

# Helping Achieve the Goal of Clean Water *...financially*

Annual Report | 2014-2015

## Clean Water State Revolving Fund

STATE FISCAL YEAR 2014/2015 (July 1, 2014 – June 30, 2015)

California Environmental Protection Agency  
STATE WATER RESOURCES CONTROL BOARD  
DIVISION OF FINANCIAL ASSISTANCE • 1001 I STREET • SACRAMENTO, CA 95814



## **Our Vision**

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



## **Our Mission**

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



## 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 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.

There are also 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.

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# I. Introduction

This is the California Clean Water State Revolving Fund Program’s Annual Report for State Fiscal Year (SFY) 14/15 (July 1, 2014 through June 30, 2015). California provided approximately \$789 million in low cost financing to 33 projects in SFY 14/15 that represent a wide variety of projects eligible for the CWSRF Program. This report describes how the State Water Board met the objectives for the Program identified in the [Federal Fiscal Year \(FFY\) 2014 Intended Use Plan](#).

**Photo Below:** Planada Community Service District Wastewater Treatment Plant Improvement Project - Groundbreaking Ceremony, April 2015



# goal of clean wa



## II. Program Summary

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

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

As of June 30, 2015, the total funds available to the CWSRF for financial assistance and other valid program purposes since inception of the Program were \$7.315 billion. The State Water Board has committed to projects through executed financing agreements (binding commitments) an amount equal to approximately 108 percent of all available funds. The State Water Board has disbursed to financing recipients or expended for valid program purposes about 96 percent of all available funds as of June 30, 2015. Cumulative Program activity from Program inception through the end of SFY 14/15 is shown in Table 1 below.

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

<b>Activity</b>	<b>Life of Program</b>
Number of Financing Agreements	712
Value of All Financing Agreements	\$7.951 billion <sup>2</sup>
Cumulative Disbursements and Expenditures	\$7.023 billion <sup>2</sup>

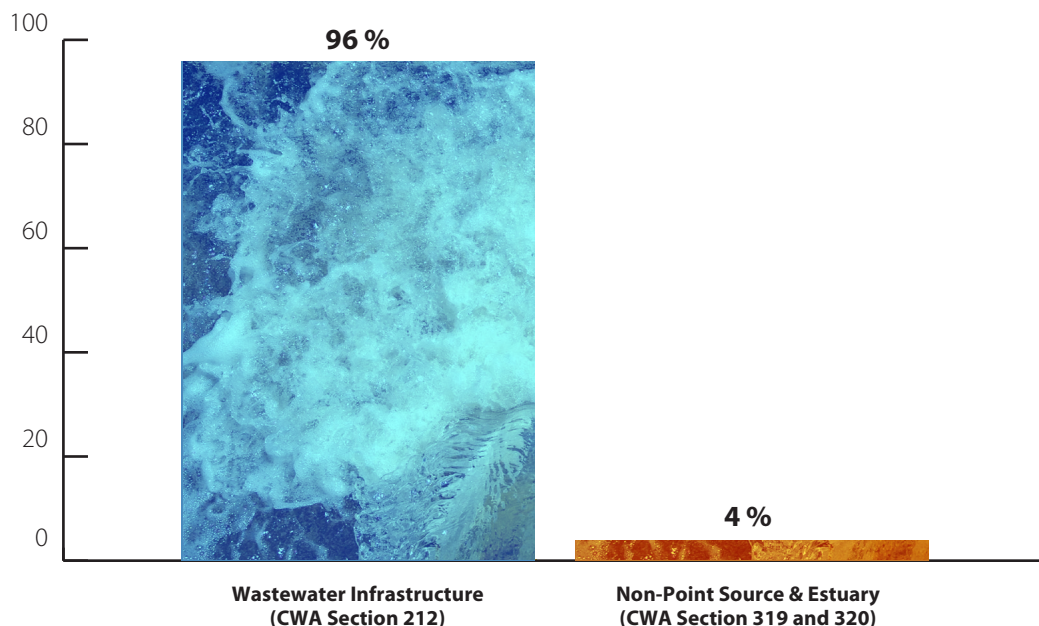
(1) Program activity includes matching funds provided by financing recipients.  
(2) Amount includes ARRA funds.

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

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

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

**FIGURE 1: CWSRF Funding By Project Type\***

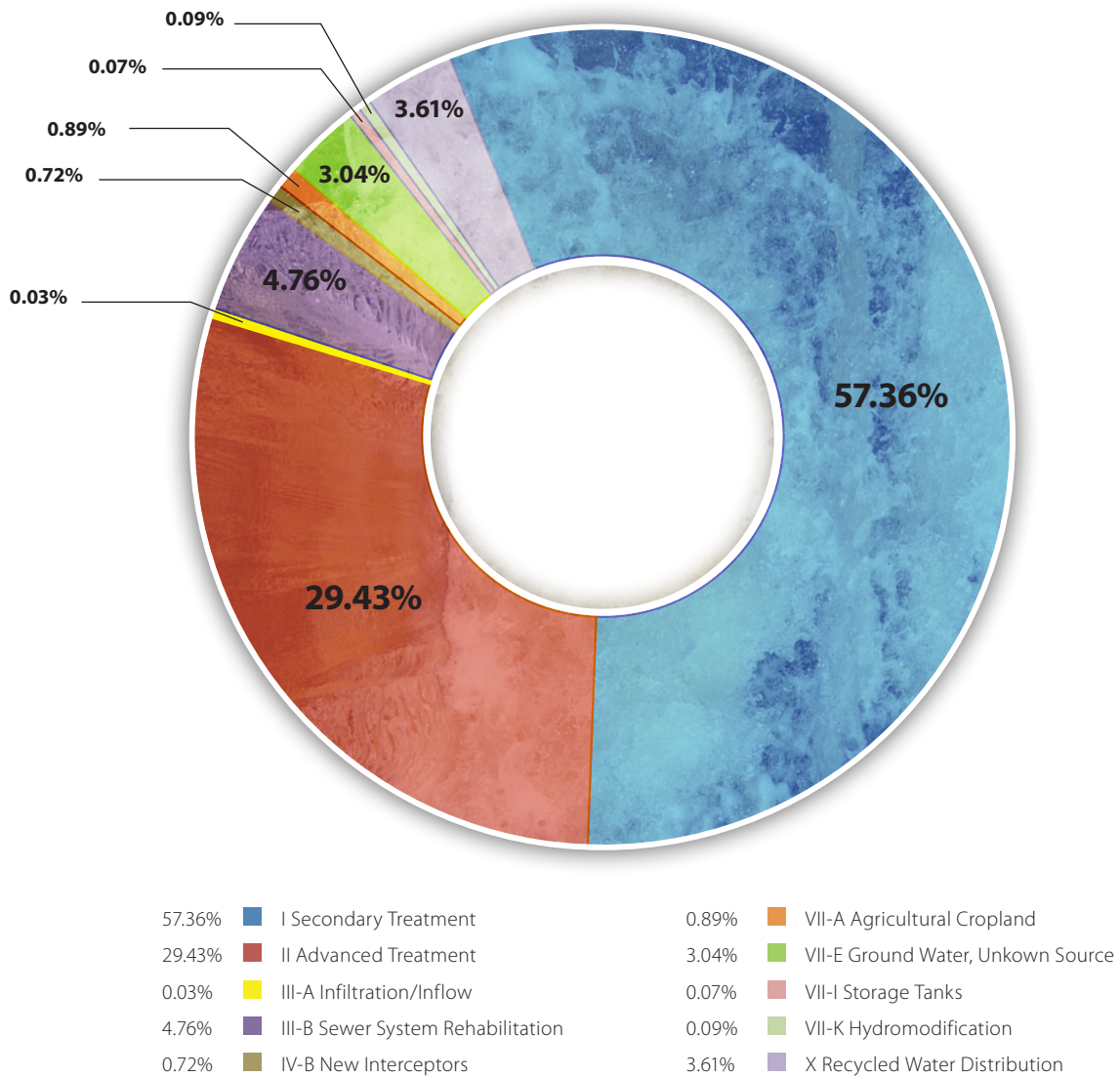


\*Percentages were calculated based on total funding amounts for each category since program inception.



Figure 2 illustrates the categories of projects funded in SFY 14/15. The ten uses represent both infrastructure and expanded use categories, with the six infrastructure categories representing 96 percent of the total funding in SFY 14/15. This demonstrates the CWSRF's vital role in maintaining and improving California's water quality infrastructure.

**FIGURE 2: CWSRF Funding Categories\***



\*Percentages were calculated based on total funding amounts for each category in SFY 2014/15.

# III. Program Goals & Financial Results

## A. SHORT-TERM GOALS

This section discusses the State Water Board's efforts to meet the following short-term goals for the CWSRF Program during SFY 14/15.

### 1. Prepare and review cash management reports

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

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

### 2. Continue regular finance/audit committee meetings

State Water Board staff conducted finance/audit committee meetings on July 24, October 21, and December 10, 2014, January 27, March 17, and June 11, 2015. Standing topics at these meetings included:

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

### 3. Continue regular project staging meetings

State Water Board staff conducted monthly staging meetings during SFY 14/15 to identify and resolve process delays affecting active project applications and ensure a robust pipeline of new projects.

### 4. Apply for and accept the FFY 2014 Capitalization Grant

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

### 5. Prepare Annual Report and Audited Financial Statements for SFY 14/15

Audited financial statements for the year ending June 30, 2015, were completed September 30, 2015, and are included in this report as Exhibit A. This report with audited financial statements completes the Annual Report requirement for SFY 14/15.

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

Section IV and Exhibit B provide further details about the projects funded by the CWSRF Program in SFY 14/15.



**7. Adopt the State Fiscal Year 2015/2016 (FFY 2015) IUP**

The 2015/2016 IUP was adopted by the State Water Board on June 2, 2015. It will guide the marketing and assistance efforts targeting the Water Boards' highest priorities in SFY 15/16.

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

During SFY 14/15, the State Water Board continued to report activities that support U.S. EPA strategic goals via its CWSRF Annual Report, Clean Water Benefits Reporting System, and Clean Water National Information Management System. State Water Board staff reported via the Federal Funding Accountability and Transparency Act (FFATA) Reporting System for an amount equal to the FFY 2014 Capitalization Grant; see Exhibit F for a list of projects reported to FFATA for FFY 2014.

**9. Marketing and Outreach**

State Water Board staff participated in six 2014 California Financing Coordinating Committee (CFCC) funding fairs and three 2015 CFCC funding fairs during SFY 14/15, with three

additional fairs scheduled for the remainder of 2015. The funding fairs provide members of the public and infrastructure development professionals current information on funding options available for different project types.

State Water Board staff also participated in several conferences throughout the year to provide updated information on the CWSRF Program, including the League of California Cities 2014 Annual Conference, the 2015 WaterReuse California Annual Conference, the California Water Environment Association 2015 Annual Conference, the Association of California Water Agencies 2014 Fall and 2015 Spring Conferences, the 2015 California Rural Water Association Expo, the 2nd California Water Summit, the American Water Works Association 2015 Conference & Exposition, and the California Public Finance Conference.

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

The [CWSRF Policy](#) was amended by the State Water Board on February 17, 2015, to address WRRDA changes that are consistent with existing state CWSRF statutes.

## B. LONG-TERM GOALS

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

### 1. Maximize cash flow management

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

Although the net cash flow varies throughout the year, the Program's high cash balances, over and above what is needed for the minimum balance, bond payments, and expenses, in recent years indicate that the Program has a higher financing capacity.

During SFYs 13/14 and 14/15, the State Water Board made above average commitments. During the same time period, the cash balance decreased from \$430,756,566 on July 1, 2013, to \$353,232,513 on June 30, 2014, and \$291,966,157 on June 30, 2015. Staff continues to monitor cash flow trends through its management reports and finance/audit committee meetings and market the CWSRF to ensure that the cash balance is not increasing and that sufficient funds are available to meet all expenses and disbursement requests.

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

### 2. Effectively use revenue and new capital

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

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

### 3. Maintain financial integrity

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

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

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

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

The State Water Board continued its efforts to set and enforce water quality objectives. The State Water Board provided financial assistance from the CWSRF to correct point source and

NPS pollution problems to help meet these objectives. The environmental benefits of the projects financed by the CWSRF during SFY 14/15 are summarized in Section IV of this report.

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

CWSRF financed approximately \$789 million of infrastructure improvements during SFY 14/15 that support the Regional Water Boards’ efforts to implement water quality control plans in their respective regions. Water quality control plans are developed on a watershed basis.

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

The State Water Board financed four projects in SFY 14/15 to address non-point pollution, storm water, and estuaries. The CWSRF provided the Carlsbad Municipal Water District with \$590,000; Western Municipal Water District with \$24,000,000; and South Tahoe Public Utility District with \$7,014,139. Additionally, the Association of Bay Area Governments (ABAG) received financing for \$693,310 for the development, preparation, and review of two reports: (1) the State of Bay-Delta Science and (2) the 2015 State of the Estuary Report. Based on information from these two reports, ABAG will update the Comprehensive Conservation and Management Plan for the Bay-Delta Estuary (CCMP). The updated CCMP will serve as the roadmap for local and regional actions to protect the San Francisco Bay Estuary.

