

DRINKING WATER

STATE REVOLVING FUND



THE DRINKING WATER STATE REVOLVING FUND

Annual Report | State Fiscal Year 2016-2017

(July 1, 2016 through June 30, 2017)



State Water Resources Control Board

Division of Financial Assistance

1001 I Street - Sacramento - CA - 95814

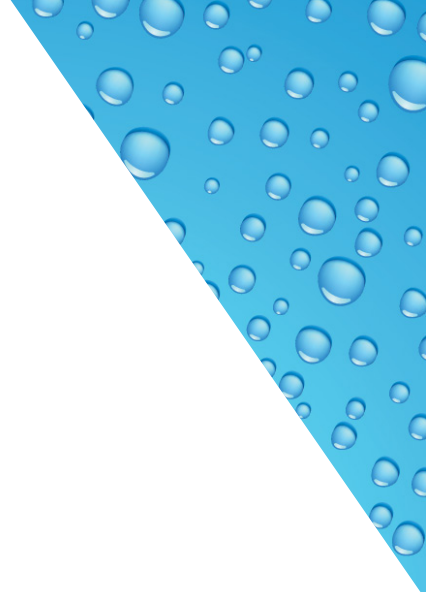


OUR VISION

A sustainable California made possible by clean water and water availability for both human uses and environmental resource protection.

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.



The State Water Resources Control Board (State Water Board) was created in 1967. 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 also nine Regional Water Quality Control Boards (Regional Water Boards).

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

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

ABOUT THE STATE AND REGIONAL WATER BOARDS AND DRINKING WATER DISTRICTS

State Water Resources Control Board

MEMBERS AND EXECUTIVE DIRECTOR



FELICIA MARCUS

BOARD CHAIR

Felicia Marcus was appointed by Governor Jerry Brown to the State Water Resources Control Board in 2012, and designated by the Governor as Chair in April of 2013. Prior to her appointment to the Water Board, she served in positions in government, the non-profit world, and the private sector. She served as the Regional Administrator of the USEPA Region IX and headed the LA Department of Public Works. Chair Marcus was also the Western Director for the Natural Resources Defense Council (NRDC) and was the Executive VP/COO of the Trust for Public Land. She serves or has served on many non-profit boards and Advisory Councils including the Delta Stewardship Council, Public Policy Institute of California Statewide Leadership Council, Sustainable Conservation, USC-Kesten Institute for Public Finance and Infrastructure Policy, and the Center for Diversity and the Environment. She is also currently serving on the Commission for Environmental Cooperation-Joint Public Advisory Council (US, Mexico, Canada).



STEVEN MOORE

BOARD VICE-CHAIR

Steven Moore was appointed to the State Water Resources Control Board in 2012, reappointed in 2016, and elected as Vice Chair in 2017. He previously served on the San Francisco Bay Regional Water Quality Control Board from 2008-2012 and held staff positions at the Regional Water Board at various times between 1992 and 2006. Vice Chair Moore has worked over 10 years as an engineer and consultant on a wide variety of water infrastructure projects, including sewer reconstruction, recycled water, stormwater, water supply, stream and wetland restoration, and Environmental Impact Reports throughout California. He has experience both obtaining and issuing discharge permits, wetland permits, and in clean water grants and loans. He led Basin Planning for the Regional Water Board from 2002 to 2006.



TAM M. DODUC

BOARD MEMBER

Tam Doduc was reappointed to the State Water Resources Control Board in 2017, where she has served since 2005. Ms. Doduc previously 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 various environmental quality initiatives, and provided general oversight of children's environmental health programs. Ms. Doduc began her career as an environmental consultant. She then joined the staff of the State Water Resources Control Board, and later, the California Air Resources Board. From 1998-2002, Ms. Doduc provided technical and business assistance to environmental technology developers and manufacturers, serving in the Office of Environmental Technology, and later, as Cal/EPA's Assistant Secretary for Technology Certification. From 2002-2004, Ms. Doduc served as Cal/EPA's Assistant Secretary for Agriculture, Air and Chemical Programs. She has been a registered professional civil engineer since 1995.



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, working primarily on environmental, water, and agricultural legislative policy. She served on the Governor's Drought Task Force and currently serves on the board of the California Partnership for the San Joaquin Valley.



E. JOAQUIN ESQUIVEL

BOARD MEMBER

E. Joaquin Esquivel was appointed to the State Water Resources Control Board in 2017. Mr. Esquivel previously served as Assistant Secretary for Federal Water policy at the California Natural Resources Agency. Working in Governor Brown's Washington D.C. office, Mr. Esquivel represented the interests of the Natural Resource Agency and its departments and facilitated communication, outreach, coordination, and the development of policy priorities between the Agency, the Governor's Office, the California Congressional delegation, and federal stakeholder agencies in the nation's capital.



EILEEN SOBECK

EXECUTIVE DIRECTOR

Eileen Sobeck was selected Executive Director of the State Water Resources Control Board in 2017. Most recently, Ms. Sobeck headed the National Oceanic and Atmospheric Administration (NOAA) Fisheries as the Assistant Administrator at the Department of Commerce. Prior to her work at NOAA she was the Department of Interior's Acting Assistant Secretary for Insular Affairs, and Deputy Assistant Secretary for Fish, Wildlife and Parks. Sobeck is a lawyer by training and spent 25 years at the US Department of Justice, ultimately serving as Deputy Assistant Attorney General for Environment and Natural Resources.

2017

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I. INTRODUCTION

The California State Water Resources Control Board (State Water Board), Division of Financial Assistance (DFA) presents the Drinking Water State Revolving Fund (DWSRF) annual report for State Fiscal Year (SFY) 2016-17. The State Water Board provided approximately \$227 million in new DWSRF financing for 31 planning and construction projects to address drinking water issues. This report describes how the State Water Board met the objectives for the DWSRF Program identified in the [SFY 2016-17 DWSRF Intended Use Plan \(IUP\)](#).





Drinking Water

II. PROGRAM SUMMARY

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

The State Water Board has promoted and protected the health and safety of Californians through the administration of the DWSRF since July 1, 2014. Previously, the California Department of Public Health and California's Health and Human Services Agency administered the DWSRF program. Since the beginning of the program, public water systems have received DWSRF funding for drinking water infrastructure improvements via below market financing and additional subsidy (i.e. principal forgiveness). DWSRF funding is derived from federal capitalization grants from the USEPA as well as associated state match, revolving principal and interest repayments, and other leveraged funds and investment earnings.

DFA administers the DWSRF program and provides planning and construction financing through the DWSRF to eligible applicants, which include publicly and privately-owned community and non-profit, non-community water systems. DWSRF financing is generally prioritized

for "ready-to-proceed" eligible projects based upon a public health benefits system where projects addressing acute and chronic primary drinking water standards are prioritized over projects addressing secondary drinking water standards and other aging infrastructure.

The State Water Board uses portions of the capitalization grant from USEPA, known as the set-asides, to provide for the administration of the DWSRF as well as provide services such as small water system technical assistance (SWSTA), and technical, managerial and financial



(TMF) capacity development assistance for public water systems. The DWSRF set-asides also subsidize the Division of Drinking Water's Public Water System Supervision (PWSS) and TMF Capacity Development programs, as well as past implementation of a Source Water Protection (SWP) program.

As of June 30, 2017:

- The cumulative DWSRF funds available for planning and construction

financial assistance since inception was approximately \$2.58 billion.

- An additional \$222,036,000 of cumulative DWSRF set-aside funds were available.
- The State Water Board, and preceding departments/agencies, had committed approximately 106 percent (106%) of available funds to planning and construction projects through binding commitments (executed financing agreements).
- The State Water Board, and preceding departments/agencies, had disbursed approximately 81 percent (81%) of available funds for planning and construction projects, as well as disbursed 95 percent (95%) of the available DWSRF set-aside funds.

Cumulative DWSRF program activity from inception through the end of SFY 2016-17 is further described in **Table 1** below.

Table 1: Cumulative Program Activity¹

DWSRF Construction and Planning Funding	
Activity	Life of Program
Number of Binding Commitments	429
Value of Binding Commitments	\$2.74 billion ²
Disbursements and Expenditures	\$2.09 billion ²
Balance of Funding Agreements	\$650 million
DWSRF Set-Aside Funding	
DWSRF Set-Aside Amount	\$ 222 million ³
DWSRF Set-Aside Expenditures	\$ 214 million ³
Balance of Set-Asides	\$ 10.7 million

The State Water Board funded a variety of planning and construction projects through the DWSRF in SFY 2016-17 to address a range of public water systems and public health issues. Specifically, the State Water Board funded projects from the DWSRF for the benefit of both small water systems (populations less than 10,000 people) and large water systems (populations over 10,000 people). The projects funded were categorized according to their function.

Figure 1 shows the amount of funding awarded to small and large water systems in SFY 2016-17 while **Figure 2** shows the number of projects funded by size

of water system. In summary, the State Water Board provided approximately 1.6 times (1.6x) more funding for large water systems than small water systems. However, the State Water Board actually funded more small water system projects than large water system projects in SFY 2016-17. This annual commitment trend mirrors the cumulative commitment trend of the DWSRF program, both in California and nationally. A greater amount of small water system projects receive funding because of their public health needs, while a greater amount of funding is provided to large water systems because of the large scope and cost of such large water system projects.

¹Program activity includes matching funds provided by funding recipients.

²Amount includes ARRA funds and excludes set-aside funds (including LEFA and other local assistance funds).

³Amount includes LEFA and other local assistance funds.

Figure 1
SFY 2016-17 DWSRF
Large / Small Water System Funding Distribution

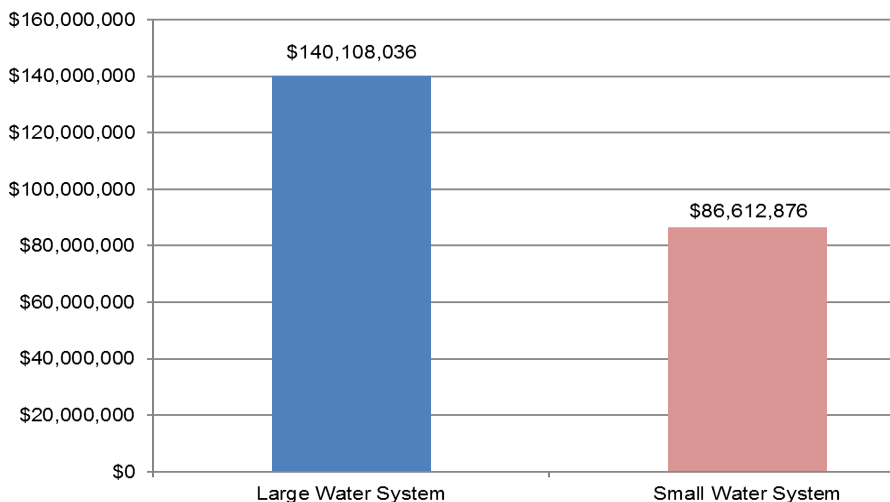


Figure 2
SFY 2016-17 DWSRF
Number of Projects Funded by Public Water System Size

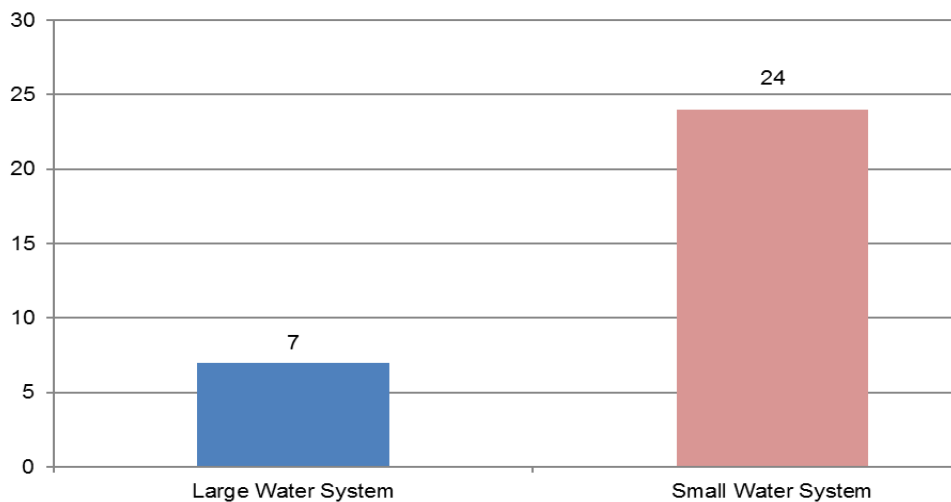
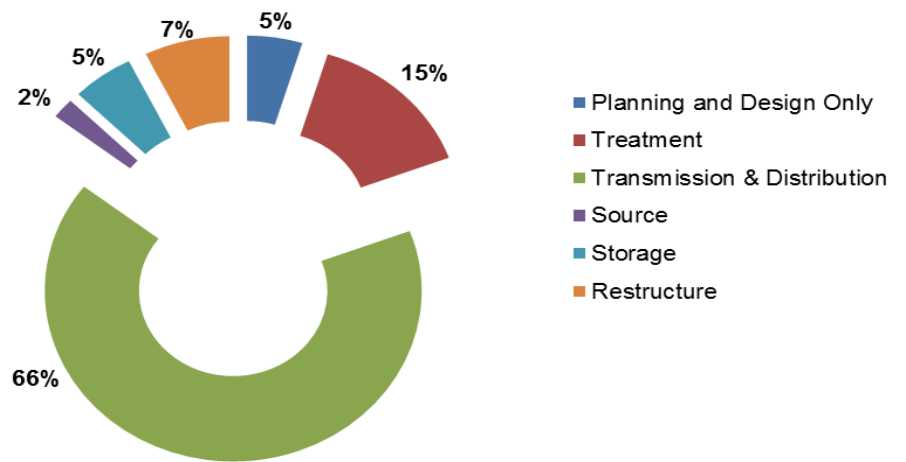


Figure 3 shows the SFY 2016-17 DWSRF percentage of funding by project type and its associated function in the conveyance of drinking water. Project types included planning and design, treatment, transmission and distribution, source water, storage, land acquisition and other functions. In summary, a majority of SFY 2016-17 DWSRF financing was for the improvement of drinking water transmission and distribution systems as they tended to be more expensive. Two transmission projects amounted to more than 50 percent (50%) of total funding. Approximately 15 percent (15%) of the SFY 2016-17 DWSRF funding was awarded to address treatment systems and the mitigation of arsenic as the primary contaminant.

Figure 3
SFY 2016-17 DWSRF Percentage of Funding by Project Type/Function



III. PROGRAM GOALS AND FINANCIAL RESULTS

A. Short-Term Goals

This section describes the State Water Board's efforts to meet the following short term goals set in the SFY 2016-17 IUP. These goals provided the framework that guided State Water Board's decision-making, maximization, and prioritization of both staff and funding sources.

1. Continue public transparency and communication by posting application status reports online.
3. Continue and further develop the collaboration between Division of Drinking Water (DDW) and DFA to identify public health issues and evaluate solutions for Small Water Systems (SWSs), including consolidation where feasible.

DWSRF application status reports were posted quarterly on the State Water Board's DWSRF website throughout SFY 2016-17 to ensure continuous public transparency and communication. The reports included the applicant's name, project manager's name, project number, project name, the dates each application package was received, and whether a funding decision was in progress.

2. Continue to develop and implement a web-enabled Loans and Grant Tracking System (LGTS) platform and database.

The State Water Board implemented a new web-based LGTS platform for the DWSRF in SFY 2016-17. DFA began fully utilizing the new web-based LGTS in SFY 2016-17 while the Division of Administrative Services (DAS) continued to test the new web-based LGTS for full operation scheduled in early SFY 2017-18. The new web-based LGTS platform has resulted in increased functionality and access by State Water Board staff and has created greater operational efficiencies.

DFA and DDW staff continued to collaborate on project solutions for small water systems, including consolidation, in SFY 2016-17. Specifically, DFA management regularly met with DDW management to assess funding priorities for small water systems, including those systems suffering from arsenic contamination.

DFA and DDW also continued to collaborate on funding solutions for a variety of consolidation projects for small water systems. At the project concept stage, DFA staff worked with DDW Consolidation Specialists to identify communities for consolidation using technical assistance resources.

