	\$2,654,166.00	\$0.00
2007	\$67,105,000.00	\$2,684,200.00	\$2,684,200.00	\$0.00
ARRA 2009	\$159,008,000.00	\$5,364,471.60	\$5,364,471.60	\$0.00
2008	\$66,424,000.00	\$2,656,960.00	\$2,656,960.00	\$0.00
2009	\$66,424,000.00	\$2,656,960.00	\$2,656,960.00	\$0.00
2010	\$126,958,000.00	\$5,078,320.00	\$5,078,320.00	\$0.00
2011	\$86,698,000.00	\$3,467,920.00	\$3,467,920.00	\$0.00
2012	\$85,358,000.00	\$3,114,320.00	\$3,114,320.00	\$0.00
2013	\$78,770,000.00	\$2,723,933.00	\$2,723,933.00	\$0.00
2014	\$83,221,000.00	\$3,328,840.00	\$3,328,840.00	\$0.00
2015	\$82,674,000.00	\$3,306,960.17	\$2,520,685.17	\$786,275.00
<b>Total</b>	<b>\$1,705,919,585.20</b>	<b>\$65,654,309.77</b>	<b>\$64,868,034.77</b>	<b>\$786,275.00</b>

# EXHIBIT C

## Set-Aside Fund 0628 (DE) - Small Water System Technical Assistance (Maximum Two Percent)

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$68,245	\$68,245	\$0
1998	\$77,108,200	\$1,542,164	\$1,542,164	\$0
1999	\$80,816,700	\$1,616,334	\$1,616,334	\$0
2000	\$83,993,100	\$0	\$0	\$0
2001	\$84,340,000	\$1,686,800	\$1,686,800	\$0
2002	\$82,460,900	\$1,649,218	\$1,649,218	\$0
2003	\$81,966,200	\$1,639,324	\$1,639,324	\$0
2004	\$85,027,600	\$3,339,876	\$3,339,876	\$0
2005	\$84,847,500	\$1,390,538	\$1,390,538	\$0
2006	\$67,153,678	\$1,342,083	\$1,342,083	\$0
2007	\$67,105,000	\$1,342,100	\$1,342,100	\$0
ARRA 2009	\$159,008,000	\$2,787,147	\$2,787,147	\$0
2008	\$66,424,000	\$1,328,480	\$1,328,480	\$0
2009	\$66,424,000	\$1,328,480	\$1,328,480	\$0
2010	\$126,958,000	\$2,539,160	\$2,539,160	\$0
2011	\$86,698,000	\$1,733,960	\$1,733,960	\$0
2012	\$85,358,000	\$1,707,160	\$1,707,160	\$0
2013	\$78,770,000	\$1,575,400	\$1,575,400	\$0
2014	\$83,221,000	\$1,664,420	\$1,073,501	\$590,919
2015	\$82,674,000	\$1,653,480	\$1,653,480	\$1,653,480
<b>Total</b>	<b>\$1,705,919,585</b>	<b>\$31,934,369</b>	<b>\$31,343,450</b>	<b>\$2,244,399</b>