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

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

On March 21, 2014, the State Water Board executed a contract with Rural Community Assistance Corporation (RCAC) to provide up

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

As identified in Exhibit B, four of the 33 CWSRF projects funded during SFY 14/15 will assist DACs. CWSRF financing for DACs is provided in conjunction with grant funds from the Small Communities Grant fund.

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

During SFY 13/14, State Water Board staff released the revamped application and implemented the policy and procedure changes approved by the Board on May 7, 2013. Based on survey responses from applicants during SFY 13/14, the new application forms are easy to complete and the application instructions are clear. The CWSRF continued to use these new forms during SFY 14/15, making only minor modifications for clarity or to incorporate new requirements related to WRRDA and the Policy amendment approved by the State Water Board on February 17, 2015.

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

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

## C. OPERATING AGREEMENT & CAPITALIZATION GRANT CONDITIONS

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

### 1. Assistance Activity

A total of \$789 million was financed in SFY 14/15. Ninety-six percent (96%) of all funding was utilized to enhance wastewater treatment, collection systems, or wastewater recycling. The remaining 4 percent of funds was used to fund NPS and estuary projects in SFY 14/15.

In SFY 14/15, 33 of 68 projects listed in the IUP were not funded. See Exhibit C for the reasons that projects listed in the IUP were not funded. High demand for water quality improvement funding in California requires the State Water Board to fund projects on a ready-to-proceed basis and substitute projects as needed.

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

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

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

The State Water Board offered planning and design financing during SFY 14/15. Planning and design financing may be amortized over five or 10 years unless rolled into a construction financing agreement. Construction or implementation financing is generally amortized for periods up to 30 years.

The standard interest rate applied to financing agreements is established at the time the project's

financing agreement is prepared. The interest rate generally will be one-half the state's most recent general obligation bond rate, rounded up to the nearest one-tenth of a percent.

Small DACs or an NPS or estuary management project may receive a lower interest rate, not less than zero percent, under certain conditions where necessary to make a project affordable as directed by the State Water Board in the IUP. During SFY 14/15, the State Water Board did not provide reduced interest rate financing to any Small DAC, NPS, or estuary projects.

On March 18, 2014, the State Water Board approved offering \$800 million in one-percent financing for water recycling projects that can be completed within three years of the Governor's January 17, 2014 declaration of a state of emergency due to the drought. During SFY 14/15, five water recycling projects received one-percent financing under this directive: City of Fresno (Project No. 7893-110), Carlsbad Municipal Water District (Project No. 7899-110), Los Carneros Water District (Project No. 8005-110), Idyllwild Water District (Project No. 7808-110) and West County Wastewater District (Project No. 8043-110).

The CWSRF is over-matched as of this date as explained in the next section. Therefore, the State Water Board did not offer the match financing option during SFY 14/15.

### 3. Provide a State Match

The State Water Board meets its match requirement by identifying state funds equal to at least 20 percent of each capitalization grant amount. As of the end of SFY 14/15, the total of the capitalization grants awarded to the State Water Board was \$2.856 billion. Of this amount, \$280 million did

not require the 20 percent match because the funds were from ARRA. As of June 30, 2015, the State Water Board drew \$2.555 billion in CWSRF federal grants that required a 20 percent match. The required match for the federal grants drawn by the State Water Board was \$511 million.

California uses a combination of state general obligation bonds repaid outside the CWSRF and funds contributed by applicants to the CWSRF to meet the 20 percent match requirement. A total of \$637 million in matching funds has been contributed to the CWSRF. Therefore, California contributed \$126 million more to the CWSRF than is required to match grants drawn as of June 30, 2015. (Note: The National Information Management System Report includes all state match contributed to the CWSRF.)

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

The State Water Board must make binding commitments, in the form of executed financing agreements, to provide assistance in an amount equal to 120 percent of each federal quarterly payment within one year of that payment. As of June 30, 2015, executed binding commitments totaled \$7.951 billion, or 280 percent of the \$2.835 billion in federal payments received as of June 30, 2015.

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

Numerous factors contribute to meeting this objective. The State Water Board's standard practice is to encumber and disburse federal funds before other sources of funds. The State Water Board also commits future cash flows to projects in advance of receiving the cash. Both factors contribute to the goal of efficiently using cash available to the Program.

Expenditure (disbursement) of CWSRF funds usually begins soon after a binding commitment (i.e., an executed financing agreement) is made. Typically, financing recipients request disbursement of past planning and design costs shortly after their initial agreements are executed. These requests are quickly followed by requests for disbursement of

construction or implementation costs. Financing recipients can request disbursements as often as they like. State Water Board staff also periodically compares the rate at which applicants are requesting disbursements with the progress of construction on their projects. Applicants are reminded to submit claims if they appear to be falling behind with their forecasted disbursements.

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

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

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

One way to measure the expeditious and timely expenditure of funds is to compare the amount of federal funds disbursed (drawn from the U.S. Treasury) with the total federal payments and grant awards to the State Water Board. As of June 30, 2015, \$2.835 billion in federal funds were disbursed. The CWSRF Program received \$2.856 billion in federal payments and \$2.856

billion in federal grant awards. Therefore, as of June 30, 2015, 99.2 percent of the total federal payments were disbursed and 99.2 percent of the total federal grant awards were disbursed.

## 6. Eligible Activities

California requires each applicant to submit a [detailed application](#) to ensure that U.S. EPA's eligibility requirements are met. All activities financed were eligible under Section 603(c) of the [Clean Water Act](#).

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

The State Water Board negotiated a total fair share DBE objective with the U.S. EPA beginning FFY 2014/2015 for the CWSRF Program. The objective was 2.0 percent for the Minority Owned Business Enterprises (MBE) and 1.0 percent for Women Owned Business Enterprises (WBE) participation for a combined 3.0 percent goal. The participation on CWSRF financing agreements reported by construction financing recipients in SFY 14/15 was 0.02 percent for MBE and zero percent for WBE. The overall DBE participation was 0.02 percent. Exhibit D provides a detailed analysis of DBE participation. The State Water Board will continue to monitor participation to ensure that the "positive effort process" is followed by construction financing recipients.

All construction projects financed during SFY 14/15 were required to comply with Davis-Bacon prevailing wage requirements. Each financing agreement, where applicable, included provisions requiring applicants to follow Davis-Bacon requirements. Staff reviews reports and verifies that sub-recipients have complied with all Davis-Bacon requirements. Staff maintains tracking mechanisms to ensure that federal quarterly baseline monitoring requirements are met. Records of all documents and site inspection reports are maintained in the project files. State Water Board staff reviews the quarterly site inspection reports

annually to determine whether the number of site inspections is satisfactory and modifications to the control activities are needed.

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

## 8. Use of Capitalization Grant Administration Allowance

A portion of the CWSRF may be used for administration of the Program. Up to 4.0 percent of the amount in capitalization grants awarded to the Program may be used for administration. Total capitalization funds awarded to the State Water Board as of June 30, 2015, were \$2.856 billion.

The capitalization grant administration cost (administrative expenses) incurred by the CWSRF during SFY 14/15 was \$1.02 million. This amount included Personnel Services of \$263,000, Operating Expenses of \$752,000, and Bond Fees of \$4,000. Other administration expenses were paid from the SRF Administration Fund held outside the CWSRF.

As of June 30, 2015, the cumulative total expended from the CWSRF for administration is \$96 million. The maximum available for administration from the capitalization grants is \$114 million. Therefore, cumulatively 3.37 percent of the capitalization grants have been incurred in administering the Program. The balance available for future administrative expenses from the 4.0 percent administrative set aside is \$18 million. The balance will be banked for potential use in the future.

The administrative expenses for SFY 99/00 through SFY 14/15 are shown in Table 2.



**Table 2: Administrative Expenses for SFY 1999/2000 through 2014/2015**

FFY Grant Year	Capitalization Grant Amount	4% Admin. Allowance	Actual Admin. Costs*	Difference between Allowance & Expenses	Admin. Surplus	Cumulative Grant Amount including in kind	Cumulative Admin. Costs	Percent of Grants
2000	\$95,987,727	\$3,839,509	\$4,099,786	(\$260,277)	\$10,259,772	\$1,329,586,055	\$42,923,670	3.23%
2001	\$95,134,446	\$3,805,378	\$4,851,968	(\$1,046,590)	\$9,213,182	\$1,424,720,501	\$47,775,638	3.35%
2002	\$95,126,405	\$3,805,056	\$5,251,394	(\$1,446,338)	\$7,766,844	\$1,519,846,906	\$53,027,032	3.49%
2003	\$94,646,612	\$3,785,864	\$4,168,440	(\$382,576)	\$7,384,269	\$1,614,493,518	\$57,195,472	3.54%
2004	\$94,613,887	\$3,784,555	\$4,274,162	(\$489,607)	\$6,894,662	\$1,709,107,405	\$61,469,634	3.60%
2005	\$82,665,541	\$3,306,622	\$4,102,135	(\$795,513)	\$6,099,149	\$1,791,772,946	\$65,571,769	3.66%
2006	\$46,383,876	\$1,855,355	\$3,422,947	(\$1,567,592)	\$4,531,557	\$1,838,156,822	\$68,994,716	3.75%
2007	\$92,791,710	\$3,711,668	\$4,540,867	(\$829,199)	\$3,702,358	\$1,930,948,532	\$73,535,583	3.81%
2008	\$329,112,291	\$13,164,492	\$4,009,832	\$9,154,660	\$12,857,018	\$2,260,060,823	\$77,545,415	3.43%
2009	\$48,667,707	\$1,946,708	\$7,019,543	(\$5,072,835)	\$7,784,183	\$2,308,728,530	\$84,564,958	3.66%
2010	\$145,721,000	\$5,828,840	\$4,891,000	\$937,840	\$8,722,023	\$2,454,449,530	\$89,455,958	3.64%
2011	\$105,570,800	\$4,222,832	\$2,860,000	\$1,362,832	\$10,084,855	\$2,560,020,330	\$92,315,958	3.61%
2012	\$101,065,000	\$4,042,600	\$1,055,000	\$2,987,600	\$13,072,455	\$2,661,085,330	\$93,370,958	3.51%
2013	\$95,485,000	\$3,819,400	\$1,748,000	\$2,071,400	\$15,143,855	\$2,756,570,330	\$95,118,958	3.45%
2014	\$100,277,000	\$4,011,080	\$1,019,000	\$2,992,080	\$18,135,935	\$2,856,847,330	\$96,137,958	3.37%

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

### 9. Additional Subsidy and Green Requirements

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

**Table 3: Additional Subsidization Funding<sup>3</sup>**

Federal Fiscal Year Grant	Grant Award	Minimum Subsidy By FFY Grant Agreement	Maximum Subsidy By FFY Grant Agreement*	Subsidy Disbursed	Subsidy Undisbursed
2010	\$145,721,000	\$21,829,006	\$72,743,923	\$63,611,899	\$421,100
2011	\$105,570,800	\$9,786,413	\$32,705,834	\$29,720,283	\$148,096
2012	\$101,065,000	\$5,609,108	\$8,418,715	\$5,065,212	\$3,829,607
2013	\$95,485,000	\$4,497,751	\$6,746,627	\$3,739,393	\$7,863,111
2014	\$100,277,000	\$5,456,840	\$8,185,259	\$3,098,394	\$7,086,376
<b>Totals</b>	<b>\$548,118,800</b>	<b>\$47,179,117</b>	<b>\$128,800,358</b>	<b>\$105,235,181</b>	<b>\$19,348,290</b>

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

**Table 4: Green Project Reserve Funding<sup>3</sup>**

Federal Fiscal Year	Grant Award	Minimum Green Projects Required By Grant Agreement**	Green Project Reserve Disbursed	Green Project Reserve Undisbursed
2010	\$145,721,000	\$29,144,200	\$27,039,965	\$4,098,597
2011	\$105,570,800	\$21,114,160	\$114,660,074	\$22,782,701
2012	\$101,065,000	\$10,106,500	\$20,896,310	\$2,183,190
2013	\$95,485,000	\$9,548,500	\$4,012,407	\$165,477,161
2014	\$100,277,000	\$10,027,700	\$0	\$94,412,822
<b>Totals</b>	<b>\$548,118,800</b>	<b>\$79,941,060</b>	<b>\$166,608,756</b>	<b>\$288,954,471</b>

\*\*Minimum Green Projects required by Grant Agreement were 20% for FFYs 2010 and 2011, and 10% for FFYs 2012, 2013 and 2014.

Exhibit E identifies the 12 additional subsidy and green projects funded in SFY 14/15.

<sup>3</sup>Amounts shown are as of June 30, 2015.