Thereafter, Consolidation Specialists and DDW District Engineers regularly consulted with DFA project managers and supervisors on relevant financing applications and the implementation of consolidation for these small water systems.

4. Continue marketing and outreach efforts to Public Water Systems (PWSs), including Spanish translation services, newsletters, and social media to advertise the new application process and the availability of technical assistance to assist small, disadvantaged communities.
5. Apply for and accept the anticipated Federal Fiscal Year (FFY) 2016 Capitalization Grant (2016 Capitalization Grant) from USEPA. Upon award, commit funds from the 2016 Capitalization Grant, including the associated State Match, by June 30, 2017, such that the federal funds can be utilized in an efficient and timely manner in accordance with 40 CFR §35.3550(c).

DFA continued to participate in various PWS marketing and outreach efforts in SFY 2016-17. Specifically, DFA marketed the DWSRF program at six California Financing and Coordinating Committee events, two California Technical Assistance Provider (CalTAP) fairs, two distribution symposia (intensive hands-on events for water system operators and new board members) as well as 128 other online and onsite workshops and outreach events.

DFA also produced and distributed five Office of Sustainable Water Solutions (OSWS) newsletters in English and Spanish in SFY 2016-17. In general, the OSWS newsletters informed small drinking water and wastewater systems, as well as associated stakeholders, about funding opportunities, project activities and related topics such as TMF capacity development. The August 2016 newsletter featured updates on Proposition 1 projects funded to date and the October 2016 issue presented information on managerial capacity for systems. The January 2017 issue highlighted achieving drinking water compliance through consolidation between the City of Santa Rosa and various mobile home parks. The April 2017 issue highlighted the City of Hanford's efforts in assisting a variety of small water systems in achieving compliance through consolidation with the city. These newsletters are available online, in both English and Spanish, at www.waterboards.ca.gov/water_issues/programs/grants_loans/sustainable_water_solutions/

The State Water Board finalized its FFY 2016 Capitalization Grant application to the USEPA in the late summer of 2016. The USEPA awarded the FFY 2016 Capitalization Grant to the State Water Board on September 12, 2016 for a total of \$78,215,000. Upon award, the State Water Board had already allocated sufficient Proposition 1 Drinking Water appropriation to satisfy state match.

Additionally, with a total commitment of \$226,720,912 for SFY 2016-17 to various planning and construction projects, DFA exceeded the amount necessary to ensure the obligation of the 2016 Capitalization Grant by June 30, 2017. This commitment amount, combined with prior year commitments encumbered against federal funds, enabled the timely liquidation of project funds budgeted under the 2016 Capitalization Grant within SFY 2016-17.

6. Ensure that at least 20 percent (20%), but not more than 30 percent (30%), of the 2016 Capitalization Grant is provided to eligible recipients in the form of additional subsidy (i.e. principal forgiveness).

While the State Water Board had anticipated that the maximum amount of additional subsidy would be 30 percent (30%) of the 2016 Capitalization Grant, as it had in prior years, the actual Capitalization Grant authorized the State Water Board to provide up to 50 percent

(50%) of the 2016 Capitalization Grant as principal forgiveness, with the additional 20% to be awarded as initial financing beginning October 1, 2015⁴. As of June 30, 2017, the State Water Board had provided 38 percent (38%) of the 2016 Capitalization Grant as additional subsidy, in the form of principal forgiveness, to new binding commitments as well as amendments to prior years binding commitments. Based upon the SFY 2016-17 IUP, it was the intent of the State Water Board to provide the maximum amount of principal forgiveness allowed by USEPA to small disadvantaged communities. The remaining balance of uncommitted principal forgiveness from the 2016 Capitalization Grant, approximately 12 percent (12%), is expected to be awarded to eligible recipients in the near future.

7. [Prioritize all available DWSRF funding for PWSs serving fewer than 10,000 people to the maximum extent practicable and in consideration of other federal and state authorities governing the prioritization of DWSRF funding.](#)

The State Water Board continued to prioritize DWSRF funding for PWSs serving less than 10,000 people in SFY 2016-17, especially as such small water systems often suffer from significant public health risks and TMF deficiencies. As a result of small water system funding prioritization, the DWSRF provided \$86,612,876 in DWSRF funding to small water systems in SFY 2016-17 (Exhibit A, [page 42](#)). The total amount of DWSRF funding to small water systems over the life of the program now totals over \$391,695,687, constituting 16 percent (16%) of total DWSRF funding provided. Conversely, the number of small water

system projects funded in SFY 2016-17 totaled 24 and the cumulative total of small water system projects funded over the life of the program now totals over 294, constituting 69 percent (69%) of the total number of DWSRF funded projects.

8. [Continue updating the State Water Board's Operating Agreement with USEPA to represent current program operations. The update to the State Water Board's DWSRF Operating Agreement will include, at minimum, any changes to the State's DWSRF policies and procedures, including changes to statutes and regulations, since the State Water Board's DWSRF Operating Agreement was last executed.](#)

DFA substantially completed a draft of a revised DWSRF Operating Agreement in SFY 2016-17. It is anticipated that the revised DWSRF Operating Agreement will be finalized in the near future. DFA intends to include the executed agreement as an appendix to the DWSRF Policy.

9. [Facilitate drought relief through expedited funding efforts to help ensure that eligible PWSs experiencing drought-related drinking water emergencies or facing imminent threats of drought related drinking water emergencies will achieve permanent solutions.](#)

The DWSRF did not fund any projects in SFY 2016-17 as a direct result of the California drought. Drought relief funding was provided from other emergency state funding sources in SFY 2016-17. Additionally, the Governor declared an end to the drought emergency on April 7, 2017, via Executive Order No. B-40-17.

⁴USEPA requirements also allow for the 2016 Capitalization Grant principal forgiveness allotment to be awarded for the purchase, refinance, or restructuring of debt obligations where such debt was incurred after December 18, 2015.

10. Continue to maintain the State Water Board's DWSRF federal unliquidated obligation (ULO) balance in accordance with USEPA Memorandum from Peter Grevatt, Director, Office of Ground Water and Drinking Water, dated April 14, 2014, Drinking Water State Revolving Fund (DWSRF) Unliquidated Obligations (ULO) Reduction Strategy.

The State Water Board continued to maintain an acceptable DWSRF federal ULO balance in SFY 2016-17 of less than two capitalization grants per USEPA's DWSRF ULO Reductions Strategy. Specifically, the DWSRF federal ULO was \$17.3 million as of June 30, 2017, which was \$143.6 million less than the maximum \$160.9 million allowed per USEPA's ULO reduction strategy. California's acceptable DWSRF ULO balance was maintained in SFY 2016-17 through the commitment of funds in prior fiscal years and their associated disbursements. The prior year's commitments ensured an acceptable DWSRF ULO balance in SFY 2016-17 substantially because of cash flow modeling and the prioritization of eligible construction projects that were ready to proceed with construction activities.

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

The State Water Board continued to promote the DWSRF Green Project Reserve in SFY 2016-17 by providing \$2,032,745 in DWSRF funding for one project involving the installation of water meters (Exhibit B, [page 43](#)). This water meter project enabled the State Water Board to satisfy USEPA's optional Green Project Reserve while also promoting the State Water Board's goal of encouraging

water conservation and effective water management.

12. Incorporate USEPA's claims eligibility guidance into the State Water Board's claims guidance when such guidance is finalized by USEPA.

As of June 30, 2017, USEPA had not provided its national DWSRF claims guidance. Therefore, the State Water Board was unable to achieve this short-term goal in SFY 2016-17.

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

The State Water Board continued to provide a suite of technical assistance in SFY 2016-17 to small water systems, especially those with significant SDWA violations. Specifically, the DWSRF set-asides funded third-party contractors that provided a variety of assistance to small water systems relating to TMF capacity development. See Section VI ([page 35](#)) below for more information on DWSRF technical assistance. DFA also continued to fund technical assistance for a variety of projects under Proposition 1. Additionally, DFA and DDW provided direct technical assistance to small water systems with significant SDWA violations. Examples of such direct technical assistance included:

- Meeting with DDW consolidation specialists and applicants to discuss project concepts before applications were submitted.
- Reviewing applications with minimal material submitted and guiding them to complete additional application packages.
- Helping funding recipients properly prepare and submit reimbursement claims.

- 14. Continue to require PWSs receiving assistance to undergo a TMF assessment.

DWSRF applicants continued to provide a TMF assessment of their public water system and its operations for DWSRF applications submitted in SFY 2016-17. DFA project managers also continued to complete evaluations of such assessments as part of an application review for DWSRF funding eligibility. As further described in Section V(E) (page 32) of this annual report, DWSRF applicants that lacked TMF capacity were also offered technical assistance by the State Water Board in 2016-17 to help such applicants resolve their TMF deficiencies.

- 15. Initiate efforts to update and provide recommended changes to the DWSRF Policy to further make the DWSRF program more efficient.

DFA made substantial progress on a proposed draft amendment to the DWSRF Policy in SFY 2016-17 to achieve further efficiencies in the DWSRF program and to further align the DWSRF and Clean Water State Revolving Fund (CWSRF) programs. It is anticipated that the State Water Board will consider the first amendment to the DWSRF Policy in late SFY 2017-18 or early SFY 2018-19.



B. Long-Term Goals

This section discusses the State Water Board's efforts to meet the following long-term goals for the DWSRF program. These goals represent the State Water Board's efforts to carry out the objectives of the SDWA as well as other drinking water goals of the State Water Board.

1. Address Significant Risks to Public Health

The State Water Board remained committed to helping PWSs address significant risks to public health in SFY 2016-17 by providing both construction and planning funding as well as technical assistance to public water systems. More than 60 percent (60%) of the projects funded under the DWSRF in SFY 2016-17 addressed primary drinking water standards (page 25). This effort in SFY 2016-17 was achieved through the coordination of funding prioritization between DFA and DDW. Specifically, DFA staff in OSWS met regularly with DDW District staff and management to assess the prioritization of projects for small disadvantaged communities as well as technical assistance in helping such PWSs obtain DWSRF funding.

A specific effort was also undertaken to monitor and report on the progress of drinking water systems with pending applications for funding to address arsenic violations. DFA staff provided monthly updates to DDW on the status of arsenic projects, including which application materials still needed to be submitted by the applicant; whether the applicant was receiving technical assistance; whether the project had received funding; and an anticipated return to compliance date.

2. Ensure SDWA Compliance

DFA continued to prioritize DWSRF funding for projects that restored or prevented a PWS's non-compliance with the SDWA. DFA coordinated such prioritizations for funding with DDW. DFA staff continued to make technical assistance available

to help small water systems apply for planning and construction funding. DDW also continued its permitting, inspection, monitoring and enforcement activities for compliance with SDWA.

3. Improve Information Exchange

DFA staff worked with State Water Board's Division of Information Technology (DIT) staff to launch an application that allows the public to access the status of funding requests using mobile devices, now available at public.waterboards.ca.gov/srfmobilestatus/.

DFA previously provided the funding status report to the public via a large spreadsheet, which was difficult to read on mobile devices – often the only accessible method of accessing online data for small, disadvantaged communities in remote areas. This mobile application has proven critical to communicate with applicants, environmental justice groups, and technical assistance providers to help them navigate the funding process. The mobile application works on a variety of mobile devices, including tablets and cell phones.

4. Improve Management of Drinking Water Spatial Data

Due to the transition of the drinking water program from the California Department of Public Health (CDPH) to the State Water Board, the Geographic Information System (GIS) mapping responsibilities for PWS locations throughout California now resides with DDW. In SFY 2016-17, DDW continued to work with the Office of Environmental Health Hazard Assessment (OEHHA) to add/update boundary maps for all community water

systems. It is anticipated that DDW will continue to update such GIS mapping data throughout SFY 2017-18.

5. Provide Affordable Financing Alternatives

The State Water Board continued to provide below market financing and principal forgiveness in SFY 2016-17 to facilitate affordable funding alternatives for communities throughout California. The average interest rate for SFY 2016-17 was 1.7 percent (1.7%), half of California's general obligation bond rate, and well below market rates. DWSRF principal forgiveness was combined with certain funds provided under Proposition 1 to further facilitate affordable financing for California's small disadvantaged communities. Approximately \$114.6 million in DWSRF principal forgiveness and Proposition 1 grant funds were awarded for the benefit of small disadvantaged communities in SFY 2016-17.

6. Acknowledge and Address Household Affordability Constraints

The State Water Board continued to acknowledge the affordability constraints of public water systems in SFY 2016-17, continued to provide principal forgiveness and below market interest rate financing, and continued to encourage consolidation of water systems to improve economies of scale. Specifically, DFA continued to implement a simplified affordability criteria for awarding principal forgiveness, which was first included in the SFY 2016-17 IUP. The SFY 2016-17 IUP also expanded 30-year financing terms for all PWSs owned by a public agency, subject to USEPA review and approval. USEPA Region 9 acknowledged California's DWSRF 30-year financing program in its Performance Evaluation Report, dated June 28, 2017, and in related discussion, as further discussed below.

Furthermore, the State Water Board continues to work with the Board of Equalization and relevant stakeholders in the development and subsequent implementation of the Low-Income Water Rate Assistance Program, per the passage of Assembly Bill 401 (Dodd). Through AB 401, a collaborative plan is being developed that includes a series of recommendations for cost-effective methods of offering assistance to low-income water customers as well as provides recommendations for possible legislative action needed to fulfill this assistance. In SFY 2016-17, State Water Board staff held several public meetings and a stakeholder workshop to inform stakeholders about the development of the AB 401 report.

Finally, the State Water Board continued with its consolidation incentive program by offering \$5 million in zero percent (0%) construction financing where a PWS agreed to fully consolidate a PWS serving a small disadvantaged community (Consolidation Incentive Project). As of June 30, 2017, DFA had not yet funded a Consolidation Incentive Project because of a lack of eligible demand. The SFY 2017-18 IUP has since increased the maximum financing amount for a Consolidation Incentive Project from \$5 million to \$10 million with the expectation of further incentivizing consolidations of public water systems.

7. Ensure Program Outcomes

The State Water Board continued to monitor and manage the DWSRF in a financially sound manner to ensure a self-sustaining source of funding for PWSs to achieve and maintain SDWA compliance. As a result, the commitment of DWSRF funds within SFY 2016-17 exceeded the minimum funding targets resulting in PWSs receiving the necessary funding to address SDWA compliance issues. The projects funded by the DWSRF in SFY 2016-17 mitigated a variety of public

health issues, including surface water treatment compliance, source capacity and reliability, groundwater treatment, and delivery capability. DWSRF funds were also prioritized to such projects because the recipients were “ready to proceed” to both a funding agreement and their construction activities.

Due to the prioritization of funding to “ready-to-proceed” projects that addressed public health priorities, the State Water Board also successfully managed DWSRF finances to ensure the compliance with the USEPA’s ULO reduction strategy. The DWSRF set-asides were also employed in SFY 2016-17 to provide for the administration of the DWSRF and the State Water Board’s PWSS program under DDW, as well as TMF and small water technical assistance. In accordance with USEPA’s ULO reduction strategy for DWSRF set-asides, USEPA granted the State Water Board a 1-year extension on the liquidation of the 2014 Local Assistance set-aside, which was satisfied by the State Water Board in the late spring of 2017, almost 4 months in advance of the liquidation deadline.

8. Ensure TMF Capacity of PWSs

The State Water Board continued to ensure the TMF capacity of PWSs and further defined roles and responsibilities in SFY 2016-17 for the implementation of the State Water Board’s Capacity Development Strategy. In summary, DFA transferred the Technical, Managerial and Financial Capacity Coordinator to DDW. However, DFA continued to work

with DDW to improve PWSs’ TMF. DDW and DFA began meeting to re-evaluate the Capacity Development program and to better align and incorporate TMF elements into the DDW sanitary surveys of PWSs. DDW and DFA also began assessing methodologies for tracking the elements of TMF and how best to provide updated TMF training to internal staff, including Local Primacy Agencies (LPA) staff. It is anticipated that the re-development of the State Water Board’s Capacity Development Strategy and the processes for its implementation will continue into SFY 2017-18. It is also anticipated that DDW and DFA will continue to meet with TMF technical assistance providers including California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), and Self-Help Enterprises (SHE) to further improve technical assistance services in support of TMF.