# EXHIBIT C

## Set-Aside Fund 7500 (DF) - State Program Management (Maximum 10 Percent)

FFY	Final Cap Grant Amount (in-kind included)	Budget Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$4,157	\$4,157	\$0
1998	\$77,108,200	\$308,433	\$308,433	\$0
1999	\$80,816,700	\$323,267	\$323,267	\$0
2000	\$83,993,100	\$0	\$0	\$0
2001	\$84,340,000	\$2,000,000	\$2,000,000	\$0
2002	\$82,460,900	\$2,000,000	\$2,000,000	\$0
2003	\$81,966,200	\$2,000,000	\$2,000,000	\$0
2004	\$85,027,600	\$2,400,000	\$2,400,000	\$0
2005	\$84,847,500	\$4,077,000	\$4,077,000	\$0
2006	\$67,153,678	\$4,704,000	\$4,704,000	\$0
2007	\$67,105,000	\$4,934,400	\$4,934,400	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0
2008	\$66,424,000	\$4,882,164	\$4,882,164	\$0
2009	\$66,424,000	\$4,882,164	\$4,882,164	\$0
2010	\$126,958,000	\$9,318,717	\$9,318,717	\$0
2011	\$86,698,000	\$8,669,800	\$8,669,800	\$0
2012	\$85,358,000	\$8,535,800	\$8,535,800	\$0
2013	\$78,770,000	\$7,089,300	\$7,089,300	\$0
2014	\$83,221,000	\$8,022,100	\$8,022,100	\$0
2015	\$82,674,000	\$8,267,400	\$7,897,756	\$369,644
<b>Total</b>	<b>\$1,705,919,585</b>	<b>\$82,418,702</b>	<b>\$82,049,058</b>	<b>\$369,644</b>

# EXHIBIT C

## Set-Aside Fund 0626 (DG) - Local Assistance (Maximum 15 Percent)

FFY	Final Cap Grant Amount (in-kind included)	Budget Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$6,831,577	\$6,831,577	\$0
1998	\$77,108,200	\$0	\$0	\$0
1999	\$80,816,700	\$0	\$0	\$0
2000	\$83,993,100	\$2,000,000	\$2,000,000	\$0
2001	\$84,340,000	\$0	\$0	\$0
2002	\$82,460,900	\$0	\$0	\$0
2003	\$81,966,200	\$0	\$0	\$0
2004	\$85,027,600	\$0	\$0	\$0
2005	\$84,847,500	\$0	\$0	\$0
2006	\$67,153,678	\$0	\$0	\$0
2007	\$67,105,000	\$0	\$0	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0
2008	\$66,424,000	\$0	\$0	\$0
2009	\$66,424,000	\$0	\$0	\$0
2010	\$126,958,000	\$0	\$0	\$0
2011	\$86,698,000	\$2,600,940	\$2,600,940	\$0
2012	\$85,358,000	\$4,267,900	\$4,267,900	\$0
2013	\$78,770,000	\$6,301,600	\$6,261,226	\$40,374
2014	\$83,221,000	\$4,993,260	\$738,815	\$4,254,445
2015	\$82,674,000	\$1,653,480	\$85,725	\$1,567,755
<b>Total</b>	<b>\$1,705,919,585</b>	<b>\$28,648,757</b>	<b>\$22,786,183</b>	<b>\$5,862,574</b>