## 10. Federal Cross-Cutters

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

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

The State Water Board used its [State Environmental Review Process](#) (SERP) to review the environmental impacts of projects during SFY 14/15. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant must also complete and submit an [Evaluation Form for Environmental Review and Federal Coordination](#). Based on the Evaluation Form and State Water Board staff’s review of the application documents, staff will distribute environmental analysis documents and consult with relevant federal agencies on projects with known or suspected effects under federal environmental regulations, consistent with the Operating Agreement between the State Water Board and U.S. EPA.

The Division required compliance with DBE and Davis-Bacon wage requirements for all CWSRF financing, except planning and design financing, and requires Single Audit Act (Office of Management and Budget Circular A-133) compliance and reporting on all agreements that received over \$750,000 in federal funds in any one year. The Division also required compliance with American Iron and Steel requirements beginning in 2014, as required by the Consolidated Appropriations Act of 2014 (Public Law 113-76) and the Water Resources Reform and Development Act of 2014 (Public Law 113-121), unless the project qualified for a waiver.

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

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



## D. FINANCIAL ACTIVITY

### 1. Net Assets

Net assets of the CWSRF Program are shown below.

#### STATEMENT OF NET ASSETS

June 30, 2015 and 2014  
(\$ in thousands)

	2015	2014
<b>Assets</b>		
Current Assets	506,007	537,915
Other Assets	3,339,059	3,158,861
<b>Total Assets</b>	<b>3,845,066</b>	<b>3,696,776</b>

<b>Liabilities</b>		
Current Liabilities	14,544	15,004
Non Current Liabilities	32,024	44,897
<b>Total Liabilities</b>	<b>46,568</b>	<b>59,901</b>

<b>Net Assets</b>		
Restricted	342,117	351,435
Unrestricted	3,456,214	3,285,440
<b>Total Net Assets</b>	<b>3,798,331</b>	<b>3,636,875</b>

### 2. Revenues

Revenue for the State Water Board's CWSRF is reflected in the Financial Statements. The total revenues for SFY 14/15 were \$187 million. Revenues for the period of this report were as follows:

- Interest income - \$55.5 million
- Net investment income - \$796 thousand
- Principal Forgiveness receipts - \$23.6 million
- ARRA capitalization grant - \$0
- Capitalization grant - \$100.5 million
- State match revenue - \$7.1 million

### 3. Disbursements and Expenses

Total disbursements are based on the Financial Statements and do not include matching funds provided by financing recipients. Total disbursements for SFY 14/15 were \$411 million. Disbursements for the period of this report were made as follows:

- Financing agreement disbursements - \$372 million
- Employees' salaries and vendors' payments - \$1.0 million
- Principal Forgiveness - \$23.6 million
- Bond fees paid - \$4 thousand
- Principal paid on revenue bonds - \$13.0 million
- Interest paid on revenue bonds - \$1.7 million

### 4. Service Charges<sup>4</sup> for Administration and Small Community Grant Fund

State law allows the State Water Board to collect two service charges on CWSRF financing: one to provide a secondary source of revenue for administration in addition to the administrative allowance from the Capitalization Grants, and the other to provide revenue for the CWSRF Small

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

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

Community Grant (SCG) Fund; the SCG Fund can provide wastewater grants to Small DACs.

The total service charge collected for administration revenue during SFY 14/15 was \$7.0 million, and was expended as follows:

- Administrative Fee Revenue - \$7,055,750.21
- Administrative Fee Expenses - Personnel Services (Salaries, Benefits and Paid Time Off) = \$5,519,631.19  
Operating Expenses (Contractors, Supplies, and Operating IDC) = \$3,011,454.79

The total service charge collected for SCG wastewater grant revenue during SFY 14/15 was \$9.4 million, and was expended as follows:

- Grant Fee Revenue - \$9,496,516.08
- Grants Disbursed - \$7,693,306.49
- Grants Encumbered - \$1,000,000

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

## 5. Credit Risk of the CWSRF

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

During SFY 14/15, the CWSRF restructured two agreements:

CWSRF Project 4743-110, City of Soledad. The City was having difficulty making the debt service for its agreement in 2011. The Division restructured the debt service from an annual payment of \$2,322,554 to \$1,341,713 for years

2011, 2012, and 2013, in an effort to help the City meet its debt service obligation. On July 22, 2014, the City requested that the CWSRF extend the repayment period from 20 years to 30 years to lower the remaining annual payments to \$1,542,438. On November 4, 2014, the State Water Board approved the extension of the repayment period to 30 years based on its review of the City's current financials and consistency with other loan modifications that the Division has approved for other communities with financial difficulties.

CWSRF Project 4699-110, City of Crescent City. The Division approved to extend the financing term to 30 years, but did not reduce the interest rate of 2.4 percent. In November 2013, City staff alerted Division staff that the City was having financial difficulties, and that the Sewer Enterprise Fund, the source of revenue to pay the CWSRF obligation, would not have sufficient funds to make the payment due August 1, 2014. On January 31, 2014, the City formally requested modification to its agreement. The City made a partial payment in 2014. On November 18, 2014, the State Water Board approved reducing the financing rate from 2.4 percent to zero percent for the remaining 26 years of the City's 30-year financing term, along with a gradual payment increase each year from 2014 until 2021 to its final, annual payment amount of \$1,697,662.

In 2015, the allowance for bad debt remains the same as 2014, at \$9.36 million.

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

## IV. Environmental Benefits

The contributions of the CWSRF to water quality are diverse and difficult to quantify. Rather than being a weakness of the Program, this indicates the Program's strength and versatility in addressing a wide range of water quality issues. The data and graphics below summarize the environmental benefits derived from the CWSRF projects funded during SFY 14/15. The data supporting this summary has been transmitted to U.S. EPA via the Clean Water Benefits Reporting Database. The data indicate that the CWSRF protected or restored a wide range of beneficial water uses.

### A. Projects in SFY 14/15 Will Help Achieve and Maintain Clean Water Act Goals

- Wastewater systems receiving CWSRF funds treated approximately 651 million gallons per day (mgd) of wastewater. Funded projects directly treated 513 mgd.
- Funded projects directly served 18 million people and will indirectly serve a total of 24 million people statewide.
- Recipients received more than \$229.5 million in CWSRF subsidy (the subsidy is the amount of funds saved by recipients due to the reduced interest rate and/or principal forgiveness on CWSRF financing).

### B. CWSRF Projects Achieve Multiple Benefits

CWSRF projects often benefit water quality in more than one way. Figure 3 illustrates the multi-faceted benefits commonly provided by the CWSRF projects. It shows the number of projects in SFY 14/15 that addressed each designated beneficial use identified in state water quality control plans or by U.S. EPA.



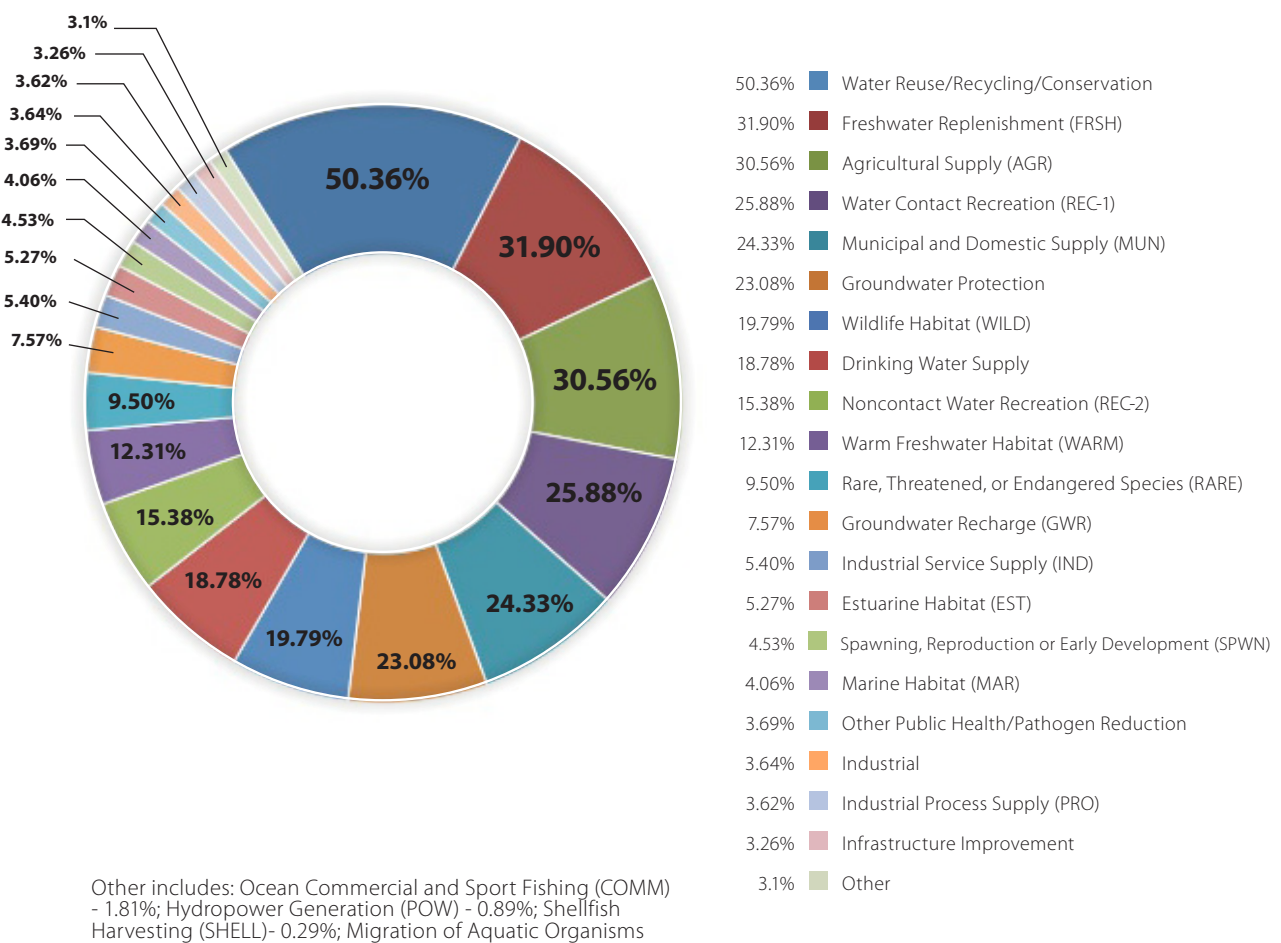
**FIGURE 3: Number of Projects Addressing Different Beneficial Uses\***



\*Individual projects may address multiple beneficial uses.

Another way to display the large breadth of environmental benefits from CWSRF projects is shown in Figure 4 (below). Figure 4 shows a breakdown of funding supporting different designated beneficial uses and other water quality benefits relative to the cumulative funding provided by the CWSRF in SFY 14/15. As can be seen, the CWSRF in SFY 14/15 contributed broadly to support and protect many different environmental benefits.

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

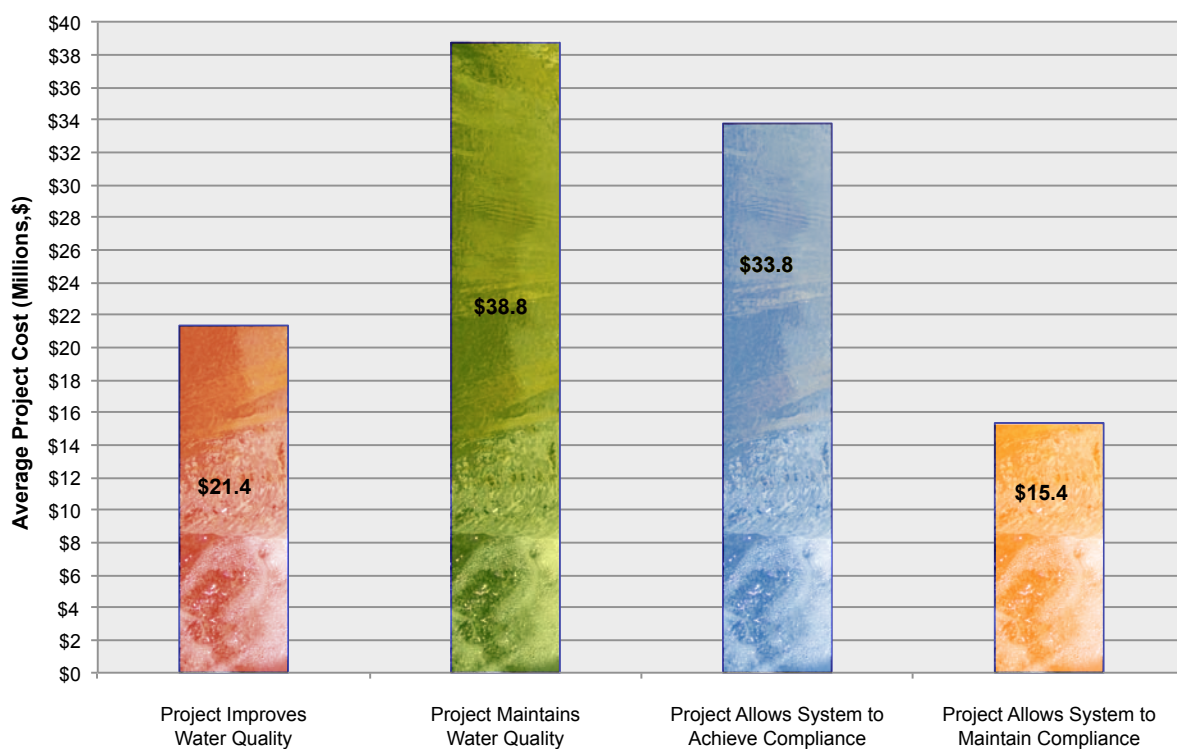


\*Based on total dollar amount funded by project type.