9. Further Enhance the State Water Boards’ LGTS

The State Water Board continued to enhance its LGTS database in combination with web-enabling the platform. A variety of upgrades and modifications to LGTS were performed in SFY 2016-17 under a general maintenance contract with the database developer. Some of the enhancements included additional Proposition 1 and other program reporting functions, integration of other DFA funding programs, and additional functionality for monitoring technical assistance contracts.

C. Operating Agreement and Capitalization Grant Conditions

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

1. Assistance Activities

The State Water Board continued to provide DWSRF funding to eligible public water systems in SFY 2016-17 for projects needed to achieve or maintain compliance with safe drinking water standards. All activities funded were eligible under Section 35.3520 of Title 40 of Code of Federal Regulations. A total of \$226,720,912 in new DWSRF funding was awarded to 31 projects in SFY 2016-17. DWSRF funds were provided to eligible recipients to enhance drinking water treatment, distribution, storage, installation of meters, as well as ensure water system reliability through the installation of interties and the consolidation of public water systems. Water quality issues such as arsenic and nitrate contamination, as well as groundwater under direct influence, and disinfection by-product formation continued to be addressed in SFY 2016-17. Eligible recipients included privately and publicly owned community and non-profit non-community public water systems. The projects and public water systems funded in SFY 2016-17 are further detailed in Exhibit C (page 44).

In contrast, 17 of 70 projects listed in the SFY 2016-17 DWSRF Fundable List were not funded by the DWSRF. Exhibit D (page 46) lists these projects and the reasons they did not receive DWSRF funding in SFY 2016-17. The high demand for drinking water improvement funding in California required the State Water Board to prioritize projects based upon their public health benefits as well as the recipient's readiness to proceed to funding agreement.

2. Eligible Categories of Projects and Financing Terms

The State Water Board continued to provide below-market financing and additional subsidy in SFY 2016-17 for projects ranked in Categories A-F (page 25) of the DWSRF public health prioritization scheme. The State Water Board also generally prioritized higher ranked public health categories and projects benefiting small disadvantaged communities in SFY 2016-17. Types of assistance included loans and installment sale agreements for the planning, design, and construction of drinking water infrastructure projects.

Principal forgiveness was provided to SWs that served disadvantaged and severely disadvantaged communities. SWs serving disadvantaged communities generally received zero percent (0%) interest rates on DWSRF repayable financing. The standard interest rate for all other repayable financing averaged one and seven-tenths of one percent (1.7%), which was one-half the state's average general obligation rate, as established each calendar year. Standard repayable financing for construction projects was amortized over a 20-year period. Repayable financing was amortized over 30 years for PWSs serving small disadvantaged communities.

3. Provide a State Match

The State Water Board demonstrated the source of its twenty percent (20%) general state match requirements for the 2016 DWSRF Capitalization Grant in SFY 2016-17 through a short-term financing with the California Infrastructure and

Economic Development Bank (IBank). Specifically, in the fall of 2016, the State Water Board leveraged DWSRF interest earnings to secure \$35 million in additional DWSRF State Match (2016 IBank State Match). On October 5, 2016, the State Water Board adopted [Resolution 2016-055](#), which authorized this short-term financing with the IBank. The 2016 IBank State Match was subsequently liquidated in SFY 2016-17 thereby allowing the State Water Board to disburse project funds budgeted under the 2015 and 2016 DWSRF Capitalization Grant in accordance with USEPA's ULO reduction strategy.

The State Water Board also continued to encumber DWSRF state match provided under Chapter 5, Section 79724 of Proposition 1 (Prop 1 Drinking Water). Approximately, \$45.1 million of Prop 1 Drinking Water was encumbered as state match under the DWSRF in SFY 2016-17, constituting over-match for future DWSRF capitalization grants. In summary, as of June 30, 2017, California had provided approximately \$89.1 million in cumulative state match funds to the DWSRF program through a combination of state general obligation bond revenue proceeds, local match, and short-term financings with the IBank.

California also provided approximately \$7.82 million in additional 1:1 matching funds for the \$7.82 million budgeted for the 2016 State Program Management set-aside. Specifically, the \$7.82 million in 1:1 matching funds were provided, in part, through a \$24.54 million General Fund appropriation to the State Water Board's Safe Drinking Water Account in support of PWSS activities. During SFY 2016-17, the State Water Board expended the entire 1:1 match amount.

4. Binding Commitments Within One Year

The State Water Board continued to commit DWSRF funding to projects in

an amount equal to or greater than 120 percent (120%) of each federal payment within one year of receipt of that payment. As of June 30, 2017, executed funding agreements totaled approximately \$2.74 billion, or 168 percent (168%) of the approximately \$1.63 billion in federal payments received for DWSRF loans as of June 30, 2017.

5. Expeditious and Timely Expenditure

The State Water Board continued to make timely and expeditious use of DWSRF funds, especially federal capitalization grant funds in accordance with USEPA's ULO reduction strategy. USEPA's ULO reduction strategy generally requires that no more than two DWSRF federal capitalization grants remain undisbursed at any one time. As of June 30, 2017, the State Water Board had only \$17.3 million in undisbursed 2015 and 2016 DWSRF Capitalization Grant funds, of which approximately 62 percent (62%) were predominantly set-aside funds already allocated for eligible use.

This timely and expeditious use of DWSRF federal capitalization grant funds was substantially achieved through cash-flow modeling and the over-commitment of DWSRF funds in SFY 2016-17 and prior fiscal years. In SFY 2016-17, there was no minimum funding agreement amount to ensure optimal use of DWSRF funds without leveraging. Therefore, the State Water Board exceeded the minimum commitment amount by awarding approximately \$227 million in DWSRF funds by June 30, 2017. As described in the SFY 2016-17 IUP, the minimum commitment amount depended upon projected funding disbursements relative to existing fund balances and projected future revenues such that the DWSRF fund balance did not substantially decrease below \$100 million.

The timely and expeditious use of DWSRF funds was also satisfied through the prompt and efficient processing of

DWSRF reimbursement claims. To ensure timely reimbursement, DWSRF claims were generally reviewed and paid within 30 days from recipient of a complete claim. DFA staff reviewed and approved complete disbursement claims generally within 10 days, then routed the claims to DAS for processing. DAS generally processed claims within seven calendar days of receiving the claim, and the State Controller's Office (SCO) generally issued a check (warrant) within 3-5 calendar days to the funding recipient.

The State Water Board continued to draw federal funds in SFY 2016-17 from the United States Treasury via the Automated Standard Application for Payments (ASAP) system as warrants are issued by SCO. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the United States Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board draws funds from USEPA for expenditures incurred by the DWSRF program in an expeditious and timely manner. Draw requests are made within one week of an issued warrant. Requested funds are also deposited electronically the next business day to account(s) specified by the State Water Board. For the DWSRF set-aside accounts, federal draws are typically requested through ASAP on a monthly basis for the prior month's administration costs.

To further enable the timely and expeditious use of DWSRF funds, the State Water Board encumbered most loan balances to DWSRF federal funds to ensure the prompt liquidation of federal capitalization grants as claims for reimbursement were processed. As of June 30, 2017, approximately \$647.6 million of DWSRF financings had been encumbered, but not yet liquidated, to available DWSRF federal funds (\$17.3 million), constituting a 37:1 ratio.

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

The State Water Board negotiated a total fair share DBE objective with the USEPA beginning FFY 2014-15 for the DWSRF program. The objective was two percent (2%) for the Minority Owned Business Enterprises (MBE) and one percent (1%) for Women Owned Business Enterprises (WBE) participation for a combined three percent (3%) goal. Funding recipients reported participation as 0.02 percent (0.02%) for MBE and 0.02 percent (0.02%) for WBE. Exhibit E (page 49) provides a breakdown of DBE participation. The State Water Board will continue to monitor participation to ensure that the "positive effort process" is followed by funding recipients.

All DWSRF funded projects were required to comply with Davis-Bacon prevailing wage requirements in SFY 2016-17. Each funding agreement included provisions requiring applicants to follow Davis-Bacon requirements. DFA conducted a variety of surveillance activities throughout SFY 2016-17 to ensure each recipient's compliance with Davis-Bacon requirements. Such surveillance activities included (1) reviewing recipient and sub-recipient reports and compliance certifications; (2) tracking compliance with federal annual monitoring requirements; and (3) annually reviewing quarterly site inspection reports to verify the adequacy of site inspections and other control activities.

DWSRF funding recipients were also required to use American-made iron and steel products (AIS) in SFY 2016-17 pursuant to [USEPA guidelines for projects involving the construction, alteration, maintenance, or repair of a public water system or public treatment works](#). DWSRF funding recipients were

only exempt from this AIS requirement if the project qualified under a national or project specific AIS waiver from USEPA. To ensure compliance with AIS requirements, the AIS provisions were included in DWSRF financing agreements and DFA examined recipient records for AIS certifications and/or any AIS waivers during project inspections.

7. Additional Subsidy and Green Requirements

The State Water Board continued to provide the maximum amount of available additional subsidy in the form of principal forgiveness in SFY 2016-17 for the benefit of small water systems serving disadvantaged communities. Since the inception of the DWSRF program, federal regulations have allowed for up to 30 percent (30%) of a capitalization grant to be provided as additional subsidy (i.e.,

principal forgiveness) to “disadvantaged communities,” regardless of the size of the public water system. In 2016, Congress added a twenty percent (20%) additional subsidy allotment, separate from the thirty percent (30%) additional subsidy allocation for disadvantaged communities.

The State Water Board’s SFY 2016-17 IUP directed that the maximum amount of additional subsidy allowed under federal rules and regulations be awarded to “disadvantaged communities,” and recently “small disadvantaged communities,” in the form of principal forgiveness. **Table 2** shows the amounts necessary for compliance with rules governing the allotment and use of DWSRF principal forgiveness. Exhibit B (page 43) identifies 20 additional subsidy projects funded in SFY 2016-17.

Table 2: Additional Subsidization Funding

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant ⁵	Maximum Subsidy by FFY Grant	Committed Subsidy Amount by FFY Grant Assignment ⁶	Uncommitted Subsidy Amount by FFY Grant Assignment ⁷	Disbursed Subsidy Amount by SFY ⁸	Undisbursed Subsidy Amount by SFY ⁹
2010	10-11	\$126,958,000	\$38,087,400.00	\$38,087,400.00	\$38,087,400.00	\$0.00	\$421,440.13	\$0.00
2011	11-12	\$86,698,000	\$26,009,400.00	\$26,009,400.00	\$2,463,128.00	\$0.00	\$6,619,511.33	\$0.00
2012	12-13	\$85,358,000	\$17,071,600.00	\$25,607,400.00	\$25,590,180.00	\$0.00	\$9,117,174.68	\$0.00
2013	13-14	\$78,770,000	\$15,754,000.00	\$23,631,000.00	\$23,305,524.00	\$0.00	\$12,097,245.42	\$0.00
2014	14-15	\$83,521,000	\$16,704,200.00	\$24,966,300.00	\$24,966,399.00	\$0.00	\$16,094,684.79	\$0.00
2015	15-16	\$83,674,000	\$16,534,800.00	\$24,802,200.00	\$24,802,200.00	\$0.00	\$29,422,208.98	\$0.00
2016	16-17	\$78,215,000	\$15,643,000.00	\$39,107,500.00	\$29,716,515.00	\$9,390,985.00	\$31,649,428.95	\$85,519,552.72
Totals		\$621,894,000	\$145,804,400.00	\$202,211,200.00	\$190,941,247.00	\$9,390,985.00	\$105,421,694.28	\$85,519,552.72

⁵USEPA generally requires the State Water Board commit and expend a minimum amount of a DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA’s “Green Project Reserve.”

⁶In accordance with USEPA procedures, these amounts represent the additional subsidy committed to eligible DWSRF projects and assigned under the additional subsidy authority of the respective DWSRF capitalization grant as of 6/30/2017.

⁷In accordance with USEPA procedures, these amounts represent the additional subsidy balances under the maximum authority of the respective DWSRF capitalization grant that have not been committed to eligible DWSRF projects as of 6/30/2017.

⁸These amounts represent the additional subsidy disbursements of the assigned projects per State fiscal year. In accordance with USEPA Policy, the additional subsidy is encumbered and expended from any available funding sources within the DWSRF (i.e. federal capitalization grants, state match, repayment funds).

⁹This amount represents the total encumbering balance as well as the additional subsidy authority not yet encumbered as of 6/30/2017.

Besides additional subsidy, the State Water Board may also allocate a portion of a capitalization grant to projects with “green” benefits (Green Project Reserve). In SFY 2016-17, Green Project Reserve funding was awarded to recipients for projects that included the installation

of water meters due to their water conservation and efficiency benefits. **Table 3** shows the amount of DWSRF funding assigned to current and prior year capitalization grants to satisfy the optional DWSRF Green Project Reserve.

Table 3: Green Project Reserve Funding

FFY Grant	SFY	Grant Award Amount	Minimum Green Project Reserve Amount by FFY Grant ¹⁰	Committed Green Project Reserve Amount Per FFY Grant Assignment ¹¹	Disbursed Green Project Reserve Amount by SFY ¹²	Undisbursed Green Project Reserve Amount by SFY ¹³
2010	10-11	\$126,958,000	\$25,391,600	\$25,391,600	\$0	\$0
2011	11-12	\$86,698,000	\$17,339,600	\$26,013,832	\$12,457,278	\$0
2012	12-13	\$85,358,000	\$0	\$8,527,464	\$31,819,690	\$0
2013	13-14	\$78,770,000	\$0	\$0	\$7,037,464	\$0
2014	14-15	\$83,221,000	\$0	\$0	\$2,242,734	\$0
2015	15-16	\$83,674,000	\$0	\$521,670	\$2,715,139	\$0
2016	16-17	\$78,215,000	\$0	\$2,032,745	\$2,203,628	\$3,920,378
Totals		\$621,894,000	\$42,731,200	\$62,487,311	\$58,566,933	\$3,920,378

8. Federal Funding Accountability and Transparency Act

The State Water Board reported four projects totaling \$80,330,207 into the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) in SFY 2016-17 to satisfy the FFATA reporting requirements for the FFY 2016 DWSRF Capitalization Grant. The FFATA, along with associated Office of Management and Budget (OMB) directives, and interpretive guidance from USEPA, requires the State Water Board to report sub-recipient information on the use of capitalization grants awarded after October 1, 2010. The DWSRF program began reporting FFATA data in FFY 2011

on an equivalency basis, by choosing loans that equaled the total DWSRF grant amount received from the USEPA. The DWSRF program continues to report FFATA loan data on an equivalency basis to the FSRS (Exhibit F, [page 50](#)).

9. Environmental Federal Cross-Cutters

The State Water Board used the [State Environmental Review Process \(SERP\)](#) to review the environmental impacts of projects in SFY 2016-17. While the SERP generally follows the requirements of the California Environmental Quality Act (CEQA), each applicant had to also complete and submit an [Evaluation Form for Federal Environmental Coordination \(Evaluation Form\)](#). DWSRF staff consulted

¹⁰USEPA requires the State Water Board to commit and expend a minimum amount of DWSRF capitalization grant to projects that qualify under the rules and requirements of USEPA’s “Green Project Reserve.”

¹¹In accordance with USEPA procedures, these amounts represent the DWSRF project amounts committed and assigned under the Green Project Reserve authority of the respective DWSRF capitalization grant as of 6/30/2017.

¹²These amounts represent the Green Project Reserve disbursements for each respective state fiscal year. Per USEPA policy, the Green Project Reserve funding is not necessarily encumbered and liquidated from DWSRF capitalization grants.

¹³This amount represents the total encumbering balance of Green Project Reserve funding as well as the minimum Green Project Reserve Authority not yet encumbered as of 6/30/2017.

with the appropriate federal agencies on projects with known or potential impacts under federal environmental regulations, consistent with the Operating Agreement between the State Water Board and USEPA.