# EXHIBIT H

## Small Water Systems Funding

Entity Name	Project Name	Category	Population	Connections	Initial Funding Date	Grant Amount	Loan Amount	Total Amount Financed	Status
ORANGE CENTER SCHOOL	City of Fresno and Orange Center Water System Consolidation	C	-	1	3/3/2016	\$2,932,600	\$0	\$2,932,600	Severely Disadvantaged
WINSHIP ELEMENTARY SCHOOL	Arsenic Exceedance-Remediation Planning Project	C	50	1	9/14/2015	\$250,250	\$0	\$250,250	Severely Disadvantaged
BIG BEND WATER USERS ASSOCIATION	Big Bend Water Supply Study	B	98	29	4/28/2016	\$308,376	\$77,094	\$385,470	Disadvantaged
NAPA COUNTY SCHOOLS: POPE VALLEY	Pope Valley School Surface Water Project	C	100	1	11/3/2015	\$68,550	\$0	\$68,550	Severely Disadvantaged
GRATTON SCHOOL	Well Replacement Project	C	110	2	12/31/2015	\$290,400	\$0	\$290,400	Severely Disadvantaged
DEL ORO WATER CO.-WALNUT RANCH	City of Colusa - Walnut Ranch Consolidation	C	182	2,140	11/13/2015	\$500,000	\$0	\$500,000	Severely Disadvantaged
Gordon Acres (Stewart WC)	Insufficient Delivery, Water Outages and TCR Contamination	A	195	48	9/24/2015	\$468,000	\$0	\$468,000	Severely Disadvantaged
LAS DELTAS MUTUAL WATER SYSTEM	Las Deltas Distribution System Project	C	375	200	12/1/2015	\$431,900	\$6,100	\$438,000	Severely Disadvantaged
ELSINORE VALLEY MWD	County Water Company, Consolidation with Elsinore Valley MWD	A	462	140	1/4/2016	\$4,393,270	\$0	\$4,393,270	Severely Disadvantaged
WASHINGTON UNION HIGH SCHOOL	Washington Union High School	C	1,000	23	6/9/2016	\$2,455,450	\$0	\$2,455,450	Severely Disadvantaged
PERSHING HIGH SCHOOL	Consolidation between Pershing HS (Western Arts Center) and Central HS	A	1,625	11	11/13/2015	\$3,000,000	\$0	\$3,000,000	Severely Disadvantaged
ARMONA COMMUNITY SERVICES DIST	Arsenic Treatment	C	3,419	1,255	4/21/2016	\$5,000,000	\$4,285,866	\$9,285,866	Severely Disadvantaged
NORTH GUALALA WATER COMPANY	Water Source & Storage Construction	C	3,671	1,049	12/17/2015	\$0	\$407,893	\$407,893	Disadvantaged
SAN JOAQUIN, CITY OF	Water Meter Installation	D	4,000	702	9/2/2015	\$521,670	\$0	\$521,670	Severely Disadvantaged
COLUSA, CITY OF	Water Well Consolidation Project	C	5,625	2,140	8/4/2015	\$453,500	\$0	\$453,500	Severely Disadvantaged
HEBER PUBLIC UTILITY DISTRICT	Water Treatment Plant Expansion Project	C	7,447	1,608	7/7/2015	\$5,000,000	\$4,500,000	\$9,500,000	Disadvantaged
TAHOE CITY PUD - MCKINNEY/QUAIL	West Lake Tahoe Regional Water Treatment Plant	B	8,184	557	9/2/2015	\$500,000	\$0	\$500,000	Disadvantaged
<b>Totals:</b>						<b>\$26,573,966</b>	<b>\$9,276,953</b>	<b>\$35,844,819</b>	

# EXHIBIT I

## LEFA Projects

Entity Name	Project Number	FA Execution Date	Status	Total Amount Financed
Easton Community Services District	0010003-001L	04-30-2015	Active	\$220,449.00
Rural Community Assistance Corporation – Garlen Court Mutual Water Company Formation	0027002-001L	06-17-2014	Completed	\$52,745.00
Rural Community Assistance Corporation – Courtland Community Services District	0034001-001L	06-24-2014	Completed (no entity formed per community decision)	\$84,747.00
Rural Community Assistance Corporation – Wendell Lane Mutual Water Company Formation	0049001-001L	06-27-2014	Completed	\$46,494.00
Self Help Enterprises – Weldon Regional Water Supply Entity	0015001-001L	09-29-2014	Active	\$186,723.00
Self Help Enterprises – Orange Center School Residential Area Water System Entity Formation	0010002-001L	09-29-2014	Active	\$214,247.00
California Rural Water Association – Ali Mutual Water Company Formation	0054004-001L	06-30-2014	Active	\$76,584.00
Self Help Enterprises – Highland Acres “Okieville” Water System Entity Formation	00540005-001L	11-24-2014	Active	129,007.00
Self Help Enterprises – Perry Colony Residential Area Water System Entity Formation	0010001-001L	09-29-2014	Active	\$191,457.00
California Rural Water Association – Barstow Perchlorate Area Entity Formation)	0036002-001L	11-14-2014	Active	\$204,605.00
Frazier Park Public Utility District – Lake of the Woods Regional	0015002-001L	11-07-2014	Active	\$202,265.00
Tulare County – North Tulare County Area Regional Surface Water Treatment Plant Governance formation	0054002-001L	05-07-2015	Active	\$250,000.00
Pajaro/Sunny Mesa Community Services District – Springfield Terrace	0027001-001L	03-10-2015	Active	\$71,280.00
Tulare County – Monson Water System Entity Formation	0054003-001L	Issued 09-04-2015	Active	132,027.00
Jurupa Community Services District – Chandler Community Water Entity Formation	0033001-001L	02-23-2015	Active	\$28,000.00
<b>Total:</b>				<b>\$2,090,630.00</b>