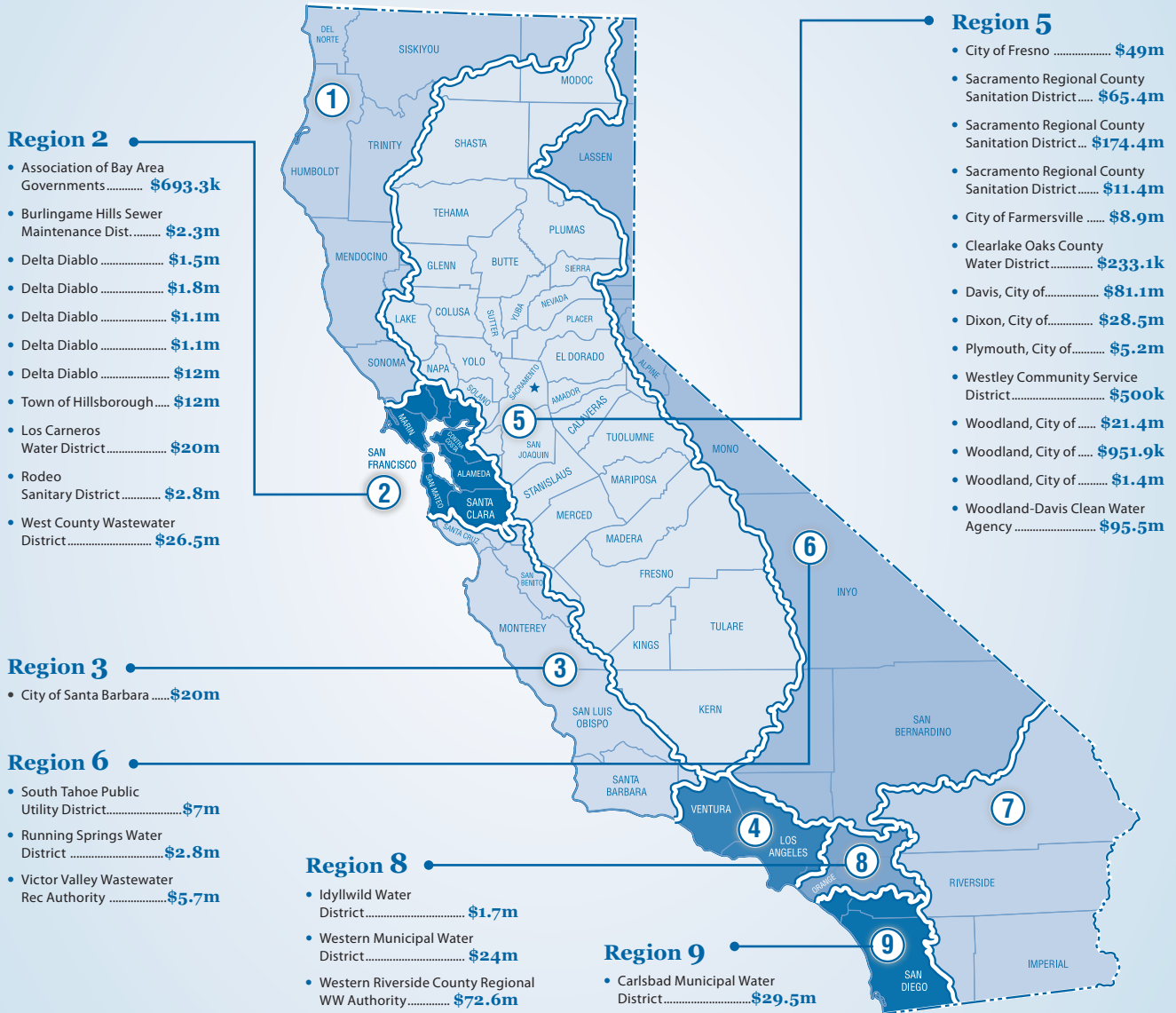
Many of the water quality projects undertaken today are expensive and large. This reflects the level of assistance needed to continue to improve water quality. Figure 5 (below) shows the average project cost for different project types. The ability of the CWSRF to fund such large projects is one of its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

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



# Project Highlights

## C. HIGHLIGHTS OF PROJECTS FUNDED BY CWSRF IN SFY 2014/2015



**33 Total Projects Funded: \$789m**

NOTE: There are no projects in Region 1, 4, 7.



## V. General Program Comments

During SFY 14/15, the State Water Board continued its efforts to finance as many projects as possible and as efficiently as possible to make full use of this valuable water quality tool. The CWSRF achieved its highest financing level in the history of the Program in SFY 14/15. Of particular note during SFY 14/15 was the State Water Board's commitment to provide approximately \$1.6 billion in financing to the Sacramento Regional County Sanitation District for its EchoWater project. The EchoWater project is one of the largest public works projects in Sacramento County's history, and will increase the treatment level of the regional sanitation facility to full tertiary treatment. This will provide added protection to the Sacramento-San Joaquin Delta, California's most vital water source, as well as pave the way for reusing the effluent from the regional facility, making the Sacramento region's water supply more resilient.

On February 17, 2015, the State Water Board amended the CWSRF Policy to implement several changes related to the Water Resources Reform and Development Act of 2014 (WRRDA), approved by President Obama on June 10, 2014. Additional changes were also made by the State Water Board to clarify or enhance the Policy.

The specific changes related to WRRDA included:

- Recipients must comply with the American Iron and Steel (AIS) requirement.
- Applicants after October 1, 2014, are required to develop or certify that they have developed a "fiscal sustainability plan."
- Applicants after October 1, 2015, are required to certify that they have completed a "cost and effectiveness" analysis.
- Land purchase is now an eligible cost.
- Recipients are required to comply with Generally Accepted Accounting Principles.

The proposed clarifications and enhancements, unrelated to WRRDA, included:

- The "effective date" of the financing agreement was clarified.
- The cost of water and energy audits are eligible for planning financing.
- Applicants can pledge assessments or special taxes to repay CWSRF financing.
- The Board clarified its expectations related to the lien status of new CWSRF debt and refunded non-CWSRF debt.
- The State Water Board clarified the eligibility of costs to prepare an O & M manual.
- The State Water Board allowed the Division to disburse construction change order costs during project construction rather than requiring the applicant to wait until the end of construction.

During SFY 14/15, the Division completed managing the ARRA funding received in 2009. The final project summary reports for the last five active ARRA projects were submitted and accepted by the Division. The Master Files for the last ARRA projects were administratively closed and will be retained with the Loan Administrative Files in the Cal EPA building until all loan funds are amortized. The Project Files for the ARRA projects that received ARRA funds are stored in the State Records Center.

California continues to strengthen its efforts to assist small, disadvantaged communities. The State Water Board continued to collect SCG financing servicing fees. The fees are deposited into the SCG Fund, and used to assist Small DACs. The total service fees collected during SFY 14/15 was \$9.5 million. For SFY 14/15, the State Water Board was only authorized to obligate \$1 million from the SCG fund. These funds were allocated to several small DACs

**Photo Above:** Sacramento Regional Wastewater Treatment Plant Groundbreaking Ceremony, May 2015. Pictured: Crysten Cole, Darrin Polhemus, Bob Pontureri, and Christopher Stevens

# goal of clean wa

(see Exhibit H). The State Water Board is currently working with several applicants that potentially qualify for SCG funds, and anticipates obligating additional funds to Small DACs during SFY 15/16. In addition, available principal forgiveness funds were provided to DACs, as directed by the State Water Board in the approved [FFY 2014 IUP](#).

In November 2014, California's voters approved Proposition 1 (Prop 1). Prop 1 allocates \$260 million for grants to small, disadvantaged communities to assist them with solving their wastewater treatment problems. In early 2015, the Division conducted public outreach on how best to coordinate these state grant funds with loan funds available through the CWSRF. The resulting approach follows the Division's long-standing approach of coordinating multiple funding sources to make financing as easy, seamless, and affordable as possible for all applicants, but in particular for small, disadvantaged communities that often have more difficulty applying for and obtaining financing. The Prop 1 funding requirements have been fully integrated into the SFY 15/16 Intended Use Plan. Applicants submit one application that gives them access to all sources of funds available from the State Water Board. The Division manages each application and internally coordinates the available financing sources to provide the most favorable combination of grant and loan to applicants.

In addition, State Water Board staff continues to work with staff from the Department of Water Resources, the Department of Housing and Community Development, United States Department of Agriculture, U.S. EPA, and related agencies to identify opportunities to leverage resources, particularly for Small DACs. This coordination is facilitated by the State Water Board's participation in the CFCC funding fairs. The CFCC funding fairs for SFY 14/15 were held in Redding, Fresno, San Luis Obispo, Bakersfield, Perris, Sacramento, San Diego, Tulare, and Eureka. The SFY 15/16 CFCC funding fairs will begin with Truckee, Watsonville, and Sacramento in August and September 2015.

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

and education; fiscal management and accountability; capital improvement planning and asset management; rate setting; and the Proposition 218 process.

California's ongoing drought continues to affect the State Water Board in general, including the CWSRF. As noted earlier, on March 18, 2014, the State Water Board approved one-percent financing for water recycling projects that can be completed within three years of the Governor's January 17, 2014 emergency drought declaration. This reduced interest rate financing is available to projects that can submit a complete CWSRF application by December 2, 2015. As of June 30, 2015, approximately \$327 million in one-percent financing has been obligated, and staff is working with numerous applicants, with applications totaling approximately \$1.5 billion, to help them submit complete applications for this and other funding sources. In conjunction with this water recycling incentive, Prop 1 included approximately \$625 million for loans and grants for water recycling projects. On June 16, 2015, the State Water Board updated the Water Recycling Funding Program guidelines, increasing the grant limits for water recycling projects. The combination of Prop 1 and reduced interest rate CWSRF funds represent a significant investment by the State Water Board to extend and improve water supplies in California, offsetting or augmenting fresh water supplies and making California's water supply more sustainable and resilient.

On July 1, 2014, California's Drinking Water Program, including the Drinking Water State Revolving Fund and associated state financing programs, were officially transferred from the California Department of Public Health (CDPH) to the State Water Board. Although many of the former CDPH staff have not physically moved to the Cal EPA building as of the end of SFY 14/15, the staff from both programs have been integrated into the organizational structure of the Division. The managers and staff have been re-organized, and provide service to the Clean Water and Drinking Water SRF programs, and the interrelated state financing programs, based on processes common to all of the funding sources. Managers and staff from both programs have spent considerable time over the past year cross-training as well as comparing, adjusting, and harmonizing processes to take advantage of commonalities and identify the strengths of each program to create a stronger overall financing organization. Management and staff will continue to hold regular meetings and work to fully implement the reorganization.

# new drinking

# VI. Index of Acronyms

## COMMONLY USED ACRONYMS

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

# VII. Exhibits

## EXHIBIT A:

SFY 14/15  
Audited Financial  
Statements

## EXHIBIT B:

SFY 14/15  
Projects Funded  
by Needs Category

## EXHIBIT C:

SFY 14/15  
Non-Funded  
Projects

## EXHIBIT D:

SFY 14/15  
DBE Report

## EXHIBIT E:

SFY 14/15  
Green and Subsidy  
Projects Funded

## EXHIBIT F:

SFY 14/15  
Projects Reported  
to FFATA

## EXHIBIT G:

SFY 14/15  
Projects with  
Financing  
Servicing Fees

## EXHIBIT H:

SFY 14/15  
Small Community  
Grant (SCG)  
Projects

## Exhibit A

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

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

**June 30, 2015 and 2014**



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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund, an enterprise fund of the State of California, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

As discussed in Note 1 - Definition of Reporting Entity, the basic financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the California State Water Resources Control Board that is attributable to the transactions of the California State Water Resources Control Board, Water Pollution Control Revolving Fund. They do not purport to, and do not, present fairly the financial position of the California State Water Resources Control Board or the State of California as of June 30, 2015 and 2014, and the changes in their financial position and their cash flows, where applicable, for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the California State Water Resources Control Board, Water Pollution Control Revolving Fund as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV to X and the Required Supplementary Information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the California State Water Resources Control Board, Water Pollution Control Revolving Fund's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

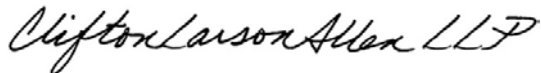
The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

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

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, 2015, on our consideration of the California State Water Resources Control Board, Water Pollution Control Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State Water Resources Control Board, Water Pollution Control Revolving Fund's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Denver, Colorado  
September 30, 2015

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

**Management's Discussion & Analysis**

The following Management's Discussion and Analysis is a required supplement to the California State Water Resources Control Board's (State Water Board), Water Pollution Control Revolving Fund (Clean Water State Revolving Fund program) (CWSRF) financial statements. It describes and analyzes the financial position of the CWSRF providing an overview of the CWSRF's activities for the years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with information that is in the financial statements and notes, which follow this section.