10. Single Audit Act

The State Water Board continued to require recipients receiving an executed agreement in SFY 2016-17 to comply with applicable provisions of the federal Single Audit Act of 1984, OMB Circular No. A-133 and 2 CFR Part 200, subpart F, and updates or revisions, thereto. Specifically, the State Water Board included the applicable Single Audit Act requirements in all DWSRF financial

assistance agreements executed in SFY 2016-17 and required reporting by funding recipients if the recipient received more than \$750,000 in combined federal funds for a given fiscal year. DAS also issued to DWSRF recipients in the summer of 2016 a summary of federal funds disbursed to those recipients in SFY 2015-16. Thereafter, DFA and DAS assisted the State Treasurer's Office in securing any required SFY 2015-16 Single Audit Act reports from DWSRF funding recipients by the deadline of March 2017. DFA and DAS also coordinated with DWSRF funding recipients and the State Treasurer's Office on any compliance concerns with the use of DWSRF federal funds disclosed in a Single Audit Act report.



D. Financial Activity

1. Net Assets

Net assets of the DWSRF program are shown below:

Statement of Net Assets		
June 30, 2017 and June 30, 2016		
(in thousands)		
Assets	2017	2016
Current Assets	\$ 383,729	\$ 433,846
Other Assets	\$1,347,378	\$1,162,689
Total Assets	\$1,731,107	\$1,596,535
Liabilities		
Current Liabilities	\$ 2,232	\$ 5,933
Non-Current Liabilities	\$ 0	\$ 0
Total Liabilities	\$ 2,232	\$ 5,933
Net Assets		
Restricted	\$ 0	\$ 0
Unrestricted	\$1,728,875	\$1,590,602
Total Net Assets	\$1,728,875	\$1,590,602

2. Revenues

Revenue for the DWSRF program is described in its Financial Statements. The total revenues for SFY 2016-17 were \$189 million. Revenues for the period of this report were as follows:

Loan Interest Income:	\$17.7 million
Net Investment Income:	\$2.0 million
Capitalization Grants - Principal Forgiveness Receipts:	\$6.7 million
State Match Revenue:	\$13.6 million
Capitalization Grant:	\$138.1 million
State Match Revenue – Principal Forgiveness:	\$10.6 million



3. Disbursements and Expenses

Total disbursements are based on Financial Statements and do not include matching funds provided by funding recipients. Total disbursements for SFY 2016-17 were \$344 million. Disbursements for the period of this report were made as follows:

Loan disbursements:	\$254 million
Grants disbursements:	\$2.0 million
Principal Forgiveness disbursements:	\$31.9 million
Employees' salaries and vendors' payments:	\$20.4 million
Principal paid for state match loan:	\$36 million
State match fees paid:	\$2 thousand
Interest paid on state match loan:	\$20 thousand

4. Extended Term Financing and Reduced Interest Rate

In accordance with federal rules and regulations, the State Water Board continued to provide extended term financing (ETF) in the form of 30-year loan repayment terms to funding applicants that served disadvantaged communities. In SFY 2016-17, seven (7) projects received approximately \$160,201,379 in ETF as shown in Exhibit G ([page 51](#)).

ETF for disadvantaged communities has historically proven to be more manageable financing for funding recipients than twenty-year financing. Providing ETF for disadvantaged communities has not jeopardized the financial strength of the DWSRF program, but instead has led to an increased demand for funding. This has provided a steadier flow of funds returning to the program. Such demand has been critical in the State Water Board's reduction of historical ULOs.

Prior to 2015, state law permitted zero percent (0%) interest rate loans from the DWSRF if the funding applicant served a disadvantaged community, regardless of the water system size. In 2015, the California Legislature directed the State Water Board to provide zero percent (0%) interest rate financing if the funding recipient served a disadvantaged community with financial hardship. The State Water Board's DWSRF Policy defines financial hardship to mean the funding applicant is a small water system with high residential water rates. In its IUPs beginning in SFY 2015-16, to ensure the long-term financial growth of the fund while considering the financial limitations of certain public water system types, the State Water Board has limited zero percent (0%) interest rate financing to small water systems serving disadvantaged communities.

5. DWSRF Credit Risk

Each funding recipient must pledge or dedicate one or more sources of revenue toward the payment of its DWSRF financing. For publicly owned entities, dedicated sources of revenue are generally water rate revenues, but may also be any number of revenue sources, special tax pledges, or other pledgeable income. For privately owned entities, the dedicated source of repayment is generally a Uniform Commercial

Code (UCC)-1 security interest by the State Water Board on all of the entity's water revenue accounts.

In SFY 2016-17, the DWSRF program did not restructure any commitments due to a recipient's inability to make payment on its DWSRF financing. The drought's potential impacts on revenue streams of loan recipients due to water conservation measures did not result in any requests for loan restructuring or warnings about potential delays or defaults in payment.

In SFY 2016-17, there was no allowance for uncollectible accounts as all repayments remained current and all repayable financings were anticipated to be repaid in accordance with the financing terms. As in prior years, there were no repayment defaults in the DWSRF program and State Water Board staff continues to work diligently to ensure that funding agreements were secure and all payments were made on time and in full. Staff efforts included using a variety of analysis and monitoring measures to reduce the possibility of non-payment and continually evaluating additional steps to ensure full and timely payments.





Drinking Water

IV. PUBLIC HEALTH BENEFITS

The contributions of the DWSRF program to water quality are diverse. The program has the strength and versatility to address a wide range of water quality issues. To the maximum extent possible, in SFY 2016-17, priority was given to projects that addressed the most serious risks to human health, were necessary to ensure compliance with SDWA requirements, and assisted water systems in need the most on a per household basis. Projects were ranked by categories below:

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

The information below summarizes the public health benefits from DWSRF projects funded. The data supporting this summary was reported to the USEPA through the DWSRF Project Benefits Reporting (PBR) database.

A. Projects in SFY 2016-17 Will Help Achieve and Maintain SDWA Goals

1. There were 31 projects funded by the DWSRF program.
2. 1,736,859 people reside within the boundaries of the projects funded.
3. \$65,253,735 in principal forgiveness was provided to these projects.
4. Projects funded by the DWSRF program fall into the categories noted earlier, as defined in the DWSRF Policy, Section V.C. The projects funded and their categories were as follows:

Public Health Category	Description	Number of Projects
Category A:	Immediate Health Risk	3
Category B:	Untreated or At-Risk Sources	6
Category C:	Compliance or Shortage Problems	10
Category D:	Inadequate Reliability	3
Category E:	Secondary Risks	3
Category F:	Other Projects	6



B. DWSRF Projects Achieve Multiple Benefits

DWSRF projects provide benefits to water system improvement projects in many different ways. **Figure 4** and **Figure 5** show the many benefits commonly provided by DWSRF projects.

Figure 4
Water System Improvements
(Project Type by Cost)

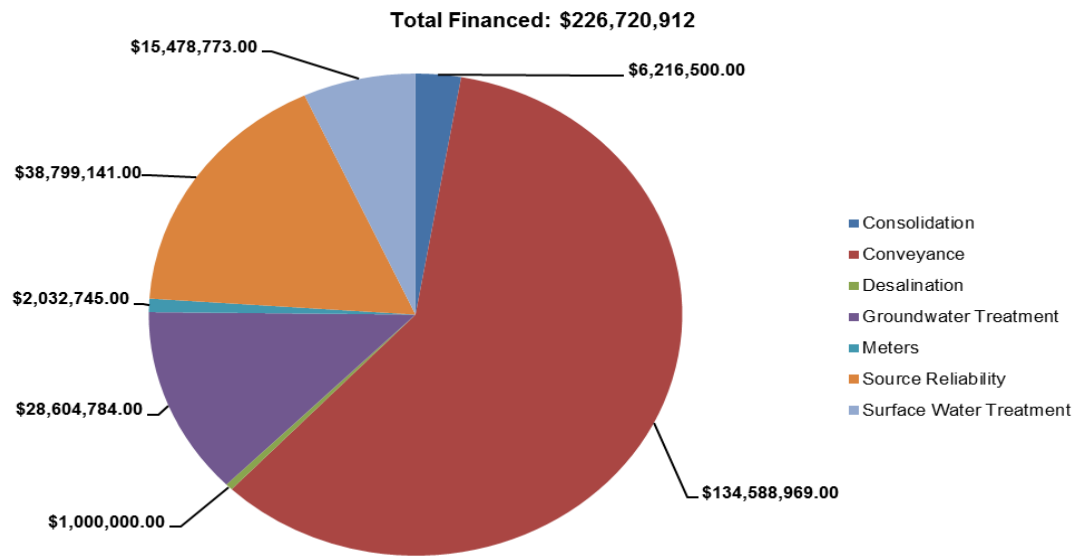
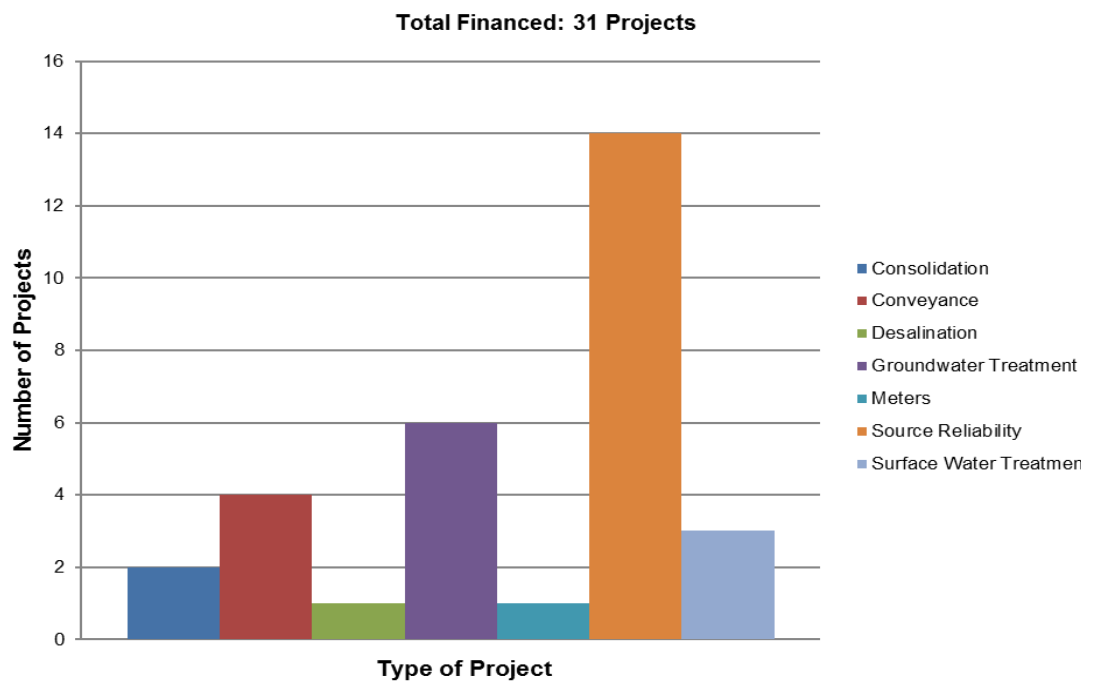
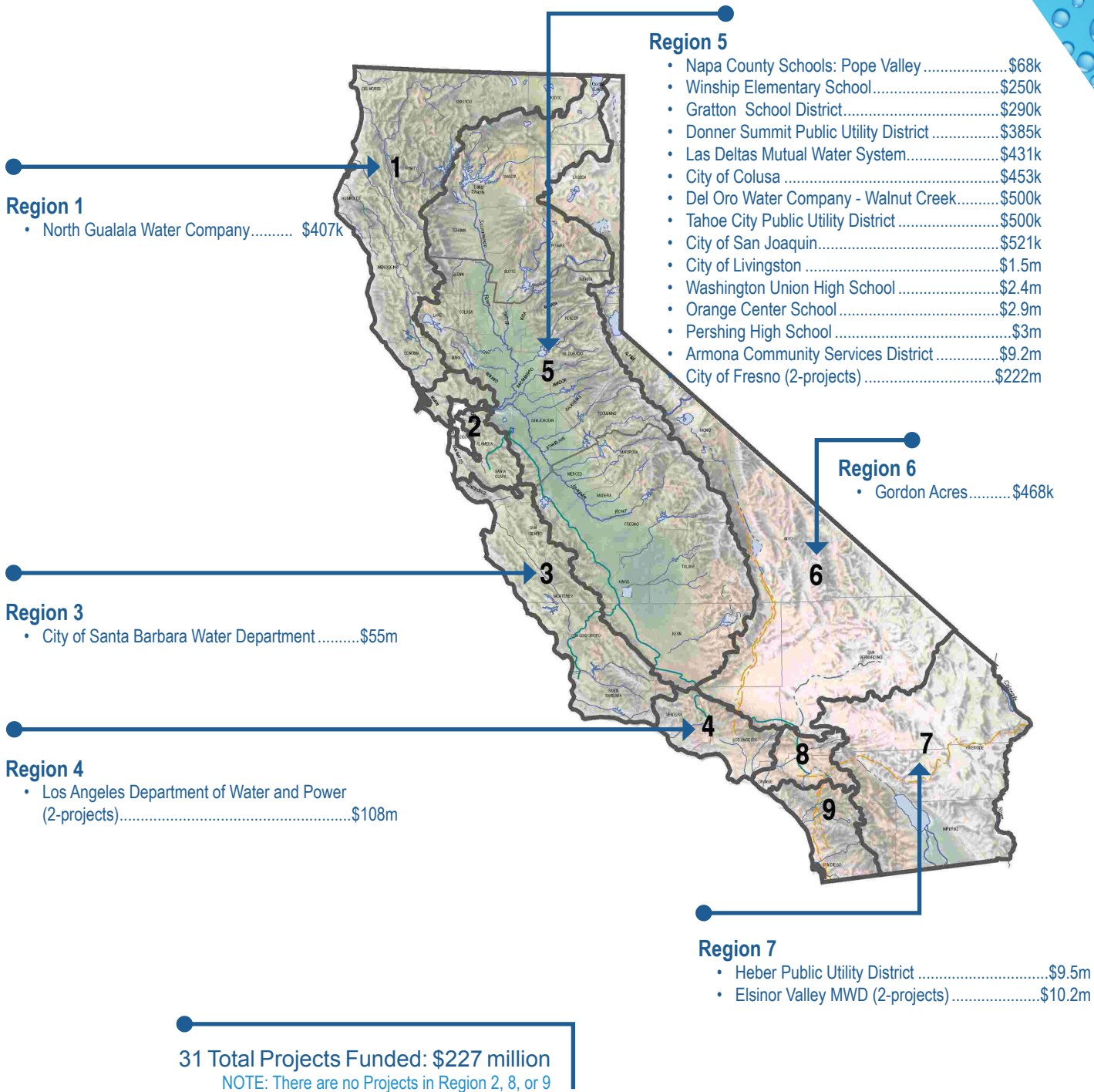


Figure 5
Water System Improvements



C. Highlights of Projects Funded by DWSRF in SFY 2016-17





Drinking Water

V. ADMINISTRATIVE AND PROGRAMMATIC UPDATES

A. Performance Evaluation Report

On June 28, 2017, the USEPA presented the State Water Board a combined Program Evaluation Report (PER) for the CWSRF and DWSRF programs for SFY 2015-16. The PER addressed California's performance and compliance with the requirements of the base program activities of the DWSRF, and USEPA made observations and provided recommendations for follow up actions related to the elements listed below

1. Required Program Elements

- (a) Funding Eligibility
- (b) Compliance with Federal Requirements and Grant Conditions: i.e., Cross-Cutting Authorities, American Iron and Steel, Davis Bacon, Additional Subsidy, and Green Projects and Reporting
- (c) Set-aside Activity
- (d) Status of Corrective Action Plan

2. Required Financial Elements

- (a) Rules of Cash Draw (including improper payments)
- (b) Timely and Expeditious Use of Funds

Regarding Funding Eligibility, USEPA acknowledged the State Water Board's intention to begin offering ETF to non-disadvantaged communities. USEPA waived its requirement to demonstrate, through a 5 year/10% decrease analysis, that future lending capacity would not be significantly impacted. USEPA's waiver

of this requirement was conditioned on the following:

1. The State Water Board's Intended Use Plans must include five-year prospective impact analyses resulting from proposed ETF amounts in that SFY.
2. The proposed annualized ETF amounts and resulting fiscal impact must be made available publicly as part of the State Water Board's consideration of future DWSRF Intended Use Plans.
3. USEPA must be notified and provided the opportunity to review the proposed ETF amounts and the resulting fiscal impact and provide comments/concerns as part of the State Water Board's consideration and adoption of future DWSRF Intended Use Plans.
4. The State Water Board must include in its annual DWSRF reports to USEPA the actual amounts of ETF provided and the resulting fiscal impact on the DWSRF.