# EXHIBIT I

## PWSDER Projects\*

Entity Name	Project Description	Project Number	FA Execution Date	Total Amount Financed
*Brooktrails Township Community Services District	Perform seismoelectric survey to identify potential well sites	2310009-001	07-10-2015	\$60,000
*State of California Department of Forestry and Fire Protection	Water hauling and rehabilitate existing well	2910013-001	07-30-2015	\$247,000
*Paskenta Community Services District	Water hauling and purchase variable speed pump	5200524-002	08-06-2015	\$181,150
*Bass Lake Water Company	Water hauling and install temporary storage tanks to facilitate filter backwash	2010003-001	08-07-2015	\$52,920
*Hillview Water Company, Inc.	Permanently connect private well owners	2010007-001	09-08-2015	\$80,637
*Hillview Water Company, Inc.	Permanently connect private well owners	2010012-002	09-14-2015	\$64,530
*McClure Boat Club, Incorporated	Relocate raw water intake and install water storage tanks	2210905-001	09-24-2015	\$51,200
*County of Colusa	Water hauling	0600012-002	09-28-2015	\$95,000
*County of Tulare (California Water Service Company)	Permanently connect private well owners	5410016-001	11-13-2015	\$170,101
*Skylonda Mutual Water Company	Emergency intertie with California Water Service and wheel water from San Francisco Public Utilities Commission	4100533-001	12-22-2015	\$74,400
*Hardwick Water Company	Construct a new well and install a new hydro-pneumatic tank	1600507-001	06-15-2016	\$424,878
*Plainsburg Union Elementary School District	Construct a new well	2400065-002	06-16-2016	\$173,774
*County of Fresno (County Service Area No. 30 El Porvenir)	Offset increased raw water cost	1000019-001	06-28-2016	\$28,014
<b>Total:</b>				<b>\$1,703,604.00</b>

\*Projects were funded through a \$15 million dollar California State General Fund appropriation to mitigate drought-related drinking water emergencies. The DWSRF Local Assistance Set-Aside funded state personnel costs, in support of capacity development, administering this \$15 million dollar California State General Fund appropriation.



# EXHIBIT K

## Extended Term Financing Projects

Entity Name	Project Number	FA Execution Date	Total Amount Financed
Armona Community Services District	1610001-007	04-21-2016	\$9,285,866.00
Fresno, City of	1010007-028	12-07-2015	\$195,489,000.00
Fresno, City of	1010007-029	06-08-2016	\$26,520,000.00
Heber Public Utility District	1310007-002	07-07-2015	\$9,500,000.00
<b>Total:</b>			<b>\$240,794,866.00</b>