**Financial Highlights**

- Net position increased by \$163 million to a total of \$3.8 billion in 2015, which was \$29 million more than the increase of \$134 million in 2014. The increase in net position was primarily due to an increase in loan receivables, which was a direct result of higher capital contributions during the year from the U.S. Environmental Protection Agency (EPA).
- Capital contributions increased by \$28.8 million to \$131.4 million as compared to \$102.6 million in 2014. The increase in capital contributions was mostly a result of capital available from EPA capitalization grants for loan disbursements. Capital contributions from EPA capitalization grant funds of \$24 million were forgiven.
- Cash and cash equivalents decreased by \$37 million in 2015 as compared to a decrease of \$60 million in 2014. The smaller decrease in 2015 was mostly the result of an increase in capital contributions for loan disbursements.
- Loans receivable increased by \$188 million to \$3.55 billion in 2015 and increased by \$181 million in 2014. The increases in 2015 and 2014 mostly reflect an increase in loan disbursements.
- Restricted portion of net position decreased by \$9.3 million to \$342 million in 2015 as compared to a decrease of \$9 million in 2014. The decrease in 2015 and 2014 was due to the decrease in notes receivables for loans pledged to the Series 2012 Revenue Bonds as a result of repayments received and the related debt service payments.
- The implementation of the provisions of GASB 68 "Accounting and Financial Reporting for Pensions" decreased Net Position by a total of \$1.3 million as of June 30, 2015.

**Using this Annual Financial Report**

The financial statements included in this annual financial report are those of the CWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the CWSRF are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of the State Water Board that is attributable to the transactions of the CWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2015 and 2014 and the change in their financial positions and their cash flows for the years then ended.

## Overview of Financial Statements

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

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

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

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

## Net Position

In 2015, the growth of the CWSRF's net position continued to strengthen increasing by \$163 million, or 4.5%, to \$3.8 billion at June 30, 2015 as compared to an increase of \$134 million, or 3.8%, the previous year. The increase in net position was \$29 million higher than in the previous year, mostly reflecting the higher level of capital contributions from EPA capitalization grants.

The current portion of the CWSRF's liabilities was \$15 million in 2015 and 2014. Current liabilities primarily correspond to continuing principal payments for the Series 2012 Revenue Bonds. Noncurrent liabilities decreased \$14 million in 2015 and 2014. The decrease in 2015 and 2014 is the result of the ongoing principal payments of the Series 2012 Revenue Bonds.

A segment of the CWSRF's net position is subject to external restriction due to the debt service requirements of the Series 2012 Revenue Bonds. The net position that is restricted decreased in 2015 by \$9.3 million to \$342 million, or 2.7%, as compared to a decrease in 2014 of \$9 million to \$352 million, or 2.5%. The decrease in 2015 and 2014 corresponds to the ongoing debt service payments.

Of the total restricted net position, \$305 million in 2015 and \$325 million in 2014 represent the balance of outstanding loans that were pledged as security to the Series 2012 Revenue Bond debt service. The principal and interest received during the fiscal year from these loans is used to make the semi-annual debt service payments on the revenue bonds.

The CWSRF received total payments on pledged loans of \$26 million (\$20.7 million of principal and \$5.3 million of interest) in 2015 of which the debt service payment was \$14.7 million (\$13 million of principal and \$1.7 million of interest). In 2014, the CWSRF received total payments on pledged loans of \$26.8 million (\$20.9 million of principal and \$5.9 million of interest) of which the debt service payments were \$15.1 million (\$13 million of principal and \$2.1 million of interest) for the Series 2012 bonds.

The remaining \$37.3 million of restricted net position in 2015 and \$26.0 million in 2014 represent pledged loan repayments, which are restricted for future loan disbursements and/or debt service payments. Any excess of principal and interest received over the required debt service may be used for future loan disbursements and/or released from restriction in the event that certain criteria are met.

**Table 1**

**Net Position**

(in thousands)

	June 30,		
	2015	2014	2013
<b>ASSETS</b>			
Cash and cash equivalents	\$ 279,374	\$ 316,552	\$ 376,642
Loans receivable	3,545,617	3,357,490	3,176,732
All other assets	20,075	22,734	24,351
<b>Total assets</b>	<b>3,845,066</b>	<b>3,696,776</b>	<b>3,577,725</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	42	-	-
<b>Total deferred outflows of resources</b>	<b>42</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>			
Current liabilities	14,544	15,004	15,382
Noncurrent liabilities	32,024	44,897	59,236
<b>Total liabilities</b>	<b>46,568</b>	<b>59,901</b>	<b>74,618</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	209	-	-
<b>Total deferred inflows of resources</b>	<b>209</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>			
Restricted			
Debt service	37,320	25,975	14,157
Security for revenue bonds	304,797	325,460	346,377
Subtotal restricted assets	<b>342,117</b>	<b>351,435</b>	<b>360,534</b>
Unrestricted	3,456,214	3,285,440	3,142,573
<b>Total net position</b>	<b>\$ 3,798,331</b>	<b>\$ 3,636,875</b>	<b>\$ 3,503,107</b>

### **Changes in Net Position**

Program revenue for the CWSRF in 2015 was \$55.6 million of which \$5.2 million is restricted for debt service. Program revenue in 2014 was \$54.1 million of which \$5.5 million was restricted for debt service. In 2015, program revenue increased by \$1.5 million or 2.66% and in 2014 increased by \$3.4 million or 6.77%. In 2015 and 2014, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2015, general revenue was \$0.8 million, which was a decrease of \$0.06 million or 7%, when compared to \$0.9 million in 2014. In 2014, general revenue decreased \$0.1 million or 11% compared to \$1 million in 2013. The decrease in investment income during 2015 and 2014 mostly reflects reduced earnings that resulted from less cash on deposit.

Total expenses increased \$1.2 million in 2015 as compared to a decrease of \$18.5 million in 2014. The increase in 2015 was due to an increase in principal forgiveness expenses. In 2014, the decrease was primarily due to a decrease in principal forgiveness expenses.

Administrative expenses decreased \$0.7 million to \$1.1 million in 2015 compared to 2014. Administrative expenses increased \$0.7 million to \$1.8 million in 2014 compared to 2013. The changes in administrative expenses to the CWSRF during 2015 and 2014 primarily reflect the amounts charged to the CWSRF Administration Fund. In 2015 and 2014, administrative expenses of \$8.5 million and \$6.5 million, respectively, were charged to the CWSRF Administration Fund.

Capital contributions to the CWSRF increased by \$27 million, or 33%, in 2015 when compared to 2014. The increase in 2015 was due to an increase in loan disbursements made from capital contributions from EPA capitalization grants. In 2014, capital contributions decreased by \$61 million, or 43% when compared to 2013. The decrease in 2014 was due to a decrease in available contributions from EPA capitalization grants.

The CWSRF program received principal forgiveness funds from EPA capitalization grants of \$23.6 million and \$21.7 million, in 2015 and 2014, respectively. The loans made with these funds were forgiven as disbursed and must be repaid if certain loan conditions are not met.



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

	Year Ended June 30,		
	2015	2014	2013
<b>Revenues</b>			
Program revenues:			
Loan interest income	\$ 55,554	\$ 54,113	\$ 50,680
General revenues:			
Investment income	796	855	962
<b>Total revenues</b>	<b>56,350</b>	<b>54,968</b>	<b>51,642</b>
<b>Expenses</b>			
Program expenses:			
Administrative expenses	1,096	1,748	1,078
Capitalization Principal Forgiveness expense	23,629	21,666	32,529
ARRA Principal Forgiveness expense	-	-	7,216
Revenue bond interest expense	293	355	533
Amortization of revenue bond issuance costs	-	-	888
<b>Total expenses</b>	<b>25,018</b>	<b>23,769</b>	<b>42,244</b>
<b>Increase in net position before contributions</b>	<b>31,332</b>	<b>31,199</b>	<b>9,398</b>
<b>Capital contributions:</b>			
EPA capitalization grant	100,584	79,586	138,008
EPA capitalization grant Principal Forgiveness	23,629	21,666	32,529
EPA ARRA capitalization grant	-	1,034	3,637
EPA ARRA grant Principal Forgiveness			7,216
State and other contributions	7,162	283	178
Subtotal capital contributions	<b>131,375</b>	<b>102,569</b>	<b>181,568</b>
<b>Change in net position</b>	<b>162,707</b>	<b>133,768</b>	<b>190,966</b>
<b>Net position - beginning of year</b>	<b>3,636,875</b>	<b>3,503,107</b>	<b>3,312,141</b>
Net position - Restatement	(1,251)	-	-
<b>Net position - beginning of year (restated)</b>	<b>3,635,624</b>	<b>3,503,107</b>	<b>3,312,141</b>
	-	-	-
<b>Net position - end of year</b>	<b>\$ 3,798,331</b>	<b>\$ 3,636,875</b>	<b>\$ 3,503,107</b>

**Budgetary Information**

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

**Debt Administration**

The State Water Board administers a leveraged CWSRF program. The State Water Board maintains high bond ratings from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on its Revenue Bonds, Series 2012. As of June 30, 2015, outstanding bonds total \$44.9 million, a decrease of \$14.3 million, compared to \$59.2 million last year as shown in Table 3. The decrease in 2015 and 2014 was due primarily to the payment of the scheduled bond principal repayments for the Series 2012 bonds. The revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

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

**Table 3**


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

	<u>2015</u>	<u>June 30, 2014</u>	<u>2013</u>
<b>Revenue bonds</b>			
Bond principal	\$ 42,940	\$ 55,940	\$ 68,940
Bond premium	1,957	3,296	4,915
<b>Total revenue bonds</b>	<u><u>\$ 44,897</u></u>	<u><u>\$ 59,236</u></u>	<u><u>\$ 73,855</u></u>

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### **Economic Conditions and Outlook**

In 2015, new binding loan commitments were \$811 million, a significant increase of 63% above the new commitments made in 2014. The higher level of financing activity reflects continued improvement in the general economic conditions along with CWSRF program improvements. In 2013, program procedures, policies, and financing terms were enhanced to make the program a more attractive choice compared to other financing options for publicly owned treatment works projects. A steady demand in CWSRF financing activity is anticipated in the near term.

Capitalization grant funds from EPA continue to be an important component of cash flows for financing activities. For the grant year 2015, the EPA allocated \$99 million to the CWSRF. The 2015 grant allocation is a reduction of 1% compared to the 2014 grant allocation of \$100 million. Presently available information indicates that the 2016 grant could be less than the 2015 grant by as much as 20%.

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

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

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF NET POSITION**  
**June 30, 2015 and 2014**  
(in thousands)

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 242,054	\$ 290,577
Cash and cash equivalents - Restricted	37,320	25,975
Receivables:		
Loan interest	18,805	22,333
Investment interest	214	202
Due from other funds and other governments	1,056	199
Loans receivable:		
Current portion	185,974	178,447
Current portion - Restricted	20,584	20,182
Total current assets	506,007	537,915
<b>OTHER ASSETS</b>		
Loans receivable:		
Noncurrent (net of allowance for bad debt)	3,054,846	2,853,583
Noncurrent - Restricted	284,213	305,278
Total other assets	3,339,059	3,158,861
<b>TOTAL ASSETS</b>	<b>3,845,066</b>	<b>3,696,776</b>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>		
Related to pensions	42	-
 <b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Revenue bond interest payable	388	469
Unearned revenue	1	4
Due to other funds	163	192
Revenue bonds payable	13,992	14,339
Total current liabilities	14,544	15,004
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	30,905	44,897
Pension liability	1,119	-
Total noncurrent liabilities	32,024	44,897
Total liabilities	46,568	59,901
 <b>DEFERRED INFLOW OF RESOURCES</b>		
Related to pensions	209	-
 <b>NET POSITION</b>		
Restricted for:		
Debt service	37,320	25,975
Security for revenue bonds	304,797	325,460
Unrestricted	3,456,214	3,285,440
Total net position	\$ 3,798,331	\$ 3,636,875

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended June 30, 2015 and 2014**  
(in thousands)