In related discussions, USEPA acknowledged the State Water Board's use of non-loan financing instruments as part of its ETF program, including bonds and installment sale agreements.

Regarding Compliance with Federal Requirements and Grant Conditions, specifically the PBR, USEPA noted that it had found no missing data in critical fields of the PBR, but it found several inconsistencies between the project information reported in the California DWSRF Annual Report versus the PBR. USEPA asked the State Water Board to review and correct the non-critical

field inconsistencies within the PBR by September 30, 2017, and the State Water Board did so.

Regarding Set-aside Activity, specifically DWSRF Withholding Determinations, USEPA indicated that the State Water Board's Operator Certification and Capacity Development programs met the intent of the Safe Drinking Water Act and made incremental improvements to meet community needs. USEPA expressed concern with regard to the timeliness of submission and thoroughness of content of the annual and triennial reports for those programs. USEPA recommended that the State Water Board prioritize the development and submission of complete reports in a timely manner (i.e. by August 15 of each year) to allow USEPA sufficient review time to help ensure full award of the DWSRF capitalization grant. The State Water Board is working towards prioritizing the development and submission of the annual and triennial reports. The development of each report requires coordination between DDW and DFA. Both Divisions are working towards meeting USEPA's recommendation.

Additionally, with respect to coordination between the DWSRF and PWSS programs regarding the Capacity Development program and Operator Certification program, USEPA observed that communication and coordination challenges had developed as a result of Capacity Development and Operator Certification programs having been separated from the PWSS program and placed with DFA. USEPA noted the State Water Board's request to postpone revising the Capacity Development Strategy to allow the reorganized program to settle in at the State Water Board and to see any potential effects of pending legislation. USEPA recommended that the State Water Board revise its Capacity Development Strategy by December 30, 2017, to reflect any changes to the capacity development

program implemented in recent years. USEPA suggested that updating the strategy might ease the effort needed to improve the capacity development annual report.

Regarding the Corrective Action Plan, USEPA noted that it had sent a letter to the State Water Board on May 17, 2016, finding that the DWSRF had returned to compliance with the financial requirements, officially closing the Corrective Action Plan.

USEPA will continue to meet with the State Water Board periodically to discuss financial performance requirements as well as other aspects with regard to the implementation of the DWSRF.

Regarding Rules of Cash Draw and Improper Payments, USEPA tested eleven (11) California DWSRF cash transactions selected through statistical sampling. Of these, one transaction contained an improper payment of \$0.30 due to the State Water Board miscalculating and underpaying a claim to the Los Angeles Department of Water and Power (LADWP). On May 9, 2017, the State Water Board notified USEPA that it had disbursed the full amount to LADWP.

Regarding Timely and Expeditious Use, USEPA noted that its DWSRF ULO strategy requires the full liquidation of capitalization grants within two years of award. USEPA can grant a one-year liquidation extension to states, upon request. The State Water Board requested and USEPA granted an extension to September 30, 2017, with regard to the 2014 DWSRF Capitalization Grant, FS-98934914. On June 5, 2017, the State Water Board fully liquidated the 2014 DWSRF Capitalization Grant and notified USEPA shortly thereafter as required.

B. Comprehensive List

The Comprehensive List identified projects potentially eligible for funding assistance from the DWSRF program. As DFA received applications, it assigned each project a category from Section V.C.1 of the DWSRF Policy, then recommended that the Executive Director of the State Water Board, in consultation with DDW, either add the project to the Comprehensive List or update an existing project. The Executive Director updated the Comprehensive List four times.

C. Fundable List and Project Bypass

There were 70 projects identified on the fundable list of projects in the SFY 2016-17 IUP, detailed in Exhibit H (page 52). Of these 70 projects, 37 were planning and 33 were construction projects. The DWSRF program awarded funding to 10 planning projects and 21 construction projects. Prop 1 Drinking Water funds were awarded to 62 projects. The remaining projects' status is noted in Exhibit D (page

46). Several of the projects not funded in SFY 2016-17 are anticipated to be funded in SFY 2017-18.

D. Marketing Updates

State Water Board staff participated in six California Financing Coordinating Committee (CFCC) funding fairs during SFY 2016-17. 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 DWSRF Program. These conferences included the League of California Cities 2017 Annual Conference; California Rural Water Association 2017 Expo; 2017 WaterReuse California Annual Conference; California-Nevada Section American Water Works Association 2017 Spring Conference; Urban Water Institute, Inc. 2017 Annual Conference; California Special Districts Association 2017 Annual



Conference; and the Association of California Water Agencies 2017 Spring Conference.

E. Technical Assistance Updates

The DWSRF program budgeted two percent (2%) of the 2016 Capitalization Grant along with prior year capitalization grants for SWSTA. SWSTA focuses on small water systems. Its primary goals are to reduce the instances of non-compliance with drinking water standards and requirements, establish and assure safe and dependable water supplies, improve operational capability, and establish or improve the TMF capacity of small water systems.

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

The budgeting and expenditures of the SWSTA set-aside as of June 30, 2017 are shown in Exhibit I ([page 57](#)).

F. Prop 1 Drinking Water Update

The State Water Board and DFA continued to implement and award funding to

planning and construction projects using DWSRF and Prop 1 Drinking Water funds. Due to extensive coordination between funding sources, \$227 million of DWSRF funding was awarded to 31 planning and construction projects, of which \$89.1 million were actually Prop 1 Drinking Water funds serving as state match for the DWSRF program. \$50.8 million of Prop 1 Drinking Water funds were also awarded to 50 planning and construction projects separately from the DWSRF. In addition, \$25.9 million was awarded to 12 Drinking Water technical assistance projects. Exhibit J ([page 61](#)) lists the 62 projects funded exclusively by Prop 1 Drinking Water in SFY 2016-17. In total, Prop 1 Drinking Water awarded \$165.8 million to PWS serving small, disadvantaged communities. The State Water Board's co-management of DWSRF and Prop 1 Drinking Water funds further enabled California to capitalize and maximize state match for the DWSRF while simultaneously providing financial benefits to California's PWSs, especially those PWSs serving small, disadvantaged communities. The tremendous amount of funding provided through the DWSRF in SFY 2016-17 has also enabled the State Water Board to maintain a low and acceptable federal ULO balance for the near future.

G. Consolidation Incentive Program

The Consolidation Incentive Program, as described in the SFY 2016-2017 IUP, did not receive requests during SFY 2016-17, but was revised to draw potential projects. In June 2017, the State Water Board adopted the SFY 2017-2018 IUP, which increased the zero percent consolidation incentive program from up to \$5 million to up to \$10 million. Zero percent (0%) interest rate financing may be awarded for an eligible construction project (incentive project) that benefits an eligible PWS, if such a PWS completes

a full consolidation with a water system serving a small disadvantaged or small severely disadvantaged community.

H. LEFA Program

The Legal Entity Formation Assistance (LEFA) program was established as a pilot program, which provided grant funding to assist communities not currently served domestic water from an existing community water system, and public water systems not eligible for DWSRF funding due to the lack of an eligible entity. These communities and systems also have domestic water sources with a water quality or quantity public health problem. The purpose of the LEFA program was to provide financial assistance for the formation of a legal entity for such communities, which would have among other things, the authority to own and/or operate a public water system, assess rates and charges for domestic water supply, or have the authority to consolidate with an existing public water system. Once an appropriate governing entity was identified and/or formed as applicable, that governing entity would be able to apply for planning or construction funding.

Of the 21 LEFA applications received, 15 financing agreements were executed, one

(1) applicant withdrew, and five (5) did not result in projects that could be financed by the State Water Board, as shown in Exhibit K (page 64). All funded projects were completed as of June 30, 2017. Not all funded projects resulted in the formation of a governing entity primarily due to the lack of community support.

I. DWSRF Source Water Protection Program

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

Funding for the SWP program provides loans to public water systems for the purchase of land or conservation easements. A public water system may only purchase land or a conservation easement from a willing party. The purchase must be for the purposes of protecting the system's source water and ensuring compliance with national drinking water regulations. The DWSRF program evaluated all projects using the priority system described within the IUP in effect at the time such SWP loans were awarded.

As of SFY 2016-17, the program had set aside a total of \$24,889,390 from the



LEFA Project - Okieville - 2 Tanks as 2 Owners Occupied Homes on Property Where Wells Were Dry

2000-2005 Capitalization Grants for this program, but, due to lack of demand from public water systems, subsequent federal grant amendments returned \$22,889,390 from the 2000-2005 Capitalization Grants

to the DWSRF infrastructure loan fund. As shown in **Table 4**, \$2,000,000 has been committed and expended for SWP loans.

Table 4: Source Water Protection Loan Set-Asides

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



VI. SET-ASIDES

The DWSRF program used a percentage of each federal capitalization grant as “set-asides” in SFY 2016-17 to fund the administration of the DWSRF program as well as other activities critical to the success of the program. The set-aside accounts included DWSRF Administration, SWSTA, State Program Management, and Local Assistance Special Programs. These set-asides aided in either administering the DWSRF program or providing funding and other technical assistance to PWSs. The State Water Board budgeted 26 percent (26%) of the 2016 Capitalization Grant for all four (4) set-asides, totaling \$20,335,900. As of June 30, 2017, the State Water Board had expended \$9,779,051 of the funds budgeted for set-aside activities from the 2016 Capitalization Grant. It is anticipated, that the remaining balance of the 2016 Capitalization Grant set-aside funds will be liquidated no later than SFY 2018-19.

A. Administration Set-Aside

The State Water Board budgeted four percent (4%) of the 2016 Capitalization Grant, totaling \$3,128,600, along with prior years’ DWSRF Administration set-aside funds in SFY 2016-17 for the management of the DWSRF program by DFA, DAS, Division of Information Technology (DIT), and the Office of Chief Counsel. The State Water Board expended \$2,115,728 from the Administration set-aside under the 2016 Capitalization Grant. The DWSRF Administration set-aside funded technical and administrative personnel within DFA who prepared construction and planning approvals and agreements, inspected and evaluated projects, and processed claims for reimbursement. The Administration set-aside also funded personnel activities associated with various project tracking and reporting required by USEPA as well as other state and federal agencies. The Administration set-aside also funded legal activities within the State Water Board’s Office of Chief Counsel relating to the review of agreements and legal advising on a variety of programmatic issues including the IUP, revenue bond requirements, and implementation of various State and federal requirements. Finally, the DWSRF Administration set-aside funded through indirect expenditure a variety of administrative support from

DAS and DIT, including accounting and budget office support as well IT support.

A portion of the Administration set-aside also funded state procurement contracts with other entities, such as the accounting firm CliftonLarsonAllen. In SFY 2016-17, CliftonLarsonAllen completed the federal single-audit of the DWSRF program for SFY 2015-16 and produced audited financials for the DWSRF program and are included as Exhibit L ([page 65](#)).

The budgeting and expenditures of the DWSRF Administration set-aside, as of June 30, 2017, are shown in Exhibit I ([page 57](#)).

B. Small Water System Technical Assistance (SWSTA) Set-Aside

The State Water Board budgeted two percent (2%) of the 2016 Capitalization Grant, totaling \$1,564,300, along with prior year SWSTA set-aside funds in SFY 2016-17. The State Water Board expended \$146,627 from the SWSTA set-aside under the 2016 Capitalization Grant. The SWSTA set-aside funded DFA staff and their technical assistance provided to small water systems. The primary goal of DFA’s small water system technical assistance is to assist small water systems to become eligible for

DWSRF financing to reduce the instances of non-compliance with drinking water standards and requirements; establish and assure safe and dependable water supplies; improve operational capability, and establish or improve their TMF capacities.

The SWSTA set-aside funded technical and administrative staff within DFA and their technical assistance to small water systems. Assistance by staff included helping small water systems identify drinking water problems and potential solutions, assisting in the preparation of funding applications, reviewing TMF assessments, and evaluating potential funding eligibility. Staff also helped resolve ownership issues, right-of-way disputes, as well as interceded and mediated with adjacent water systems regarding potential water interties and consolidation projects. The SWSTA also enabled DFA technical and administrative staff to assist third-party technical assistance providers and their suite of tasks further described below.

The budgeting and expenditures of the SWSTA Set-Aside as of June 30, 2017, are shown in Exhibit I ([page 57](#)).

C. Local Assistance Set-Aside

The State Water Board budgeted ten percent (10%) of the 2016 Capitalization Grant, along with prior year Capitalization Grants in SFY 2016-17, for technical assistance to public water systems to support the State Water Board's TMF Capacity Development Strategy. The State Water Board expended \$885,568 from the Local Assistance set-aside under the 2016 Capitalization Grant. It is anticipated that the remaining balance of the 2016 Local Assistance set-aside will be liquidated over the next couple of years, especially since such funds will be made available to DDW for their technical

assistance to PWS in support of the State Water Board's Capacity Development Strategy.

A majority of the Local Assistance set-aside funds were expended for third-party technical assistance contracts with CRWA, RCAC, SHE, and California-Nevada chapter of the American Water Works Association (AWWA). CRWA, RCAC and SHE provided on-site technical assistance, including income surveys, water rate studies, and DWSRF application development as well as provided or participated in a variety of online and onsite workshops, symposiums and fairs, which benefited over 2,200 public water systems in SFY 2016-17. CRWA, RCAC, and SHE also provided TMF assistance in SFY 2016-17, including mutual water company board training, public water system operation training, and water system ownership research. The California-Nevada chapter of AWWA provided technical assistance in the validation water audits for urban water suppliers in support of the State Water Board's Capacity Development Strategy.

In addition, RCAC developed and conducted statewide onsite and online training workshops that focused on building the TMF capacity of public water systems. In SFY 2016-17, RCAC held two CalTAP funding fairs. The fairs provided information on free services and materials available to the water systems and included two water symposiums that focused on water system components (source to tap) and distribution system operation and maintenance. The CalTAP fairs averaged 59 attendees and the symposia averaged 32 attendees. In addition to the funding fairs, RCAC held 46 onsite and 82 online workshops. Board members, water system staff, and operators from more than 1,922 individual water systems participated in the training events. RCAC utilized feedback from training and workshop attendees to

improve its organizations effectiveness in communicating with the public and ability to provide helpful information.

The remaining expenditures of Local Assistance set-aside in SFY 2016-17 were for technical and administrative staff within DFA and their efforts to provide assistance to public water systems in support of the State Water Board's TMF Capacity Development Strategy. DFA staff oversaw and engaged third-party technical assistance contractors on the activities described above, as well as assisted funding applicants in achieving the TMF capacity necessary to be eligible for DWSRF funding; advised and reviewed proposed water system consolidations and interties; assisted and mediated in legal entity formation and water system ownership issues; and reviewed water rate studies.

The budgeting and expenditures of the DWSRF Local Assistance set-aside, as of June 30, 2017, are shown in Exhibit I (page 57).

D. State Program Management Set-Aside

The State Water Board budgeted ten percent (10%) of the 2016 Capitalization Grant, along with prior year Capitalization Grants, for the State Program Management set-aside in SFY 2016-17. The State Water Board expended \$6,631,127 from the State Program Management set-aside under the 2016 Capitalization Grant. This set-aside funded DDW's PWSS regulatory program. In SFY 2016-17, the State Program Management set-aside subsidized a pro-rated portion of DDW's permitting, inspection, compliance, monitoring (PICM) activities as well as the general administration activities of DDW with the PWSS grant and California's safe drinking water cost-recovery account.

In general, DDW staff conducted inspections and surveys of both large

and small water systems, evaluated treatment and infrastructure improvement needs, reviewed plans and specifications in relation to and for conformance with treatment requirements, and assisted public water systems with state and federal drinking water compliance issues. The State Program Management set-aside funds were used to enhance emergency preparedness and terrorism/disaster response preparedness of the PWSS program as well as California's public water systems. The DWSRF program also utilized this set-aside to enhance and manage its data reporting mechanisms, including the Safe Drinking



Water Information System (SDWIS). The TMF capacity development activities inherent within the PICM activities of DDW were partially funded by the set-aside as well.

The budgeting and expenditures of the State Program Management set-aside as of June 30, 2017, are shown in Exhibit I (page 57).



Drinking Water

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noun

an abbreviation formed from the initial letters of other words and pronounced as a word (e.g., DWSRF, SWRCB).

ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application of Payments
AWWA	American Water Works Association
CalTap	California Technical Assistance Provider
CDPH	California Department of Public Health
CRWA	California Rural Water Association
CWSRF	Clean Water State Revolving Fund
DAS	Division of Administrative Services
DBE	Disadvantaged Business Enterprise
DDW	Division of Drinking Water
DFA	Division of Financial Assistance
DIT	Division of Information Technology
DWSRF	Drinking Water State Revolving Fund
ETF	Extended Term Financing
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FSRS	Federal Funding Accountability and Transparency Act Subaward Reporting System
IUP	Intended Use Plan
LEFA	Legal Entity Formation Assistance
LGTS	Loans and Grants Tracking System
MBE	Minority Owned Business Enterprise
OMB	Office of Management and Budget
OSWS	Office of Sustainable Water Solutions
PBR	Project Benefits Reporting Database
PICM	Permitting, Inspection, Compliance, Monitoring
PWS	Public Water Systems
PWSS	Public Water System Supervision
RCAC	Rural Community Assistance Corporation
SCO	State Controller's Office
SERP	State Environmental Review Process
SDWA	Safe Drinking Water Act
SFY	State Fiscal Year
SHE	Self-Help Enterprises
SWP	Source Water Protection
SWS	Small Water System
SWSTA	Small Water System Technical Assistance
TMF	Technical, Managerial, Financial
ULO	Unliquidated Obligation
USEPA	United States Environmental Protection Agency
WBE	Women Owned Business Enterprise

The background of the entire page is a collage of various US dollar bills, including \$100, \$50, and \$20 bills, arranged in a layered, overlapping fashion. The bills are slightly faded and have a soft, ethereal quality.

**DRINKING WATER
STATE REVOLVING FUND**

**BELOW-MARKET FINANCING
FOR SAFE DRINKING WATER**

**BE THE
SOLUTION**

VIII. EXHIBITS

Exhibit A	Small Water Systems Funding in SFY 16-17
Exhibit B	Green and Additional Subsidy Projects Funded in SFY 16-17
Exhibit C	Projects Funded by Public Health Needs Categories in SFY 16-17
Exhibit D	Projects Not Funded in SFY 16-17
Exhibit E	Disadvantaged Business Enterprise Report for SFY 16-17
Exhibit F	Projects Reported to FFATA for FFY 2016 Grant
Exhibit G	Extended Term Financing Projects in SFY 16-17
Exhibit H	SFY 16-17 DWSRF Fundable List Update
Exhibit I	Cumulative DWSRF Set-Aside Expenditures
Exhibit J	Projects Funded by Prop 1 Drinking Water in SFY 16-17
Exhibit K	Cumulative LEFA Projects
Exhibit L	SFY 2016-17 Audited Financial Statements



EXHIBIT A: SMALL WATER SYSTEMS FUNDING IN SFY 16-17

Funding Recipient	Project Number	Principal Forgiveness	Loan	Total SRF Funding	FA Execution Date	Financial Status
Amador Water Agency	0310012-006C	\$2,761,773.00		\$2,761,773.00	10/26/2016	Disadvantaged
Amador Water Agency	0310012-003C	\$1,933,403.00		\$1,933,403.00	10/26/2016	Disadvantaged
Donner Summit Public Utility District	2910016-003C	\$2,173,600.00	\$543,400.00	\$2,717,000.00	7/1/2016	Disadvantaged
Eastern Municipal Water District	3310009-067C	\$2,986,500.00		\$2,986,500.00	7/12/2016	Severely Disadvantaged
Georgetown Divide Public Utility District	0910013-005C		\$10,000,000.00	\$10,000,000.00	12/2/2016	Not Disadvantaged
City of Hughson	5010008-011C	\$5,000,000.00	\$3,327,753.00	\$8,327,753.00	4/24/2017	Disadvantaged
Jackson Valley Irrigation District	0300037-002C	\$9,600,000.00		\$9,600,000.00	5/3/2017	Disadvantaged
City of Kerman	1000248-002C	\$3,230,000.00		\$3,230,000.00	7/11/2016	Severely Disadvantaged
Keyes Community Service District	5010009-003C	\$10,349,941.00	\$3,489,243.00	\$13,839,184.00	2/17/2017	Disadvantaged
Lanare Community Services District	1000053-004C	\$3,580,000.00		\$3,580,000.00	8/25/2016	Severely Disadvantaged
Palo Verde County Water District	1300616-001C	\$1,248,022.00		\$1,248,022.00	3/14/2017	Severely Disadvantaged
Pioneer Union School District	0900309-001C	\$355,000.00		\$355,000.00	7/6/2016	Severely Disadvantaged
Pleasant Valley Joint Union Elementary School District	4000774-001C	\$999,480.00		\$999,480.00	6/7/2017	Severely Disadvantaged
City of Rio Dell	1210012-007C	\$665,876.00		\$665,876.00	10/21/2016	Disadvantaged
Sanger Unified School District	1000112-002C	\$2,033,300.00		\$2,033,300.00	12/2/2016	Severely Disadvantaged
Shasta Community Services District	4510013-004C	\$4,292,840.00		\$4,292,840.00	5/25/2017	Disadvantaged
South Tahoe Public Utility District	0910002-010C		\$2,032,745.00	\$2,032,745.00	8/16/2016	Disadvantaged
Department of Water Resources	5410010-017C	\$13,300,000.00		\$13,300,000.00	5/16/2017	Severely Disadvantaged
Antelope Elementary School District	5200506-001P2	\$242,400.00		\$242,400.00	11/18/2016	Disadvantaged
Center Water Company	3600070-003P	\$600.00		\$600.00	12/2/2016	Severely Disadvantaged
City of Escalon	3910003-001P		\$450,000.00	\$450,000.00	6/15/2017	Not Disadvantaged
Joshua Basin Water District	3610025-001P		\$1,516,000.00	\$1,516,000.00	1/18/2017	Disadvantaged
Paskenta Community Services District	5200534-003P	\$500,000.00		\$500,000.00	7/6/2016	Severely Disadvantaged
Warner Unified School District	3701010-003P	\$1,000.00		\$1,000.00	2/17/2017	Severely Disadvantaged

EXHIBIT B: GREEN and ADDITIONAL SUBSIDY PROJECTS FUNDED IN SFY 16-17

Green Projects Funded						
Funding Recipient	Project Number	Principal Forgiveness	Loan	Total SRF Funding	FA Execution Date	Status
South Tahoe Public Utility District	0910002-010C	\$0	\$2,032,745	\$2,032,745	8/16/2016	Disadvantaged
Additional Subsidy Projects Funded						
Amador Water Agency	0310021-003C	\$1,933,403	\$0	\$1,933,403	10/26/2016	Disadvantaged
Eastern Municipal Water District	3310009-067C	\$2,986,500	\$0	\$2,986,500	7/12/2016	Severely Disadvantaged
Department of Water Resources	5410010-017C	\$13,300,000	\$0	\$13,300,000	5/16/2017	Severely Disadvantaged
Antelope Elementary School District	5200506-001P2	\$242,400	\$0	\$242,400	11/18/2016	Disadvantaged
Donner Summit Public Utility District	2910016-003C	\$2,173,600	\$543,400	\$2,717,000	7/1/2016	Disadvantaged
Jackson Valley Irrigation District	0300037-002C	\$9,600,000	\$0	\$9,600,000	5/3/2017	Disadvantaged
Palo Verde County Water District	1300616-001C	\$1,248,022	\$0	\$1,248,022	3/14/2017	Severely Disadvantaged
Paskenta Community Services District	5200534-003P	\$500,000	\$0	\$500,000	7/6/2016	Severely Disadvantaged
Amador Water Agency	0310012-006C	\$2,761,773	\$0	\$2,761,773	10/26/2016	Disadvantaged
City of Hughson	5010008-011C	\$5,000,000	\$3,327,753	\$8,327,753	4/24/2017	Disadvantaged
City of Kerman	1000248-002C	\$3,230,000	\$0	\$3,230,000	7/11/2016	Severely Disadvantaged
Keyes Community	5010009-003C	\$10,349,941	\$3,489,243	\$13,839,184	2/17/2017	Disadvantaged
Pleasant Valley Joint Union Elementary School District	4000774-001C	\$999,480	\$0	\$999,480	6/7/2017	Severely Disadvantaged
Sanger Unified School District	1000112-002C	\$2,033,300	\$0	\$2,033,300	12/2/2016	Severely Disadvantaged
Warner Unified School District	3701010-003P	\$1,000	\$0	\$1,000	2/17/2017	Severely Disadvantaged
Center Water Company	3600070-003P	\$600	\$0	\$600	12/2/2016	Severely Disadvantaged
Lanare Community Services District	1000053-004C	\$3,580,000	\$0	\$3,580,000	8/25/2016	Severely Disadvantaged
Pioneer Union School District	0900309-001C	\$355,000	\$0	\$355,000	7/6/2016	Severely Disadvantaged
City of Rio Dell	1210012-001C	\$665,876	\$0	\$665,876	10/21/2016	Disadvantaged
Shasta Community Services District	4510013-004C	\$4,292,840	\$0	\$4,292,840	5/25/2017	Disadvantaged

EXHIBIT C: PROJECTS FUNDED BY PUBLIC HEALTH NEEDS CATEGORIES IN SFY 16-17

Funding Recipient	Project Name	Category	Population	Connectors	Initial Funding Date	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Status
Amador Water Agency	Lake Gamanche Water System Compliance Project	A	2,416	732	10/26/2016	\$1,933,403	\$0	\$1,933,403	Disadvantaged
Eastern Municipal Water District	County Water Company, Consolidation with Eastern MWD	A	375,100	0	7/12/2016	\$2,986,500	\$0	\$2,986,500	Severely Disadvantaged
Water Resources, Department of	The East Porterville Water Supply Construction Project	A	7,000	1,800	5/16/2017	\$13,300,000	\$0	\$13,300,000	Severely Disadvantaged
Antelope Elementary School District	Plum Valley School SRF Planning Project	B	70	1	11/18/2016	\$242,400	\$0	\$242,400	Disadvantaged
Donner Summit Public Utility District	Donner Summit PUD Water Treatment Plant Improvement	B	350	275	7/1/2016	\$2,173,600	\$543,400	\$2,717,000	Disadvantaged
Georgetown Divide Public Utility District	Auburn Lake Trails Water Treatment Plant Upgrade	B	9,018	3,568	12/2/2016	\$0	\$10,000,000	\$10,000,000	Not Disadvantaged
Jackson Valley Irrigation District	Treated Water Project, Phase 2	B	1126	402	5/3/2017	\$9,600,000	\$0	\$9,600,000	Disadvantaged
Palo Verde County Water District	Palo Verde County Water District Improvement Project	B	410	133	3/14/2017	\$1,248,022	\$0	\$1,248,022	Severely Disadvantaged
Paskenta Community Services District	Long Term Source Reliability Study	B	120	72	7/6/2016	\$500,000	\$0	\$500,000	Severely Disadvantaged
Amador Water Agency	Disinfection Byproduct Compliance/ Backwash Water Reuse Project	C	8,232	3,520	10/26/2016	\$2,761,773	\$0	\$2,761,773	Disadvantaged
City of Coachella	Hexavalent Chromium Treatment Planning	C	43917	8036	6/15/2017	\$0	\$3,337,367	\$3,337,367	Disadvantaged
Hughson, City of	Well No. 7 Well Replacement and Arsenic Treatment	C	6082	2010	4/24/2017	\$5,000,000	\$3,327,753	\$8,327,753	Disadvantaged
Joshua Basin Water District	Chromium VI Remediation	C	9,514	4,422	1/18/2017	\$0	\$1,516,000	\$1,516,000	Disadvantaged
City of Kernan	Double L Mobile Ranch Park consolidation with City of Kernan	C	80	37	7/1/2016	\$3,230,000	\$0	\$3,230,000	Severely Disadvantaged
Keyes Community	Regional Benefit Arsenic Mitigation Project	C	4900	1520	2/17/2017	\$10,349,941	\$3,489,243	\$13,839,184	Disadvantaged
Pleasant Valley Joint Union Elementary School District	Repair, Replace and Modernize the Pleasant Valley School Water Supply	C	175	2	6/7/2017	\$999,480	\$0	\$999,480	Severely Disadvantaged
Sanger Unified School District	Fairmont School Safe Drinking Water Project	C	483	217	12/2/2016	\$2,033,300	\$0	\$2,033,300	Severely Disadvantaged
Warner Unified School District	Arsenic MCL Violation Planning Study	C	250	14	2/17/2017	\$1,000	\$0	\$1,000	Severely Disadvantaged

EXHIBIT C: PROJECTS FUNDED BY PUBLIC HEALTH NEEDS CATEGORIES IN SFY 16-17 (continued)

Funding Recipient	Project Name	Category	Population	Connections	Initial Funding Date	Principal Forgiveness Amount	Loan Amount	Total Amount Financed	Status
City of Watsonville	Hexavalent Chromium Well Treatment Project	C	66,000	14,774	12/30/2016	\$0	\$2,100,000	\$2,100,000	Disadvantaged
Center Water Company	Center Water Company Wells, Storage, and Infrastructure Project	D	65	0	12/2/2016	\$600	\$0	\$600	Severely Disadvantaged
Paradise Irrigation District	Reservoir B Replacement	D	26299	10079	12/16/2016	\$0	\$500,000	\$500,000	Disadvantaged
South Tahoe Public Utility District	Water Meter Installation - Phase 2	D	3805	14024	8/16/2016	\$0	\$2,032,745	\$2,032,745	Disadvantaged
Lanare Community Services District	Distribution System Replacement	E	589	153	8/25/2016	\$3,580,000	\$0	\$3,580,000	Severely Disadvantaged
Pioneer Union School District	Mountain Creek School Water Tank Replacement	E	150	10	7/6/2016	\$355,000	\$0	\$355,000	Severely Disadvantaged
City of Rio Dell	Metropolitan Wells Development	E	3,377	1,213	10/21/2016	\$665,876	\$0	\$665,876	Disadvantaged
City of Antioch	Brackish Water Desalination Project	F	103,833	31,274	2/13/2017	\$0	\$1,000,000	\$1,000,000	Not Disadvantaged
City of Escalon	Well No. 1 Improvement Project	F	7,523	2,492	6/15/2017	\$0	\$450,000	\$450,000	Not Disadvantaged
City of Fresno	Fresno Priority 2 Regional Transmission Mains	F	514,090	111,014	1/31/2017	\$0	\$63,100,000	\$63,100,000	Disadvantaged
City of Fresno	Kings River Pipeline	F	514,090	111,014	7/19/2016	\$0	\$65,875,669	\$65,875,669	Disadvantaged
Shasta Community Services District	Shasta CSD Tanks/Pump Stations Replacement Project	F	2,500	722	5/25/2017	\$4,292,840	\$0	\$4,292,840	Disadvantaged
Valley Center Municipal Water District	Cool Valley Reservoir Cover/Liner Replacement	F	25,295	9,132	11/8/2016	\$0	\$4,195,000	\$4,195,000	Not Disadvantaged



EXHIBIT D: PROJECTS NOT FUNDED IN SFY 16-17

Small Water Systems: Population <= 10,000 (Planning)											
General Packet Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/ Explanation why it was not funded in SFY 16-17
9/30/2014	Forest Springs	B	4400608-002P	Planning	Monterey	\$85,800	Not Disadvantaged	Forest Springs Water Upgrade	385	128	Incomplete financial package
Small Water Systems: Population <= 10,000 (Construction)											
General Packet Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/ Explanation why it was not funded in SFY 16-17
7/27/2015	City of Biggs	D	0410001-001C	Construction	Valley	\$353,000	Disadvantaged	Water Meter Installation	1,805	650	Application incomplete
2/27/2014	City of Huron	C	1010044-001C	Construction	Fresno	\$6,000,000	Severely Disadvantaged	Surface Water Treatment Facility	7,306	862	Incomplete financial package
6/2/2014	Madera County Services Area No. 19 (Rolling Hills)	D	2010009-002C	Construction	Merced	\$5,101,610	Not Disadvantaged	Madera CSA #19 (Rolling Hills) Water Meter Installation & Distribution Relocation	727	333	Water system unable to afford the project
12/23/2015	Tahoe City PUD - McKinney/Quail	B	3110011-005C	Construction	Lassen	\$7,725,000	Disadvantaged	West Lake Tahoe Regional Water Treatment Plant	750	453	Incomplete technical package
Large Water Systems: Population > 10,000 (Planning)											
General Packet Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/ Explanation why it was not funded in SFY 16-17
4/20/2015	Mission Springs Water District	B	3310008-007P	Planning	Riverside	\$500,000	Severely Disadvantaged	Wells 27 and 29 Chromium 6 Wellhead Treatment	38,500	11,773	Water system withdrew the project
4/22/2014	Eastern Municipal Water District	A	3310009-062P	Planning	Riverside	\$500,000	Disadvantaged	Perris II Desalter	414,710	141,243	Planning project has been completed using water system's fund