# EXHIBIT I

## DWSRF Fundable List\* - Small Water Systems: Population <= 10,000 (Planning)

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Total Amount Financed	Status	District
COLUSA CO. W.D. #1 - GRIMES	C	500	104	1/5/2015	CCWD #1 Arsenic Removal System	0600008-001P	Planning	\$500,000	Severely Disadvantaged	Valley
DEL ORO WATER CO.- WALNUT RANCH	C	182	78	6/19/2013	City of Colusa - Walnut Ranch Consolidation	0600011-002P	Planning	\$500,000	Severely Disadvantaged	Valley
CITY OF COLUSA	C	5625	2126	4/18/2014	Water Well Consolidation Project	0610002-001CIP	Planning	\$453,500	Severely Disadvantaged	Valley
JED SMITH HOMEOWNERS ASSN.	B	58	24	9/30/2014	Jed Smith Homeowners Well 1 & 2 Ecoli Treatment Project	0800825-001P	Planning	\$192,800	Disadvantaged	Klamath
LAS DELTAS MUTUAL WATER SYSTEM	C	375	107	2/13/2012	Las Deltas Distribution System Project	1000054-002P2	Planning	\$438,000	Severely Disadvantaged	Fresno
FCSA #49/ FIVE POINTS	C	450	31	8/21/2014	FCSA # 49 Consolidation	1000546-001P	Planning	\$400,000	Severely Disadvantaged	Fresno
PHILLIPSVILLE C.S.D.	B	300	65	9/30/2014	Treatment Deficiency Remediation	1200541-003P	Planning	\$267,720	Severely Disadvantaged	Klamath
ORLEANS C.S.D.	B	430	139	10/1/2014	Filter plant upgrade	1200729-003P	Planning	\$87,000	Disadvantaged	Klamath
RESORT IMPRVMT. DIST. #1	F	1500	513	1/8/2015	Water Tank Replacement	1210022-001P	Planning	\$462,000	Disadvantaged	Klamath
KRISTA MUTUAL WATER COMPANY	C	428	171	8/22/2012	Krista Water Well Project	1500475-002P	Planning	\$496,565	Severely Disadvantaged	Tehachapi
CLEARLAKE OAKS COUNTY WATER DISTRICT	F	2458	1667	4/2/2015	Water System Mapping, Modeling, Leak Detection, and Deficiency Evaluation	1710001-001P	Planning	\$450,000	Severely Disadvantaged	Mendocino
L.A. Residential Community Foundation	C	175	12	10/1/2014	L.A Residential Children Ranch Water Agency	1900062-001P	Planning	\$200,000	Severely Disadvantaged	Central
MADERA CMD NO 19 PARKWOOD	C	1240	634	12/31/2014	Madera CMD #19AB Parkwood- New well & tank	2010004-002P	Planning	\$500,000	Disadvantaged	Merced
NORTH GUALALA WATER COMPANY	C	2595	1038	5/20/2013	Water Source & Storage Construction	2310007-016P	Planning	\$407,893	Disadvantaged	Mendocino
NAPA COUNTY SCHOOLS: POPE VALLEY	C	100	1	9/20/2013	Pope Valley School Surface Water Project	2800840-003P	Planning	\$68,550	Severely Disadvantaged	Mendocino
BIG BEND WATER USERS ASSOCIATION	B	25	20	1/3/2013	Big Bend Water Supply Study	3100034-003P	Planning	\$385,470	Disadvantaged	Lassen
TAHOE CITY PUD - MCKINNEY/QUAIL	B	750	453	7/7/2014	West Lake Tahoe Regional Water Treatment Plant	3110011-004P	Planning	\$500,000	Disadvantaged	Lassen