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUE</b>		
Loan interest income	\$ 55,554	\$ 54,113
Total operating revenue	<u>55,554</u>	<u>54,113</u>
<b>OPERATING EXPENSES</b>		
Capitalization Principal Forgiveness	23,629	21,666
Personnel services	263	816
Other expenses	752	923
Pension expenses	77	-
Total operating expenses	<u>24,721</u>	<u>23,405</u>
<b>INCOME FROM OPERATIONS</b>	<u>30,833</u>	<u>30,708</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	796	855
Revenue bond interest expense	(293)	(355)
Bond fees	(4)	(9)
Total nonoperating revenue (expense)	<u>499</u>	<u>491</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<u>31,332</u>	<u>31,199</u>
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	100,584	79,586
EPA capitalization grant - Principal Forgiveness	23,629	21,666
EPA ARRA capitalization grant	-	1,034
State match revenue	7,162	283
Total contributions	<u>131,375</u>	<u>102,569</u>
<b>CHANGE IN NET POSITION</b>	162,707	133,768
<b>NET POSITION - BEGINNING OF YEAR</b>	3,636,875	3,503,107
NET POSITION - RESTATEMENT	(1,251)	-
<b>NET POSITION - BEGINNING OF YEAR (RESTATED)</b>	<u>3,635,624</u>	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,798,331</u>	<u>\$ 3,636,875</u>

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2015 and 2014**  
(in thousands)

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from interest on loans	\$ 42,498	\$ 43,397
Loans disbursed	(372,294)	(384,674)
Principal Forgiveness Disbursed	(23,629)	(21,666)
Principal received on loans receivable	200,748	214,764
Cash paid to employees and vendors	(1,086)	(1,738)
Cash flows provided (required) by operating activities	(153,763)	(149,917)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA capitalization grant	123,363	103,733
Funds received from the State of California	7,155	284
Bond fees paid	(4)	(9)
Principal paid on revenue bonds	(13,000)	(13,000)
Interest paid on revenue bonds	(1,713)	(2,071)
Cash flows provided by noncapital financing activities	115,801	88,937
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income received	784	890
Net cash provided by investing activities	784	890
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(37,178)	(60,090)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	316,552	376,642
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 279,374	\$ 316,552
<b>Reconciliation of operating income to net cash required by operating activities</b>		
Income from operations	\$ 30,833	\$ 30,708
Adjustments to reconcile income from operations to net cash required by operating activities		
Construction period interest	(16,582)	(10,846)
Deferred outflows related to pension expense	35	-
Effect of changes in operating assets and liabilities:		
Loans receivable	(171,549)	(169,911)
Loan interest receivable	3,529	133
Due to other funds	(29)	(1)
Net cash provided (required) by operating activities	\$ (153,763)	\$ (149,917)

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**  
(Dollar Amounts Expressed in Thousands)

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

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

Since 1989, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). States are required to provide matching funds equal to 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. As of June 30, 2015 and 2014, the EPA has awarded cumulative capitalization grant funding of \$2,576,562 and \$2,476,285, respectively to the State of California (State), for which the State is required to provide \$515,312 and \$495,257, respectively, of cumulative matching funding to the Fund. In addition, in February 2009, the EPA awarded \$280,285 in ARRA grant funding for which there is no State Match requirement.

The Fund is administered by the California State Water Resources Control Board (Board), a part of the California Environmental Protection Agency, through the Division of Financial Assistance (Program). The Board's primary responsibilities with the CWSRF include obtaining capitalization grants from the EPA, soliciting potential applicants, negotiating loan agreements with local communities, reviewing and approving disbursement requests from loan recipients, managing the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements. The Board consists of five member positions, which are appointed by the Governor and confirmed by the Senate.

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

**Reporting Entity**

The Fund follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**  
(Dollar Amounts Expressed in Thousands)

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

pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

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

**Basis of Accounting**

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

**Implementation of New Standards**

Effective July 1, 2014, the Fund implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and the related GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68. GASB 68 and GASB 71 improve the accounting and financial reporting by state and local governments for pensions. Information was not available to present the pension liability for 2014 and therefore, is not comparative.

**Operating Revenues and Expenses**

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**  
(Dollar Amounts Expressed in Thousands)

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

In accordance with generally accepted accounting principles, monies received from the EPA and the State are recorded as capital contributions. In certain circumstances, local communities have contributed the State's matching share in exchange for reduced interest rate loans, as discussed in Note 4.

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

**Budgets**

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

**Use of Estimates in Preparing Financial Statements**

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

**Cash and Cash Equivalents**

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

**Loans Receivable**

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

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

loan disbursement, depending upon the type of loan agreement, and are made on an annual and semi-annual basis.

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

**Allowance for Bad Debts**

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$9,356 at June 30, 2015 and June 30, 2014.

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

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

**Reclassifications**

For comparability, certain 2014 amounts have been reclassified, where appropriate, to conform with the 2015 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

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

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

The investments allowed by State statute, bond resolutions and investment policy resolutions restrict investments of the pooled investment program to investments in U.S. Government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase

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**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

agreements, reverse repurchase agreements, equity securities, real estate, mutual funds, and other investments. The Fund's proportionate share of the investment income, based on the average daily balance for the period, is credited to the Fund quarterly. The Treasurer charges all funds of the State an administrative fee, which reduces the interest earned by each fund. All cash and investments are stated at fair value. Details of the investments can be obtained from the State Treasurer's Office.

The Fund's cash deposits had a carrying balance of \$4 at June 30, 2015 and 2014.

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

<u>Investments</u>	<u>2015</u>	<u>2014</u>
Treasury/Trust Portfolio	<u>\$ 279,370</u>	<u>\$ 316,548</u>
Total cash deposits and investments	<u>\$ 279,374</u>	<u>\$ 316,552</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, 2015 and 2014, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

Cash deposits and investments are reflected on the June 30, 2015 and 2014 statement of net position as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 242,054	\$ 290,577
Cash and cash equivalents - Restricted	<u>37,320</u>	<u>25,975</u>
Total cash deposits and investments	<u>\$ 279,374</u>	<u>\$ 316,552</u>

As of June 30, 2015, all revenue bond proceeds have been disbursed. As of June 30, 2015 and 2014, cash and investments in the amount of \$37,320 and \$25,975, respectively, representing various reserve accounts required by the revenue bonds were restricted for future loan disbursements and debt service.

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**NOTE 4 - LOANS RECEIVABLE**

Loans are made to qualified agencies for projects that meet the eligibility requirements of the Federal Clean Water Act of 1987 and any subsequent amendments. Loans are financed with capitalization grants, State match, local contributions, revenue bond proceeds and revolving loan funds. Interest rates vary between 0.0 percent and 4.0 percent and loans are repaid over 30 years or less starting one year after the project is completed. Interest rates are established in the original loan agreements and are generally 50 percent of the State's General Obligation Bond Rate at the time the loan agreement is prepared. Local match loans have an effective interest rate of 1.8 percent. Certain communities are offered special interest rates as low as 0.0 percent. Interest earned during the construction period is calculated from the date funds are disbursed until the project is completed.

As of June 30, 2015 and 2014, the Fund had total binding commitments of \$7,951,852 and \$7,141,128, respectively, since program inception. As of June 30, 2015, the remaining commitment on these loans amounted to \$1,462,332, of which \$331,586 is federal funds. The federal loan commitments included capitalization funds of \$17,531 which will be forgiven. As of June 30, 2014, the remaining commitment on these loans amounted to \$1,047,530, of which \$295,222 is federal funds. The federal loan commitments included capitalization funds of \$29,907 which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

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

At June 30, 2015 and 2014 the unpaid balance on all loans receivable outstanding amounted to \$3,545,617 and \$3,357,490, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$ 37,827	\$ 206,558	\$ 244,385
2017	35,356	204,485	239,841
2018	32,551	208,224	240,775
2019	29,700	205,971	235,671
2020	26,941	205,575	232,516
2021-2025	95,027	911,509	1,006,536
2026-2030	43,915	568,277	612,192
2031-2035	11,936	230,150	242,086
2036-2040	1,979	47,130	49,109
2041-2045	234	9,851	10,085
Total	<u>\$ 315,466</u>	<u>2,797,730</u>	<u>\$ 3,113,196</u>
Loans not yet in repayment		757,243	
Allowance for bad debt		(9,356)	
Total loans receivable		<u>\$ 3,545,617</u>	

**Restricted Loans Receivable**

At June 30, 2015 and 2014, \$304,797 and \$325,460, respectively, of loans receivable were pledged as security for the revenue bonds outstanding (see Note 5). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. During the year ended June 30, 2015 the Fund received \$20,663 and \$5,330 of principal and interest, respectively, on these loans. During the year ended June 30, 2014 the Fund received \$20,918 and \$5,931 of principal and interest, respectively, on these same loans. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event certain requirements are met.

**Local Match Loans**

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

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

The Fund had authorized a total of \$1,718,966 of local match loans as of June 30, 2015 and 2014. From these authorizations, certain borrowers elected to remit the State match at the time the loan was awarded in the amount of \$2,296 as of June 30, 2015 and 2014. The remaining borrowers elected to repay the State match over a period of 20 or 30 years, in the amount of \$281,264 and \$281,065 as of June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, total local match loans outstanding, including the local match to be paid, amounted to \$792,279 and \$860,347, respectively. As of June 30, 2015 and 2014 the remaining State match to be repaid amounted to \$93,462 and \$108,213, respectively.

**Loans to Major Local Agencies**

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceeds 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2015 and 2014 of these major local agencies represent approximately 23.5 and 23.6 percent, respectively, of the total loans receivable and are as follows:

<u>Borrower</u>	<u>2015</u>		<u>2014</u>
	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District (LACSD)	\$ 599,296	\$ 348,081	\$ 366,955
LACSD District #29	969	881	922
LACSD Santa Clarita	4,336	4,201	4,107
LACSD District #2	41,511	16,568	7,019
LACSD Total	<u>\$ 646,112</u>	<u>\$ 369,731</u>	<u>\$ 379,003</u>
Eastern Municipal Water District	243,572	233,121	206,177
Orange County Water District	308,093	230,319	207,323
	<u>\$ 1,197,777</u>	<u>\$ 833,171</u>	<u>\$ 792,503</u>

**NOTE 5 - LONG-TERM DEBT**

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

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

At the time of issuance of the Series 2012 revenue bonds by the Fund, the Fund pledged in excess of \$394,000 of outstanding loans receivables of the Fund as security for the bonds (see Note 4). The principal and interest received during the fiscal year from these loans is to be used to make annual debt service payments on the revenue bonds. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event that certain requirements are met.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,000	\$ 1,323	\$ 14,323
2017	12,940	868	13,808
2018	9,530	451	9,981
2019	7,470	131	7,601
	<u>\$ 42,940</u>	<u>\$ 2,773</u>	<u>\$ 45,713</u>

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

	<u>Balance June 30, 2014</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
<b>Series 2012 Revenue Bonds:</b>					
Bond principal	\$ 55,940	\$ -	\$ 13,000	\$ 42,940	\$ 13,000
Bond premium	3,296	-	1,339	1,957	992
	<u>59,236</u>	<u>\$ -</u>	<u>\$ 14,339</u>	<u>44,897</u>	<u>\$ 13,992</u>
Less current portion:					
Bond principal	(13,000)			(13,000)	
Bond premium amortization	(1,339)			(992)	
Long-term portion	<u>\$ 44,897</u>			<u>\$ 30,905</u>	

	<u>Balance June 30, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Series 2012 Revenue Bonds:</b>					
Bond principal	\$ 68,940	\$ -	\$ 13,000	\$ 55,940	\$ 13,000
Bond premium	4,915	-	1,619	3,296	1,339
	<u>73,855</u>	<u>\$ -</u>	<u>\$ 14,619</u>	<u>59,236</u>	<u>\$ 14,339</u>
Less current portion:					
Bond principal	(13,000)			(13,000)	
Bond premium amortization	(1,619)			(1,339)	
Long-term portion	<u>\$ 59,236</u>			<u>\$ 44,897</u>	



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**NOTE 6 - CAPITAL CONTRIBUTIONS**

The Fund is capitalized by annual grants from the EPA. The State must also contribute an amount equal to 20 percent of the federal capitalization amount. The State's matching contribution has been provided through the appropriation of State resources as well as through the use of loans from the Water Reclamation program. As of June 30, 2015 and 2014, the EPA has awarded to the State cumulative capitalization grants of \$2,576,562 and \$2,476,285, respectively. As of June 30, 2015 and 2014, the State has drawn, cumulatively \$2,555,395 and \$2,431,181, respectively, for loans and administrative expenses. The State has provided matching funds of \$354,164 and \$347,002, respectively.

In addition, as of June 30, 2015, the EPA awarded the ARRA grant of \$280,285 to the fund for which \$161,006 was for principal forgiveness (See Note 4). There were no State matching requirements for the grant which was fully drawn as of June 30, 2014.

As discussed in Note 4, certain borrowers have contributed funds that can be used to match federal contributions in exchange for reduced interest rate loans. The EPA allows the State to include amounts provided by borrowers under certain local matching loans in meeting the State's statutory matching obligation. As of June 30, 2015 and 2014, the borrowers had contributed \$283,560 and \$283,360, respectively, which qualifies as meeting the State's matching requirement.

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2015 and 2014, and balances available for future loans as of June 30, 2015. Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2015 and 2014. As of June 30, 2015 and 2014, the state match required is \$511,079 and \$486,236, respectively. As of June 30, 2015 and 2014, the state match available for potential future state match is \$126,645 and \$144,126, respectively.

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

**TABLE 1**

<b>Year</b>	<b>Grant Award</b>	<b>Funds Drawn As of June 30, 2013</b>	<b>Funds Drawn During Year Ended June 30, 2014</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>Available for Loans as of June 30, 2015</b>
1989-2011	\$ 2,279,735	\$ 2,279,735	\$ -	\$ 2,279,735	\$ -	\$ 2,279,735	\$ -
2012	101,065	50,195	50,870	101,065	-	101,065	-
2013	95,485	-	50,381	50,381	45,104	95,485	-
2014	100,277	-	-	-	79,110	79,110	21,167
	<u>\$ 2,576,562</u>	<u>\$ 2,329,930</u>	<u>\$ 101,251</u>	<u>\$ 2,431,181</u>	<u>\$ 124,214</u>	<u>\$ 2,555,395</u>	<u>\$ 21,167</u>
2008-ARRA	280,285	279,252	1,033	280,285	-	280,285	-
	<u>\$ 2,856,847</u>	<u>\$ 2,609,182</u>	<u>\$ 102,284</u>	<u>\$ 2,711,466</u>	<u>\$ 124,214</u>	<u>\$ 2,835,680</u>	<u>\$ 21,167</u>

**TABLE 2**

	<b>State Match Paid As of June 30, 2013</b>	<b>State Match Paid During Year Ended June 30, 2014</b>	<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>
State Disbursed	\$ 346,719	\$ 283	\$ 347,002	\$ 7,162	\$ 354,164
Local Disbursed	282,463	897	283,360	200	283,560
	<u>\$ 629,182</u>	<u>\$ 1,180</u>	<u>\$ 630,362</u>	<u>\$ 7,362</u>	<u>\$ 637,724</u>

**Restricted Funds**

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

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

**Administrative Fund**

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Administrative fee collected	<u>\$ 7,056</u>	<u>\$ 7,093</u>
Operating expenses incurred	<u>\$ 8,531</u>	<u>\$ 6,485</u>

**Small Community Grant Fund**

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Grant fee collected	<u>\$ 9,497</u>	<u>\$ 7,977</u>
Grants disbursed	<u>\$ 7,693</u>	<u>\$ 3,026</u>

**NOTE 7 - RISK MANAGEMENT**

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2015 and 2014, Comprehensive Annual Financial Reports.

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**NOTE 8 - RETIREMENT PLAN**

**Plan Description**

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

The pension plan provides benefits based upon the employee's years of credited service, age and final compensation. Vesting occurs after five or ten years of credited services depending on the benefit tier. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit, payable monthly for the remainder of their lives. Benefit provisions and all other requirements are established by State statute.

**Funding Policy**

**Contributions**

The Fund is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERF Board of Administration. The required contribution rates for the years ended June 30, 2015, 2014 and 2013, were 24.280%, 21.203% and 20.503%, respectively, for State Miscellaneous First Tier and 24.237%, 21.355% and 20.457%, respectively, for State Miscellaneous Second Tier. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate was 6.525% of annual payroll and the employer's contribution rate was 21.137% of annual payroll.

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**NOTE 8 - RETIREMENT PLAN (CONTINUED)**

These rates reflect Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the plan were \$42 for the year ended June 20, 2015.

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

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

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 209
Fund contributions and proportionate share of contributions	-	-
Fund contributions subject to the measurement date	42	-
	\$ 42	\$ 209

The \$42 reported as deferred outflows of resources related to pensions resulting from the Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

**Year Ending June 30,**

2016	\$ 52
2017	52
2018	52
2019	53
2020	-
	\$ 209

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**NOTE 8 - RETIREMENT PLAN (CONTINUED)**

**Actuarial Assumptions**

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial assumptions:

Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50% , net of pension plan investment and administrative expenses; includes inflation
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

Post-retirement mortality tables were based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study that can be obtained via the internet at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement rates. The Experience Study report can be obtained via the internet at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

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

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**NOTE 8 - RETIREMENT PLAN (CONTINUED)**

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Real Return Years 1-10 (%) (1)</u>	<u>Real Return Years 11+ (%) (2)</u>
Global Equity	47	5.25	5.71
Global Fixed Income	19	0.99	2.43
Private Equity	12	6.83	6.95
Real Estate	11	4.50	5.13
Inflation Sensitive	6	0.45	3.36
Infrastructure and Forestland	3	4.50	5.09
Liquidity	2	-0.55	-1.05
Total	<u>100</u>		

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**  
(Dollar Amounts Expressed in Thousands)

**NOTE 8 - RETIREMENT PLAN (CONTINUED)**

the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% is applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained via the internet at [www.calpers.ca.gov](http://www.calpers.ca.gov) under the GASB 68 section.

According to paragraph 30 of the GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

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

The following presents the Fund's share of the net pension liability as of the measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate (dollars in thousands):

	Discount Rate -1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
Fund's Net Pension Liability	\$ 1,630	\$ 1,119	\$ 693

**Pension Plan Fiduciary Net Position**

As of June 30, 2014 the Plan's fiduciary net position was \$68.8 billion. Detailed information about the plan's net position is available via the internet at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Payable to the Pension Plan**

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

**Post-Employment Benefits Other than Pension**

In addition to the pension benefits provided by the State, the State also provides post-retirement health care benefits, in accordance with Section 22754(g) of the State Government Code, to all employees who retire from the State on or after attaining certain age and length of service requirements. The post-retirement health care benefits are funded by the State's General Fund on a pay-as-you-go basis. Refer to the State's Post-Employment Benefits Other than Pension disclosure in the June 30, 2015 and June 30, 2014 Comprehensive Annual Financial Reports for disclosure.



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**  
(Dollar Amounts Expressed in Thousands)

**NOTE 9 - NET POSITION**

Governmental Accounting Standards Board Statement provides for three components of net position: net investment in capital assets, restricted and unrestricted. As of June 30, 2015 and 2014, 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, 2015 and 2014, the Fund had restricted net position of \$37,320 and \$25,975, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2015 and 2014 pledged loans restricted for future bond debt service payments were \$304,797 and \$325,460, respectively, representing loans receivable pledged as security for the revenue bonds (see Note 5).

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

**NOTE 10 - LITIGATION**

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

**NOTE 11 - RESTATEMENTS**

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2015**

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

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

**Schedule of the Fund's Contributions**

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

\*The amount presented for each fiscal year was determined at June 30 of the prior year based on the measurement date of the plan. Information earlier than 2013 was not available.

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

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 Year Ended June 30, 2015

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Environmental Protection Agency</u></b>		
Direct Programs:		
Capitalization Grants for State Revolving Funds	66.458	\$ 124,213,571 (*)
		<u>\$ 124,213,571</u>

(\*) Tested as a Major Program

See notes to schedule of expenditures of federal awards

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015**

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - LOANS TO SUBRECIPIENTS**

Capitalization Grants for Clean Water State Revolving Fund CFDA# 66.458 include \$123,326,483 of expenditures that were disbursed as loan awards to qualifying subrecipients, which includes \$23,629,119 of principal forgiveness loans.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund), an enterprise fund of the State of California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Water Pollution Control Revolving Fund's basic financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

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

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

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

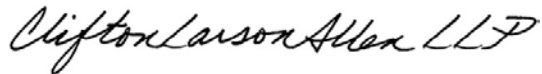
Board of Directors  
California State Water Resources Control Board  
Sacramento, California

**Compliance and Other Matters**

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 30, 2015





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

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

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

We have audited California State Water Resources Control Board, Water Pollution Control Revolving Fund's (Water Pollution Control Revolving Fund) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Water Pollution Control Revolving Fund's major federal program for the year ended June 30, 2015. Water Pollution Control Revolving Fund's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Water Pollution Control Revolving Fund's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about Water Pollution Control Revolving Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Water Pollution Control Revolving Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Water Pollution Control Revolving Fund's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Water Pollution Control Revolving Fund's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of Water Pollution Control Revolving Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Water Pollution Control Revolving Fund's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Water Pollution Control Revolving Fund's internal control over compliance.

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

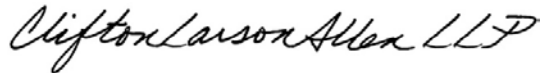
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material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

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

as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Water Pollution Control Revolving Fund's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Water Pollution Control Revolving Fund's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
September 30, 2015

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

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

**Federal Awards**

Internal control over major program:

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

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

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

Any audit findings disclosed that are required  
to be reported in accordance with section .510(a)  
of OMB Circular A-133?   ✓   yes    \_\_\_\_\_ no

Identification of major programs:

**CFDA Number(s)**  
66.458

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

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

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2015**

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

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

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

Finding 2015-001

***Significant Deficiency***

Criteria:	Recipients of federal awards in excess of \$500,000 are required to file a Data Collection Form with the Federal Audit Clearinghouse within one month of the issuance of their single audit and no later than 9 months after the end of the fiscal year.
Condition:	The Water Pollution Control Revolving Fund did not file a data collection form for fiscal years 2012, 2013, and 2014.
Questioned Costs:	None
Effect:	Water Pollution Control Revolving Fund was not in compliance with requirements to file the data collection form within 9 months of the end of the fiscal year.
Cause:	Prior to fiscal year ending June 30, 2012, the State of California had included the Water Pollution Control Revolving Fund single audit with the state's filing of the data collection form. The State of California changed their process and did not communicate this change to Water Pollution Control Revolving Fund.
Recommendation:	We recommend Water Pollution Control Revolving Fund file the data collection forms for the fiscal years ending 2012, 2013, and 2014 and put a system in place to file this form within the required guidelines going forward.
View of Responsible Official:	The Fund agrees with the finding. The Fund was unaware of a change in process at the State level.
Planned Corrective Action:	The data collection forms have been prepared and will be transmitted as soon as the federal web-site is reactivated and available to receive the data. Going forward, the Fund will file the data collection form as required within the specified time frame.
Anticipated Completion Date:	The past forms will be filed as soon as the Federal Web-site is re-activated and available for data entry. Going forward, forms will be filed when due.
Responsible individuals:	Division of Administrative Services, Accounting Branch, Jerrel Bolds and Heather Bell.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2015**

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

# Exhibit B

SFY 2014/2015 Projects Funded by Needs Category

FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Agreement Date	DAC	Cat. I	Cat. II	Cat III-A	Cat III-B	Cat. IV-B	Cat. VII-A	Cat. VII-E	Cat. VII-I	Cat. VII-K	Cat. X	Total Agreement Amount
Farmersville, City of	7895-110	07/31/14	Y	8,908,070										8,908,070
Victor Valley Wastewater Reclamation Authority	7833-110	09/15/14						5,700,000						5,700,000
Running Springs Water District	7879-110	09/24/14				2,800,000								2,800,000
Western Riverside County Regional Wastewater Authority	7894-110	09/24/14		36,310,000	36,310,000									72,620,000
Dixon, City of	8001-120	10/07/14		28,500,000										28,500,000
Woodland, City of	8002-110	10/20/14			21,397,336									21,397,336
Delta Diablo	8007-110	10/24/14				1,513,200								1,513,200
Delta Diablo	8007-120	10/24/14				1,830,800								1,830,800
Delta Diablo	8007-130	10/24/14				1,128,000								1,128,000
Delta Diablo	8007-140	10/24/14				1,128,000								1,128,000
Delta Diablo	8013-110	10/24/14				12,000,000								12,000,000
Santa Barbara, City of	7857-110	10/31/14		20,000,000										20,000,000
Woodland-Davis Clean Water Agency	7873-110	12/09/14		95,461,000										95,461,000
Woodland, City of	8002-120	12/17/14		951,881										951,881
Woodland, City of	8002-130	12/17/14		1,383,430										1,383,430
Association of Bay Area Governments	8023-110	01/06/15									693,310			693,310
Plymouth, City of	7852-120	01/30/15	Y	5,154,970										5,154,970
Los Carneros Water District	8005-110	02/10/15											19,982,000	19,982,000
Carlsbad Municipal Water District	7899-110	02/11/15			22,125,000					590,000			6,785,000	29,500,000
Fresno, City of	7893-110	02/24/15			49,043,336									49,043,336
Westley Community Service District	8008-110	02/27/15	Y	500,000										500,000
Clearlake Oaks County Water District	8056-110	03/06/15	Y			233,087								233,087
Rodeo Sanitary District	8004-110	03/30/15				2,830,400								2,830,400
Burlingame Hills Sewer Maintenance District	7810-110	04/01/15				2,300,000								2,300,000
Davis, City of	8010-110	04/08/15		40,528,500	40,528,500									81,057,000
Western Municipal Water District	7845-110	04/17/15								24,000,000				24,000,000
Hillsborough, Town of	5402-110	05/05/15												12,000,000
South Tahoe Public Utility District	5611-110	05/21/15							7,014,139					7,014,139
Sacramento Regional County Sanitation District	8025-110	05/22/15		49,070,084	16,356,695									65,426,778
Sacramento Regional County Sanitation District	8025-120	05/22/15		130,785,656	43,595,219									174,380,875
Sacramento Regional County Sanitation District	8025-130	06/16/15		8,536,474	2,845,491									11,381,965
Idyllwild Water District	7808-110	06/26/15											1,738,530	1,738,530
West County Wastewater District	8043-110	06/30/15		26,457,093										26,457,093
<b>TOTAL:</b>	<b>33</b>		<b>4</b>	<b>\$452,547,158</b>	<b>\$232,201,577</b>	<b>\$233,087</b>	<b>\$37,530,400</b>	<b>\$5,700,000</b>	<b>\$7,014,139</b>	<b>\$24,000,000</b>	<b>\$590,000</b>	<b>\$693,310</b>	<b>\$28,505,530</b>	<b>\$789,015,200</b>

"Exhibit B" continued on next page...