# EXHIBIT I

## DWSRF Fundable List\* - Small Water Systems: Population <= 10,000 (Planning)

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Total Amount Financed	Status	District
Boe Del Heights Mutual Water	A	250	125	3/26/2014	BOEDEL HEIGHTS MUTUAL WATER ASSOCIATION CONNECTION TO INDIO WATER AUTHORITY	3301046-001P	Planning	\$1,200,000	Pending	Riverside
VIEIRA S RESORT, INC	C	150	107	1/27/2011	Arsenic Treatment System	3400164-002P	Planning	\$183,040	Disadvantaged	Sacramento
Gordon Acres (Stewart WC)	A	195	39	4/18/2014	Insufficient Delivery, Water Outages and TCR Contamination	3600297-005P	Planning	\$468,000	Severely Disadvantaged	San Bernardino
ALLEGHANY COUNTY W.D.	B	80	55	4/6/2015	Planning and Engineering Analysis for Renovations of the ACWD Storage Tank and Water Sources	4600012-006P	Planning	\$97,000	Severely Disadvantaged	Lassen
BELLEVUE UNION SCH DIST-KAWANA SCHOOL	C	481	1	10/1/2014	Kawana Elementary School Diminishing Water Source	4901111-001P	Planning	\$242,350	Severely Disadvantaged	Sonoma
SUTTER CO. WWD#1 (ROBBINS)	D	336	94	5/22/2014	Water Meter Installation Project	5100107-008P	Planning	\$199,000	Severely Disadvantaged	Valley
WINSHIP ELEMENTARY SCHOOL	C	50	1	5/6/2014	Arsenic Exceedance-Remediation Planning Project	5100145-001P	Planning	\$250,250	Severely Disadvantaged	Valley
PASKENTA COMM. SERVICES DIST.	B	120	67	9/3/2014	Long Term Source Reliability Study	5200534-003P	Planning	\$500,000	Severely Disadvantaged	Valley
SKY VIEW CWD (AKA PONDEROSA SKY RANCH)	C	120	98	9/30/2014	Sky View CWD (Source Improvements) (aka Ponderosa Sky Ranch)	5200562-001P	Planning	\$315,412	Severely Disadvantaged	Valley
LEWISTON PARK MWC	B	450	162	9/19/2013	SWTR Compliance	5301003-001P	Planning	\$343,800	Disadvantaged	Klamath
TRINITY CO. W.W. DIST #1	B	1500	540	4/22/2015	Water Treatment Plant Modification	5310002-002P	Planning	\$270,000	Severely Disadvantaged	Klamath
CENTRAL WATER CO	A	170	42	11/15/2013	Well Replacement and Nitrate Treatment	5400682-002P	Planning	\$500,000	Severely Disadvantaged	Visalia
LONDON COMMUNITY SERV DIST	C	1638	432	8/21/2012	London Community Services District Water System Rehabilitation	5410017-003P	Planning	\$500,000	Severely Disadvantaged	Visalia
WOODVILLE PUBLIC UTILITY DIST	A	1678	478	3/25/2014	Replacement Well Project	5410025-002P	Planning	\$416,465	Severely Disadvantaged	Visalia
RIVER HIGHLANDS COM. SERV.DIST	C	100	24	4/10/2014	River Highlands CSD Public Water System	5800820-002P	Planning	\$500,000	Not Disadvantaged	Valley
<b>Subtotal:</b>								<b>\$12,294,815</b>	<b>Projects:</b>	<b>32</b>

\*The fundable list includes all projects (planning and construction) that currently are projected to be ready to proceed to a SRF Funding Agreement (FA) by June 30, 2016

# EXHIBIT I

## DWSRF Fundable List\* - Large Water Systems: Population > 10,000 Population (Planning)

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Total Amount Financed	Status	District
PARADISE IRRIGATION DISTRICT	D	26299	10063	10/22/2013	Reservoir B replacement	0410007-001P	Planning	\$500,000	Disadvantaged	Valley
NAPA, CITY OF	C	79959	24990	10/1/2014	Compliance for Hennessey Treatment Plant Washwater Discharge	2810003-014P	Planning	\$220,000	Not Disadvantaged	Mendocino
EASTERN MUNICIPAL WD	A	414710	141243	4/22/2014	Perris II Desalter	3310009-062CIP	Planning	\$500,000	Disadvantaged	Riverside
LINDSAY, CITY OF	C	12400	2542	5/13/2013	Lindsay - 14 Dibromochloropropane (DBCP) Mitigation Project	5410006-007P	Planning	\$120,000	Severely Disadvantaged	Tulare
<b>Subtotal:</b>								<b>\$1,340,000</b>	<b>Projects:</b>	<b>4</b>

\*The fundable list includes all projects (planning and construction) that currently are projected to be ready to proceed to a SRF Funding Agreement (FA) by June 30, 2016