“Exhibit B” ...continued...

Need Categories (Cat.)	Notes:
I - Secondary Treatment	<p>In SFY 2014/15 there were 33 binding commitments totaling \$789,015,200 based on funding agreement amounts as of July 1, 2015. Additional adjustments made during the final funding agreement amendment process for CWSRF projects will be reflected in NIMS and CBR.</p>
II - Advance Treatment	
III-A - Infiltration/Inflow (I/I) Correction	
III-B - Major Sewer System Rehabilitation	
IV-B - New Interceptors	
VII-K - Hydromodification	
VII-A - Agricultural Cropland	
VII-E Ground Water, Unknown Source	
VII-I - Storage Tanks	
X - Recycled Water Distribution	
	<p>Percentage of Projects Serving Disadvantaged Communities (DAC) = 4 of 33 = 12.12%</p>



# Exhibit C

SFY 2014/2015 Intended Use Plan Projects List of Non-Funded Projects					
LOAN RECIPIENT NAME	Project Number	IUP Projected Amount	Priority Class	Reason For Delay	Project Type
California American Water Company	7844-110	\$132,100,000	B	1,2,3	EXP USE
Grass Valley, City of	7862-110	\$499,000	D	10	POTW
Eastern Municipal Water District	7216-110*	\$500,000	A	10	EXP USE
Stanislaus, County of	7870-110	\$5,000,000	A	6	POTW
Farmersville, City of	5254-110	\$17,000,000	C	10	POTW
Beaumont, City of	7872-110	\$3,000,000	C	2	POTW
Lake Berryessa Resort Improvement District	7869-110	\$6,000,000	C	6	POTW
Hi-Desert Water District	5295-110	\$119,000,000	A	2	POTW
Hi-Desert Water District	7860-110	\$11,000,000	A	2	EXP USE
Kern, County of	7874-110	\$500,000	C	10	POTW
Red Bluff, City of	7866-110	\$3,555,130	D	2	POTW
Springville Public Utility District	5158-110	\$3,219,000	C	1	POTW
Fresno, County of	5541-110	\$1,200,000	D	2	POTW
Fresno County Waterworks District No. 38	7109-110	\$500,000	D	2	POTW
Channel Islands Beach Community Services District	7446-110	\$1,995,000	A	2	POTW
Eastern Municipal Water District	7831-110	\$16,810,000	C	2,9	POTW
Eastern Municipal Water District	7861-110	\$22,173,000	D	2	POTW
Anaheim, City of	7623-110	\$2,250,000	C	2	POTW
Anaheim, City of	7629-110	\$7,700,000	C	2	POTW
Anaheim, City of	7621-110	\$3,100,000	C	2	POTW
Anaheim, City of	7624-110	\$6,500,000	C	2	POTW
Anaheim, City of	7625-110	\$1,400,000	C	2	POTW
San Mateo County Devonshire County Sanitation District	7813-110	\$2,400,000	C	7	POTW
San Mateo County Fair Oaks Sewer Maintenance District	7814-110	\$5,400,000	C	2	POTW
Sausalito-Marín City Sanitary District	7837-110	\$21,800,000	D	4	POTW
San Mateo, City of	7249-110	\$2,300,000	A	6,7	POTW
Live Oak, City of	7887-110	\$75,000	E	10	POTW
Nevada County Sanitation District No. 1	7638-110	\$5,000,000	A	2	POTW
Isleton, City of	7886-110	\$175,000	A	2	POTW
Yuba City, City of	7841-110	\$10,000,000	D	2	POTW
Rodeo Sanitary District	7853-110	\$1,170,000	D	7	POTW
Humboldt Community Services District	7829-110	\$8,500,000	B	7	POTW
Vista, City of	5696-110	\$2,021,400	D	7	POTW
<b>TOTAL:</b>	<b>33</b>	<b>\$423,842,530</b>			

"Exhibit C" continued on next page...

“Exhibit C” ...continued...

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

Reason for Delay:

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

# Exhibit D

SFY 2014/2015 DBE ANNUAL REPORT				
		MBE	WBE	TOTAL
<b>Annual Total</b>	October 1, 2013-September 30, 2014	\$5,954,661.09	\$165,741.14	\$6,120,402.23
<b>Cumulative Total</b>	October 1, 2013-September 30, 2014	\$5,954,661.09	\$165,741.14	\$6,120,402.23
<b>Total Disbursements</b>	October 1, 2013-September 30, 2014			\$386,797,134.93
<b>Percentage to Total Disbursements</b>	October 1, 2013-September 30, 2014	<b>0.02%</b>	<b>0.000%</b>	<b>0.02%</b>
<p>Note: Percentage of DBE participation is determined by taking the percentage of MBE and WBE as compared to the total disbursements for the fiscal year for each category. Total Federal Disbursements equal \$386,797,134.93. DBE reports are collected annually based on the Federal Fiscal Year.</p>				

# Exhibit E

SFY 2014/2015 Green and Subsidy Projects Funded						
FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Funding Agreement Number	Agreement Date	Principal Forgiveness <sup>1</sup>	Green Projects <sup>2</sup>	Total Agreement Amount
<sup>3</sup> Biggs, City of	5544-110	13-810	02/28/14	\$241,167	\$0	\$3,144,168
Farmersville, City of	7895-110	14-800	07/31/14	\$6,000,000	\$0	\$8,908,070
Western Riverside County Regional WW Authority	7894-110	14-810	09/24/14	\$580,794	\$0	\$72,620,000
Woodland, City of	8002-110	14-805	10/20/14	\$2,000,000	\$0	\$21,397,336
Association of Bay Area Governments	8023-110	14-818	01/06/15	\$693,310	\$0	\$693,310
Plymouth, City of	7852-120	14-821	01/30/15	\$5,154,970	\$0	\$5,154,970
Los Carneros Water District	8005-110	14-827	02/10/15	\$0	\$14,882,036	\$14,882,036
Carlsbad Municipal Water District	7899-110	14-820	02/11/15	\$0	\$29,500,000	\$29,500,000
Fresno, City of	7893-110	14-817	02/24/15	\$0	\$49,043,336	\$49,043,336
Westley Community Services District	8008-110	14-825	02/27/15	\$500,000	\$0	\$500,000
Clearlake Oaks County Water District	8056-110	14-823	03/06/15	\$233,087	\$0	\$233,087
Idyllwild Water District	7808-110	14-830	06/26/15	\$1,022,609	\$987,450	\$1,738,530
<b>TOTAL:</b>	<b>12</b>			<b>\$16,425,937</b>	<b>\$94,412,822</b>	<b>\$207,814,843</b>

Notes:

1. Includes projects receiving category 1 and 2 Principal Forgiveness.
2. All Green projects are Water Efficiency Projects that meet the requirements to be considered as categorical. The projects did not require a business case justification.
3. Project received Principal Forgiveness in 2013/14 and 2014/15 due to cost increase.

# Exhibit F

SFY 2014/2015 Projects Reported to FFATA						
FINANCIAL ASSISTANCE RECIPIENT NAME	Project Number	Agreement Date	FFATA Reporting Due	Date Reported	FFATA* Reporting Amount	Total Agreement Amount
Western Riverside County Regional Wastewater Authority	7894-110	09/24/14	10/31/14	10/31/14	\$72,620,000	\$72,620,000
Woodland-Davis Clean Water Agency	7873-110	12/09/14	01/31/15	01/16/15	\$27,657,000	\$95,461,000
<b>TOTAL:</b>					<b>\$100,277,000</b>	<b>\$168,081,000</b>
*BASED ON FFY 2014 CAPITALIZATION GRANT OF \$100,277,000						

# Exhibit G

## SFY 2014/2015 Projects with Financing Servicing Fees

### Fund 3147 - Small Community Grant Fee (percentage of outstanding principal balance)

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

### Fund 9739 - Admin Service Fee (1% of outstanding principal balance)

Contract Number	Project Number	Recipient	Fee Rates	
00-802	4665-110	Stege Sanitary District	1%	
00-804	4486-110	Templeton Community Services District	1%	
00-818	4062-220	Santa Rosa, City of	1%	
00-825	4062-170	Santa Rosa, City of	1%	
00-831	4062-250	Santa Rosa, City of	1%	
01-803	4053-110	McCloud Community Services District	1%	
01-810	4062-160	Santa Rosa, City of	1%	
01-811	4062-230	Santa Rosa, City of	1%	
01-813	6036-110	Santa Cruz, County of	1%	
01-814	4062-150	Santa Rosa, City of	1%	
02-821	4812-110	Napa Sanitation District	1%	
02-826	4845-110	Santa Margarita Water District	1%	

02-827	4802-110	Corona, City of	1%	
03-846	4783-110	Los Angeles County Sanitation District	1%	
03-847	4783-210	Los Angeles County Sanitation District	1%	
04-814	4450-110	Coachella Sanitary District	1%	
04-815	4252-510	La Canada Flintridge, City of	1%	
05-809	4665-210	Stege Sanitary District	1%	
05-810	4200-110	Yucaipa Valley Water District	1%	
05-811	4729-110	La Mesa, City of	1%	
07-815	4632-110	Alturas, City of	1%	
07-816	4728-120	South San Francisco, City of	1%	
07-818	4729-120	La Mesa, City of	1%	
93-805	6006-110	Davis, City of	1%	
93-810	6022-110	Pacheco Water District	1%	
93-819	4330-110	Goleta Sanitary District	1%	
94-806	4108-110	Cambria Community Services District	1%	
96-805	6014-110	San Luis Water District	1%	
96-820	4360-110	Davis, City of	1%	
97-804	4001-220	Los Angeles County Sanitation District	1%	
97-809	4505-110	Placerville, City of	1%	
97-813	6031-110	Mammoth Lakes, Town of	1%	
97-814	4648-110	Rialto, City of	1%	
98-813	4262-110	Humboldt County Res. Imp. Dist. 1	1%	
98-818	4001-250	Los Angeles County Sanitation District	1%	
98-837	4452-110	Santa Ana Watershed Project Authority	1%	
99-802	4704-110	Windsor, Town of	1%	
99-805	4610-110	Vacaville, City of	1%	
99-807	4679-110	Los Angeles, County of	1%	
99-811	4429-120	Thousand Oaks, City of	1%	

Fund 3147 and 9739 (percentage of outstanding principal balance)				
Contract Number	Project Number	Recipient	Fee Rates	
			Admin	SCG
00-801	4610-120	Vacaville, City of	1%	1.7%
00-805	4596-110	Hilmar County Water District	1%	1.6%
00-806	4685-110	Sacramento, City of	1%	1.6%
00-809	4708-110	Redding, City of	1%	1.6%
00-815	4465-110	Yreka, City of	1%	1.6%
00-816	4062-140	Santa Rosa, City of	1%	1.6%

“Exhibit G” ...continued from previous page.

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



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

## Exhibit H

SFY 2014/2015 Small Community Grant (SCG) Projects			
Project Number	Financial Assistance Recipient Name	Planning Project	SFY 2014/2015 SCG Funding***
7880-110	Tipton Community Services District	x	\$ 63,800
8036-110	Loleta Community Services District	x	\$ 499,496
7851-110	Newell County Water District	x	\$ 80,287
8030-110	Tres Pinos County Water District	x	\$100,000
8048-110	Lewiston Community Services District *	x	\$ 107,944
8056-110	Clearlake Oaks County Water District **	x	\$ 148,473
<b>Total committed from \$1 million SFY 2014/2015 SCG Funding Allocation:</b>			<b>\$ 1,000,000</b>
<p>* Total funding amount of \$439,700 (\$331,756 from 2013/14 SCG, \$107,944 from 2014/15 SCG)                      ** Total funding amount of \$381,560 (\$233,087 principal forgiveness, \$148,473 from 2014/15 SCG)                      *** In March of 2014, Senate Bill (SB) 103 amended the State Budget Act of 2013. SB 103 shifted \$7 million of proposed SFY 14/15 SCG authority into SFY 13/14, increasing SCG authority for SFY 13/14, and reducing SCG authority for SFY 14/15 to \$1,000,000.</p>			

# Members & 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 U.S. EPA 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 Synergy; and Member of the Advisory Committee on Recycled Water and Direct Augmentation of Surface Waters and Feasibility of Direct Potable Reuse.



**Tam M. Doduc**  
**BOARD MEMBER**

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



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

### 2015

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