## DWSRF Fundable List\* - Small Water Systems: Population <= 10,000 Population (Construction)

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Total Amount Financed	Status	District
MARKLEEVILLE WATER CO.	C	25	167	4/13/2015	Water Line Replacement	0202504-002C	Construction	\$5,678,237	Pending	Sacramento
Lake Amador Recreation Area	B	2000	190	1/13/2015	Jackson Valley ID Treated WaterSystem	0300037-002C	Construction	\$6,042,729	Severely Disadvantaged	Stockton
AWA BUCKHORN PLANT	C	8508	2558	9/26/2012	CAWP - Buckhorn WTP Disinfection By-Products Compliance	0310012-006C	Construction	\$986,000	Not Disadvantaged	Stockton
AMADOR COUNTY SERVICE AREA #3/UNIT 6	A	2386	723	2/27/2009	Camanche Water Quality Compliance - Disinfection Bi-Products Requirement Improvements	0310021-003C	Construction	\$1,805,292	Pending	Stockton
GEORGETOWN DIVIDE PUD	B	9021	3589	2/27/2014	Auburn Lake Trails Water Treatment Plant Upgrade	0910013-005C	Construction	\$4,000,000	Not Disadvantaged	Sacramento
LANARE COMMUNITY SERVICES DIST	C	400	154	10/30/2014	Well Replacement and Distribution Replacement	1000053-004C	Construction	\$6,420,000	Severely Disadvantaged	Fresno
PERSHING HIGH SCHOOL	A	56	1	4/18/2014	Consolidation between Pershing HS (Western Arts Center) and Central HS	1000207-001C	Construction	\$3,000,000	Severely Disadvantaged	Fresno

# EXHIBIT I

## DWSRF Fundable List\* - Small Water Systems: Population <= 10,000 Population (Construction)

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Total Amount Financed	Status	District
SAN JOAQUIN, CITY OF	D	3870	944	8/21/2014	Water Meter Installation	1010034-001C	Construction	\$379,596	Severely Disadvantaged	Fresno
HURON, CITY OF	C	7306	862	2/27/2014	Construction Water Treatment Plant	1010044-001C	Construction	\$7,992,250	Severely Disadvantaged	Fresno
ARMONA COMMUNITY SERVICES DIST	C	3239	1301	5/16/2014	Arsenic Treatment	1610001-007C	Construction	\$6,032,000	Severely Disadvantaged	Visalia
KETTLEMAN CITY CSD	C	1499	358	11/4/2011	New SWTP [Construction Phase]	1610009-005C	Construction	\$3,926,000	Severely Disadvantaged	Visalia
CLEARLAKE OAKS COUNTY WATER DISTRICT	C	2458	1667	3/26/2015	Storage Tanks Replacement Project	1710001-002C	Construction	\$603,000	Severely Disadvantaged	Mendocino
MADERA CMD NO 19 PARKWOOD	D	1240	634	6/25/2014	Madera CMD #19 Parkwood Water Meter Installation	2010004-001C	Construction	\$458,210	Disadvantaged	Merced
MADERA COUNTY M.D. #10A - MADERA RANCHOS	D	2255	922	6/3/2014	Madera CMD #10A Madera Ranchos - Water Main Replacement	2010008-002C	Construction	\$15,508,940	Not Disadvantaged	Merced
MADERA CO SA NO 19-ROLLING HILLS	D	727	333	6/2/2014	Water Meter Installation	2010009-002C	Construction	\$722,000	Not Disadvantaged	Merced
GRATTON SCHOOL	C	110	2	12/15/2014	Well Replacement Project	5000273-001C	Construction	\$290,400	Severely Disadvantaged	Stockton
HUGHSON, CITY OF	A	6082	1779	8/29/2013	Well #7 Replacement Project	5010008-011C	Construction	\$6,607,210	Disadvantaged	Stockton
KEYES COMMUNITY SERVICES DIST.	C	4575	1450	8/24/2012	Arsenic Mitigation Project	5010009-003C	Construction	\$15,000,000	Disadvantaged	Stockton
LAKE DON PEDRO C S D	C	3600	1442	2/11/2015	Wells #3 and #4	5510008-013C	Construction	\$1,076,900	Not Disadvantaged	Merced
<b>Subtotal:</b>								<b>\$86,528,764</b>	<b>Projects:</b>	<b>19</b>

\*The fundable list includes all projects (planning and construction) that currently are projected to be ready to proceed to a SRF Funding Agreement (FA) by June 30, 2016

# EXHIBIT I

DWSRF Fundable List\* - Large Water Systems: Population > 10,000 Population (Construction)

Applicant	Category	Population	Connections	General Package Received	Description	Project Number	Funding Type	Total Amount Financed	Status	District
SOUTH TAHOE PUD - MAIN	D	60000	13635	9/9/2014	Water Meter Installation - Phase 2-5	0910002-010C	Construction	\$18,921,500	Disadvantaged	Sacramento
FRESNO, CITY OF	C	457511	130176	9/2/2014	City of Fresno Southeast Surface Water Treatment Facility	1010007-028C	Construction	\$195,489,000	Disadvantaged	Fresno
FRESNO, CITY OF	F	457511	130176	3/12/2015	Friant-Kern Canal Pipeline	1010007-029C	Construction	\$26,520,000	Disadvantaged	Fresno
FRESNO, CITY OF	F	457511	130176	3/12/2015	Regional Transmission Mains	1010007-030C	Construction	\$63,100,000	Disadvantaged	Fresno
FRESNO, CITY OF	F	457511	130176	3/12/2015	Kings River Pipeline	1010007-031C	Construction	\$75,165,000	Disadvantaged	Fresno
LOS ANGELES-CITY, DEPT. OF WATER & POWER	C	4071873	680607	6/24/2014	99th Street Wells Ammoniation Station	1910067-035C	Construction	\$18,731,841	Not Disadvantaged	Metropolitan
LOS ANGELES-CITY, DEPT. OF WATER & POWER	B	4071873	680607	6/24/2014	Headworks West Reservoir	1910067-048C	Construction	\$112,166,326	Not Disadvantaged	Metropolitan
LOS ANGELES-CITY, DEPT. OF WATER & POWER	D	4071873	680607	8/21/2014	Eagle Rock Reservoir Floating Cover Replacement	1910067-053C	Construction	\$5,104,648	Not Disadvantaged	Metropolitan
METROPOLITAN WATER DIST. OF SO. CAL.	C	18379000	378	9/9/2014	Enhanced Bromate Control Program (Mills WTP)	1910087-018C	Construction	\$3,000,000	Not Disadvantaged	Central
METROPOLITAN WATER DIST. OF SO. CAL.	C	18379000	378	12/5/2013	Enhanced Chlorine Control Program (Weymouth WTP)	1910087-019C	Construction	\$11,000,000	Not Disadvantaged	Central
LOS ANGELES CO WW DISTRICT 29 & 80-MALIB	C	27807	7733	3/5/2013	Owen water tank	1910204-003C	Construction	\$1,740,510	Not Disadvantaged	Central
LIVINGSTON-CITY	B	13795	2948	2/4/2015	Well #13 Arsenic Removal Treatment System	2410004-002C	Construction	\$1,513,836	Not Disadvantaged	Merced
EASTERN MUNICIPAL WD (Consolidation)	A	414710	141243	7/5/2013	County Water Company, Consolidation with Eastern MWD	3310009-067C	Construction	\$3,000,000	Severely Disadvantaged	Riverside
ELSINORE VALLEY MWD (Consolidation)	A	121420	36817	8/8/2013	County Water Company, Consolidation with Elsinore Valley MWD	3310012-016C	Construction	\$2,984,680	Severely Disadvantaged	Riverside
CITY OF SANTA BARBARA WATER DEPARTMENT	C	94370	25580	12/23/2014	Desalination Plant Reactivation Project	4210010-005C	Construction	\$55,000,000	Not Disadvantaged	Santa Barbara
<b>Subtotal:</b>								<b>\$593,437,341</b>	<b>Projects:</b>	<b>15</b>

\*The fundable list includes all projects (planning and construction) that currently are projected to be ready to proceed to a SRF Funding Agreement (FA) by June 30, 2016