EXHIBIT D: PROJECTS NOT FUNDED IN SFY 16-17 (continued)

Large Water Systems: Population > 10,000 (Construction)											
General Packet Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Population	Service Connections	Comment/ Explanation why it was not funded in SFY 16-17
9/23/2015	City of Los Angeles Acting by and through the Department of Water and Power	F	1910067-054C	Construction	Metropolitan	\$31,839,032	Not Disadvantaged	Elysian Reservoir Water Quality Improvement Project	4,071,873	680,607	Incomplete financial package
12/5/2013	Metropolitan Water District	C	1910087-019C	Construction	Central	\$11,000,000	Not Disadvantaged	Enhanced Bromate Control Program (Weymouth WTP)	12,000,000	378	Water system withdrew the project
9/9/2015	Apple Valley Ranchos WC	F	3610003-001C	Construction	San Bernardino	\$7,992,016	Severely Disadvantaged	Consolidation and Rehabilitation of Yermo Water System	52,879	18,744	Incomplete environmental package
4/23/2015	City of San Diego	F	3710020-073C	Construction	San Diego	\$30,305,258	Not Disadvantaged	Pacific Beach Pipeline South	1,266,731	271,962	Project not fundable because construction activity started without SWB Environmental clearance
6/17/2015	City of San Diego	F	3710020-074C	Construction	San Diego	\$18,800,000	Not Disadvantaged	69th Street and Monawk Pump Station	1,266,731	271,962	Financing agreement expected to be executed SFY 2017-2018



EXHIBIT D: PROJECTS NOT FUNDED IN SFY 16-17 (continued)

Proposition 1									
General Packet Received	Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Description	Comment/ Explanation why it was not funded in SFY 16-17
9/30/2014	Forest Springs	B	4400608-002P	Planning	Monterey	\$85,800	Not Disadvantaged	Forest Springs Water Upgrade	Financial package incomplete
11/5/2015	Sierraville Public Utilities District	D	4600018-001P	Planning	Lassen	\$85,000	Severely Disadvantaged	New Water Source	FA expected 2017-2018
11/5/2015	Sierraville Public Utilities District	E	4600018-002P	Planning	Lassen	\$500,000	Severely Disadvantaged	Storage Tank Replacement	Technical package incomplete
4/22/2015	Trinity Co. W.W. Dist #1	B	5310002-002P	Planning	Klamath	\$270,000	Severely Disadvantaged	Water Treatment Plant Modification	Technical Package incomplete
11/12/2015	Muller Mutual Water Company	D	5500064-001P	Planning	Merced	\$175,000	Disadvantaged	Muller MWC consolidation with Tuolumne Utility District	FA expected 2017-2018



**EXHIBIT E: DISADVANTAGED BUSINESS
ENTERPRISE REPORT FOR SFY 16-17**

		MBE	WBE	TOTAL
Annual Total	October 1, 2015-September 30, 2016	\$4,655,824	\$4,843,875	\$9,499,699
Total Disbursements	October 1, 2015-September 30, 2016			\$211,743,695
Percentage to Total Disbursements	October 1, 2015-September 30, 2016	0.02%	0.02%	0.04%



EXHIBIT F: PROJECTS REPORTED TO FFATA FOR FFY 2016 GRANT

Funding Recipient	Project Number	Agreement Date	FFATA Due Date	FFATA Report Date	FFATA Reporting Amount
City of Fresno	1010007-030C	1/31/2017	2/28/2017	2/17/2017	\$63,100,000
Jackson Valley Irrigation District	0300037-002C	5/3/2017	6/30/2017	7/14/2017	\$9,600,000
Shasta Community Services District	4510013-004C	5/25/2017	6/30/2017	7/13/2017	\$4,292,840
City of Coachella	3310007-001P	6/15/2017	7/31/2017	7/17/2017	\$3,337,367
Total:					\$80,330,207

* Based on the FFY 2016 Capitalization Grant of \$78,215,000



EXHIBIT G: EXTENDED TERM FINANCING PROJECTS IN SFY 16-17

Funding Recipient	Project Number	Total SRF Funding	FA Execution Date	Loan Term
Amador Water Agency	0310012-006C	\$2,761,773	10/26/2016	30
Lanare Community Services District	1000053-004C	\$3,580,000	8/25/2016	30
City of Fresno	1010007-030C	\$63,100,000	1/31/2017	30
City of Fresno	1010007-031C	\$65,875,669	7/19/2016	30
Donner Summit Public Utility District	2910016-003C	\$2,717,000	7/1/2016	30
City of Hughson	5010008-001C	\$8,327,753	4/25/2017	30
Keyes Community Services District	5010009-003C	\$13,839,184	2/17/2017	30



EXHIBIT H: SFY 16-17 DWSRF FUNDABLE LIST UPDATE

Small Water Systems: Population <=10,000 (Planning)

Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Union Public Utility District	F	0510001-002P	Planning	Stockton	\$360,000	Disadvantaged	4,300	1,521	Prop 1
Fresno County Service Area #49 - Five Points	B	1000546-001P	Planning	Fresno	\$455,000	Severely Disadvantaged	450	31	Prop 1
City of Orange Cove	F	1010023-005P	Planning	Fresno	\$500,000	Severely Disadvantaged	8,500	1,450	Prop 1
City of San Joaquin	C	1010034-001P	Planning	Fresno	\$500,000	Severely Disadvantaged	3,870	944	Prop 1
Biala Community Services District	F	1010049-008P	Planning	Fresno	\$347,000	Severely Disadvantaged	1,200	250	Prop 1
City of Avenal	F	1610002-002P	Planning	Visalia	\$482,000	Severely Disadvantaged	16,737	1,936	Prop 1
Stratford PUD	F	1610006-006P	Planning	Visalia	\$395,600	Severely Disadvantaged	837	299	Prop 1
Maywood Mutual Water Co. #2	E	1910085-001P	Planning	Central	\$224,000	Disadvantaged	6,700	1,912	Prop 1
County of Madera	C	2010004-002P	Planning	Merced	\$500,000	Severely Disadvantaged	1,240	634	Prop 1
City of Dos Palos	C	2410002-003P	Planning	Merced	\$500,000	Severely Disadvantaged	4,417	2,526	Prop 1
Donner Summit Public Utility District	B	3100034-003P	Planning	Lassen	\$385,470	Disadvantaged	25	20	Prop 1
FRCCSD-Old Mill Ranch	F	3200078-001P	Planning	Lassen	\$500,000	Severely Disadvantaged	16	30	Prop 1
Saint Anthony Trailer Park	C	3301380-001P	Planning	Riverside	\$500,000	Severely Disadvantaged	250	60	Prop 1
Center Water Co	C	3600070-003P	Planning	San Bernardino	\$670,200	Severely Disadvantaged	65	44	Prop 1
Joshua Basin Water District	C	3610025-001P	Planning	San Bernardino	\$500,000	Disadvantaged	9,000	4,370	Prop 1
Warner Unified School District	C	3701010-003P	Planning	San Diego	\$800,000	Severely Disadvantaged	250	15	Prop 1

EXHIBIT H: SFY 16-17 DWSRF FUNDABLE LIST UPDATE (continued)

Small Water Systems: Population <=10,000 (Planning)										
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program	
Forest Springs	B	4400608-002P	Planning	Monterey	\$85,800	Not Disadvantaged	385	128	DWSRF	
Sieraville Public Utilities District	D	4600018-001P	Planning	Lassen	\$85,000	Severely Disadvantaged	200	102	Prop 1	
Sieraville Public Utilities District	E	4600018-002P	Planning	Lassen	\$500,000	Severely Disadvantaged	200	102	Prop 1	
Sierra CO. W.W.D #1 Calpine	F	4600019-001P	Planning	Lassen	\$200,000	Severely Disadvantaged	225	142	Prop 1	
Antelope Elementary School District	B	5200506-001P2	Planning	Valley	\$242,400	Severely Disadvantaged	70	1	Prop 1	
Paskenta Comm. Services Dist.	B	5200534-003P	Planning	Valley	\$500,000	Severely Disadvantaged	120	67	Prop 1	
Lewiston Park MWC	B	5301003-001P	Planning	Klamath	\$325,200	Severely Disadvantaged	450	162	Prop 1	
Trinity Co. W.W. Dist #1	B	5310002-002P	Planning	Klamath	\$270,000	Severely Disadvantaged	1,500	540	Prop 1	
Palo Verde Union Elementary School District	E	5400519-001P	Planning	Tulare	\$313,000	Severely Disadvantaged	500	26	Prop 1	
Saucelito Elementary School	C	5400558-001P	Planning	Tulare	\$500,000	Severely Disadvantaged	75	3	Prop 1	
City of Lindsay	C	5410006-007P	Planning	Tulare	\$120,000	Severely Disadvantaged	12,400	2,542	Prop 1	
Woodville Public Utility District	A	5410025-002P	Planning	Visalia	\$416,465	Severely Disadvantaged	1,678	478	Prop 1	
Muller Mutual Water Company	D	5500064-001P	Planning	Merced	\$175,000	Disadvantaged	120	54	Prop 1	
Curtis Creek Elementary School	C	5500152-005P	Planning	Merced	\$412,000	Severely Disadvantaged	595	1	Prop 1	
Groveland Community Services District	F	5510009-002P	Planning	Merced	\$325,000	Disadvantaged	3,400	3,293	Prop 1	
Fresno County (Cantua Creek-EI Porvenir)	C	1000359-005P	Planning	Fresno	\$1,000,000	Severely Disadvantaged	660	203	Prop 1	
TOTAL:					\$12,089,135					

EXHIBIT H: SFY 16-17 DWSRF FUNDABLE LIST UPDATE (continued)

Large Water Systems: Population > 10,000 (Planning)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Paradise Irrigation District	D	0410007-001P	Planning	Valley	\$500,000	Disadvantaged	26,299	10,063	DWSRF
City of Antioch	F	0710001-001P	Planning	San Francisco	\$1,000,000	Not Disadvantaged	100,945	31,058	DWSRF
Mission Springs Water District	B	3310008-007P	Planning	Riverside	\$500,000	Severely Disadvantaged	38,500	11,773	DWSRF
Eastern Municipal Water District	A	3310009-082P	Planning	Riverside	\$500,000	Disadvantaged	414,710	141,243	DWSRF
Paradise Irrigation District	D	0410007-001P	Planning	Valley	\$500,000	Disadvantaged	26,299	10,063	DWSRF
TOTAL:					\$2,500,000				

Small Water Systems: Population <= 10,000 (Construction)									
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program
Lake Amador Recreation Area	B	0300037-002C	Construction	Stockton	\$6,042,729	Severely Disadvantaged	2,000	190	DWSRF
Amador Water Agency	C	0310012-006C	Construction	Stockton	\$1,947,869	Disadvantaged	8,508	2,558	DWSRF
Amador County Service Area #3/Unit 6	A	0310021-003C	Construction	Stockton	\$1,559,868	Disadvantaged	2,386	723	DWSRF
City of Biggs	D	0410001-001C	Construction	Valley	\$353,000	Disadvantaged	1,805	650	DWSRF
Pioneer Union School District	E	0900309-001C	Construction	Sacramento	\$355,000	Severely Disadvantaged	200	5	Prop 1
Georgetown Divide Public Utility District	B	0910013-005C	Construction	Sacramento	\$10,000,000	Not Disadvantaged	9,021	3,589	DWSRF
Lanare Community Services District	E	1000053-004C	Construction	Fresno	\$3,580,000	Severely Disadvantaged	400	154	DWSRF
Fairmont School	C	1000112-002C	Construction	Fresno	\$2,033,300	Severely Disadvantaged	493	1	DWSRF
Washington Union High School	C	1000221-001C	Construction	Fresno	\$2,455,450	Severely Disadvantaged	1,150	23	DWSRF
Double L Mobile Ranch Park	C	1000248-002C	Construction	Fresno	\$2,125,000	Severely Disadvantaged	80	37	DWSRF
City of Huron	C	1010044-001C	Construction	Fresno	\$6,000,000	Severely Disadvantaged	7,306	862	DWSRF

EXHIBIT H: SFY 16-17 DWSRF FUNDABLE LIST UPDATE (continued)

Small Water Systems: Population <=10,000 (Construction) (continued)										
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program	
City of Rio Dell	E	1210012-007C	Construction	Klamath	\$535,339	Disadvantaged	3,174	1,134	DWSRF	
Armona Community Services District	C	1610001-007C	Construction	Visalia	\$9,285,866	Severely Disadvantaged	3,239	1,301	DWSRF	
Kettleman City Community Services District	C	1610009-005C	Construction	Visalia	\$3,926,000	Severely Disadvantaged	1,499	358	DWSRF	
Bass Lake School District	C	2000614-001C	Construction	Merced	\$545,000	Severely Disadvantaged	213	7	DWSRF	
Madera County Services Area No. 19 (Rolling Hills)	D	2010009-002C	Construction	Merced	\$5,101,610	Not Disadvantaged	727	333	DWSRF	
City of Livingston	B	2410004-002C	Construction		\$1,548,836	Not Disadvantaged	13,795	2,948	DWSRF	
Donner Summit Public Utility District	B	2910016-003C	Construction	Valley	\$2,717,000	Disadvantaged	310	273	DWSRF	
Tahoe City PUD - McKinney/Quail	B	3110011-005C	Construction	Lassen	\$7,725,000	Disadvantaged	750	453	DWSRF	
Eastern Municipal Water District	A	3310009-067C	Construction	Riverside	\$2,986,500	Severely Disadvantaged	420	140	DWSRF	
Shasta Community Services District	F	4510013-004C	Construction	Lassen	\$4,282,840	Disadvantaged	2,320	708	DWSRF	
Sierra CO. W.W.D #1 Calpine	F	4600019-002C	Construction	Lassen	\$300,000	Severely Disadvantaged	225	142	DWSRF	
Keyes Community Services District	C	5010009-003C	Construction	Stockton	\$18,767,185	Disadvantaged	4,575	1,450	DWSRF	

TOTAL: \$94,183,392



EXHIBIT H: SFY 16-17 DWSRF FUNDABLE LIST UPDATE (continued)

Large Water Systems: Population > 10,000 (Construction)										
Applicant	Category	Project Number	Funding Type	District	Estimated Project Cost	Disadvantaged Status	Population	Service Connections	Program	
South Tahoe Public Utility District	D	0910002-010C	Construction	Sacramento	\$2,032,745	Disadvantaged	60,000	13,635	DWSRF	
City of Fresno	F	1010007-029C	Construction	Fresno	\$26,520,000	Disadvantaged	457,511	130,176	DWSRF	
City of Fresno	F	1010007-030C	Construction	Fresno	\$63,100,000	Disadvantaged	457,511	130,176	DWSRF	
City of Fresno	F	1010007-031C	Construction	Fresno	\$75,165,000	Disadvantaged	457,511	130,176	DWSRF	
City of Los Angeles Acting by and through the Department of Water and Power	F	1910067-054C	Construction	Metropolitan	\$31,839,032	Not Disadvantaged	4,071,873	680,607	DWSRF	
Metropolitan Water District	C	1910087-019C	Construction	Central	\$11,000,000	Not Disadvantaged	12,000,000	378	DWSRF	
Apple Valley Ranchos WC	F	3610003-001C	Construction	San Bernardino	\$7,992,016	Severely Disadvantaged	52,879	18,744	DWSRF	
City of San Diego	F	3710020-073C	Construction	San Diego	\$30,305,258	Not Disadvantaged	1,266,731	271,962	DWSRF	
City of San Diego	F	3710020-074C	Construction	San Diego	\$18,800,000	Not Disadvantaged	1,266,731	271,962	DWSRF	
Valley Center MWD	F	3710026-001C	Construction	San Diego	\$4,250,000	Not Disadvantaged	25,572	9,704	DWSRF	
TOTAL:					\$271,004,051					



EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES

DD
Fund 0625
DWSRF Administration

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$3,027,304	\$0	\$3,027,304	\$0
1998	\$77,108,200	\$3,084,328	\$0	\$3,084,328	\$0
1999	\$80,816,700	\$3,232,668	\$0	\$3,232,668	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$3,373,600	\$0	\$3,373,600	\$0
2002	\$82,460,900	\$3,298,436	\$68,553	\$3,229,883	\$0
2003	\$81,966,200	\$3,278,648	\$0	\$3,278,648	\$0
2004	\$85,027,600	\$6,679,752	\$70,000	\$6,609,752	\$0
2005	\$84,847,500	\$2,781,076	\$0	\$2,781,076	\$0
2006	\$67,153,678	\$2,684,166	\$30,000	\$2,654,166	\$0
2007	\$67,105,000	\$2,684,200	\$0	\$2,684,200	\$0
ARRA 2009	\$159,008,000	\$5,364,472	\$0	\$5,364,472	\$0
2008	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0
2009	\$66,424,000	\$2,656,960	\$0	\$2,656,960	\$0
2010	\$126,958,000	\$5,078,320	\$0	\$5,078,320	\$0
2011	\$86,698,000	\$3,467,920	\$0	\$3,467,920	\$0
2012	\$85,358,000	\$3,414,320	\$300,000	\$3,114,320	\$0
2013	\$78,770,000	\$3,150,800	\$426,867	\$2,723,933	\$0
2014	\$83,221,000	\$3,328,840	\$0	\$3,328,840	\$0
2015	\$82,674,000	\$3,306,960	\$395,000	\$2,911,960	\$0
2016	\$78,215,000	\$3,128,600	\$75,000	\$2,115,728	\$937,872
Total	\$1,784,134,585	\$69,678,330	\$1,365,420	\$67,375,038	\$937,872

EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES (continued)

DE
Fund 0628
Small Systems Technical Assistance

FFY	Final Cap Grant Amount (incl. In-Kind)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$68,245	\$0	\$68,245	\$0
1998	\$77,108,200	\$1,542,164	\$0	\$1,542,164	\$0
1999	\$80,816,700	\$1,616,334	\$0	\$1,616,334	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$1,686,800	\$0	\$1,686,800	\$0
2002	\$82,460,900	\$1,649,218	\$0	\$1,649,218	\$0
2003	\$81,966,200	\$1,639,324	\$0	\$1,639,324	\$0
2004	\$85,027,600	\$3,339,876	\$0	\$3,339,876	\$0
2005	\$84,847,500	\$1,390,538	\$0	\$1,390,538	\$0
2006	\$67,153,678	\$1,342,083	\$0	\$1,342,083	\$0
2007	\$67,105,000	\$1,342,100	\$0	\$1,342,100	\$0
ARRA 2009	\$159,008,000	\$2,787,147	\$0	\$2,787,147	\$0
2008	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0
2009	\$66,424,000	\$1,328,480	\$0	\$1,328,480	\$0
2010	\$126,958,000	\$2,539,160	\$0	\$2,539,160	\$0
2011	\$86,698,000	\$1,733,960	\$0	\$1,733,960	\$0
2012	\$85,358,000	\$1,707,160	\$0	\$1,707,160	\$0
2013	\$78,770,000	\$1,575,400	\$0	\$1,575,400	\$0
2014	\$83,221,000	\$1,664,420	\$0	\$1,664,420	\$0
2015	\$82,674,000	\$1,653,480	\$0	\$1,653,480	\$0
2016	\$78,215,000	\$1,564,300	\$0	\$146,627	\$1,417,673
Total	\$1,784,134,585	\$33,498,669	\$0	\$32,080,996	\$1,417,673

EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES (continued)

DF
Fund 7500
State Program Management
PWSS/Capacity Development

FFY	Final Cap Grant Amount (in-kind included)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$4,157	\$0	\$4,157	\$0
1998	\$77,108,200	\$308,433	\$0	\$308,433	\$0
1999	\$80,816,700	\$323,267	\$0	\$323,267	\$0
2000	\$83,993,100	\$0	\$0	\$0	\$0
2001	\$84,340,000	\$2,000,000	\$0	\$2,000,000	\$0
2002	\$82,460,900	\$2,000,000	\$0	\$2,000,000	\$0
2003	\$81,966,200	\$2,000,000	\$0	\$2,000,000	\$0
2004	\$85,027,600	\$2,400,000	\$0	\$2,400,000	\$0
2005	\$84,847,500	\$4,077,000	\$0	\$4,077,000	\$0
2006	\$67,153,678	\$4,704,000	\$0	\$4,704,000	\$0
2007	\$67,105,000	\$4,934,400	\$0	\$4,934,400	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2009	\$66,424,000	\$4,882,164	\$0	\$4,882,164	\$0
2010	\$126,958,000	\$9,318,717	\$0	\$9,318,717	\$0
2011	\$86,698,000	\$8,669,800	\$0	\$8,669,800	\$0
2012	\$85,358,000	\$8,535,800	\$0	\$8,535,800	\$0
2013	\$78,770,000	\$7,089,300	\$0	\$7,089,300	\$0
2014	\$83,221,000	\$8,322,100	\$300,000	\$8,022,100	\$0
2015	\$82,674,000	\$8,267,400	\$0	\$8,267,400	\$0
2016	\$78,215,000	\$7,821,500	\$0	\$6,631,127	\$1,190,373
Total	\$1,784,134,585	\$90,240,202	\$0	\$89,049,829	\$1,190,373

EXHIBIT I: CUMULATIVE DWSRF SET-ASIDE EXPENDITURES (continued)

DG
Fund 0626
Local Assistance
Source Water Protection Loan/Delineation, Capacity Development Tech. Assistance

FFY	Final Cap Grant Amount (in-kind included)	Budget Amount	In-Kind Amount	Expenditure Amount	Balance
1997	\$75,565,707	\$6,831,577	\$0	\$6,831,577	\$0
1998	\$77,108,200	\$0	\$0	\$0	\$0
1999	\$80,816,700	\$0	\$0	\$0	\$0
2000	\$83,993,100	\$2,000,000	\$0	\$2,000,000	\$0
2001	\$84,340,000	\$0	\$0	\$0	\$0
2002	\$82,460,900	\$0	\$0	\$0	\$0
2003	\$81,966,200	\$0	\$0	\$0	\$0
2004	\$85,027,600	\$0	\$0	\$0	\$0
2005	\$84,847,500	\$0	\$0	\$0	\$0
2006	\$67,153,678	\$0	\$0	\$0	\$0
2007	\$67,105,000	\$0	\$0	\$0	\$0
ARRA 2009	\$159,008,000	\$0	\$0	\$0	\$0
2008	\$66,424,000	\$0	\$0	\$0	\$0
2009	\$66,424,000	\$0	\$0	\$0	\$0
2010	\$126,958,000	\$0	\$0	\$0	\$0
2011	\$86,698,000	\$2,600,940	\$0	\$2,600,940	\$0
2012	\$85,358,000	\$4,267,900	\$0	\$4,267,900	\$0
2013	\$78,770,000	\$2,507,007	\$0	\$2,507,007	\$0
2014	\$83,221,000	\$4,993,260	\$0	\$4,993,260	\$0
2015	\$82,674,000	\$1,653,480	\$0	\$1,413,048	\$240,432
2016	\$78,215,000	\$7,821,500	\$0	\$885,568	\$6,935,932
Total	\$1,784,134,585	\$32,675,664	\$0	\$25,499,301	\$7,176,363

EXHIBIT J: PROJECTS FUNDED BY PROP 1 DRINKING WATER IN SFY 16-17

Funding Recipient	Project Name	Type of Project	Initial Funding Date	Principal Forgiveness	Loan Amount	Total Financed
Anderson Valley Community Services District	Boonville Drinking Water Project	Planning	12/22/2016	500,000	0	500,000
Department of Water Resources	Okieville Highland Acres Emergency Water Supply Project	Construction	5/17/2017	2,081,000	0	2,081,000
River Pines Public Utility District	River Pines PUD Storage and Distribution Rehab Planning Project	Planning	12/20/2016	441,710	0	441,710
Union Public Utility District	Backwash Recycling and Tank Aeration Project	Planning	10/27/2016	360,000	0	360,000
County of Fresno	Fresno County West Side Groundwater Project	Planning	8/9/2016	1,000,000	0	1,000,000
City of Orange Cove	Water Treatment Plant Expansion and Retention Basin Lining Project	Planning	12/12/2016	500,000	0	500,000
City of San Joaquin	Water Supply, Storage, Treatment, and Distribution Improvements	Planning	10/26/2016	485,000	0	485,000
Caruthers Community Services District	New Well No. 7	Planning	1/5/2017	500,000	0	500,000
Biola Community Services District	Biola CSD Water Distribution System Upgrades	Planning	8/2/2016	347,200	0	347,200
Manila Community Services District	Infrastructure Improvement Project-Storage and Distribution	Planning	11/8/2016	500,000	0	500,000
Krista Mutual Water Company	Krista Fluoride Contamination Planning Project	Planning	5/9/2017	500,000	0	500,000
City of Avenal	Avenal Water Transmission Line Replacement Planning Project	Planning	10/21/2016	500,000	0	500,000
Stratford Public Utility District	Test Well, Facilities Assessment and Municipal Well Contract Documents	Planning	4/13/2017	500,000	0	500,000
Kettleman City Community Services District	New SWTP [Construction Phase]	Construction	2/17/2017	3,000,000	1,000,000	4,000,000
Sunrise Shore Mutual Water Company	Compliance and Sustainability for Sunrise Shore Mutual Water Company	Planning	1/20/2017	500,000	0	500,000
Shaffer Union Elementary School District	Shaffer Source Capacity Planning Project	Planning	6/27/2017	381,058	0	381,058
Maywood Mutual Water Company #2	Maywood Avenue Well Improvements	Planning	1/9/2017	224,000	0	224,000
County of Madera	New Surface Water Treatment Plant Planning Project	Planning	12/29/2016	383,217	0	383,217
County of Madera (Maintenance District 24)	New Well	Planning	4/27/2017	500,000	0	500,000
County of Madera	Arsenic Remediation Project	Planning	9/9/2016	272,234	0	272,234
Chawanakee Unified School District	North Fork Water Project	Planning	1/18/2017	237,575	0	237,575

EXHIBIT J: PROJECTS FUNDED BY PROP 1 DRINKING WATER IN SFY 16-17 (continued)

Funding Recipient	Project Name	Type of Project	Initial Funding Date	Principal Forgiveness	Loan Amount	Total Financed
Bass Lake Joint Unified Elementary School District	Oak Creek Intermediate School Consolidation with Hillview Water Company	Construction	3/17/2017	569,480	419,593	989,073
City of Dos Palos	Water Treatment Plant Replacement Project	Planning	9/9/2016	465,000	0	465,000
Sierra East Homeowners' Association, Inc.	GWUDI and Arsenic Compliance	Planning	9/29/2016	81,834	0	81,834
Floriston Property Owners Association, Inc.	Floriston Spring Filtration Project	Planning	3/2/2017	180,000	0	180,000
Donner Summit Public Utility District	Big Bend Water Supply Study	Planning	4/25/2017	176,000	0	176,000
Feather River Canyon Community Services District	FRCCSD-Old Mill Ranch	Planning	12/15/2016	500,000	0	500,000
Grizzly Lake Community Services District	Intertie with Portola and Well Renovation	Planning	4/20/2017	500,000	0	500,000
Pueblo Unido Community Development Corporation	St. Anthony Trailer Park - Arsenic Remediation Planning Study	Planning	9/19/2016	500,000	0	500,000
Western Water Conservation	Ramona Water System Improvement Project	Planning	1/3/2017	500,000	0	500,000
Self-Help Enterprises	Community Development and Technical Assistance Program	Technical Assistance	8/25/2016	4,396,218	0	4,396,218
Community Water Center	Community-Driven Water Solutions in the Tulare Lake Basin	Technical Assistance	9/21/2016	2,519,970	0	2,519,970
University of California, Davis	Aoki Water Clinic	Technical Assistance	11/18/2016	908,840	0	908,840
Environmental Justice Coalition for Water	Community Technical Assistance Program	Technical Assistance	4/26/2017	2,522,061	0	2,522,061
California Rural Legal Assistance	Drinking Water Access Outreach and Legal Assistance Project for Disadvantaged Communities	Technical Assistance	1/31/2017	117,733	0	117,733
Pueblo Unido Community Development Corporation	Rural Infrastructure Program (RIP)	Technical Assistance	11/1/2016	1,146,232	0	1,146,232
University Enterprises Corporation at CSUSB	California State University Disadvantaged Community Center	Technical Assistance	10/18/2016	1,165,827	0	1,165,827
Rural Community Assistance Corporation	Comprehensive Assistance to Tribal and Small Systems Project	Technical Assistance	8/16/2016	2,343,439	0	2,343,439
California Rural Water Association	Statewide Leak Detection Technical Assistance Program	Technical Assistance	9/7/2016	1,419,150	0	1,419,150
Tides Center	Outreach, Engagement and Legal Assistance in the San Joaquin and Coachella Valleys	Technical Assistance	12/15/2016	408,664	0	408,664
University Enterprises, Inc.	Drinking Water and Wastewater Technical Assistance and Outreach	Technical Assistance	10/26/2016	3,500,000	0	3,500,000

EXHIBIT J: PROJECTS FUNDED BY PROP 1 DRINKING WATER IN SFY 16-17 (continued)

Funding Recipient	Project Name	Type of Project	Initial Funding Date	Principal Forgiveness	Loan Amount	Total Financed
Center Water Company	Center Water Company Wells, Storage, and Infrastructure Project	Planning	12/2/2016	490,500	0	490,500
Joshua Basin Water District	Chromium VI Remediation Project	Planning	1/18/2017	500,000	0	500,000
California Rural Water Association	Comprehensive Proposition 1 Technical Assistance and Support Program	Technical Assistance	10/21/2016	5,520,906	0	5,520,906
Rancho Estates Mutual Water Company	Rancho Estates Mutual Water Company Project No. 3700936-001P2	Planning	10/17/2016	256,408	0	256,408
Warner Unified School District	Arsenic MCL Violation Planning Study	Planning	2/17/2017	466,000	0	466,000
County of Shasta	CSA #6 Jones Valley Meter Replacement and Leak Survey	Planning	1/3/2017	200,000	0	200,000
Fall River Valley Community Services District	Fall River CSD Well No. 1 Retrofit, Tank, Booster Plant and SCADA Improvement Project	Planning	3/29/2017	187,300	0	187,300
Sierra County (Calpine) Waterworks District No. 1	Calpine Metering Project	Construction	3/14/2017	393,700	0	393,700
Callahan Water District	Water Treatment Plant	Planning	3/21/2017	500,000	0	500,000
City of Mt. Shasta	Tank 1 and Roseburg Water System Improvements	Planning	3/26/2017	480,000	0	480,000
City of Newman	City of Newman Hexavalent Chromium Compliance Project	Planning	2/13/2017	497,000	0	497,000
Paskenta Community Services District	Water Main Rehabilitation and Meter Project	Planning	12/30/2016	215,000	0	215,000
Palo Verde Union Elementary School District	Palo Verde School Domestic Well Replacement	Planning	11/8/2016	474,000	0	474,000
Saucelito Elementary School District	Saucelito Elementary School Planning Application	Planning	1/5/2017	500,000	0	500,000
Tevison Community Services District	Tevison South Well Replacement Project	Planning	2/24/2017	475,000	0	475,000
Plainview Mutual Water Company	Plainview MWC-Central Water System Nitrate Remediation Project	Planning	5/16/2017	500,000	0	500,000
Department of Water Resources	The East Porterville Water Supply Construction Project	Construction	5/16/2017	20,000,000	0	20,000,000
Department of Water Resources	The East Porterville Water Supply Planning Project	Planning	11/7/2016	5,000,000	0	5,000,000
Woodville Public Utility District	Replacement Well Project	Planning	8/26/2016	416,465	0	416,465
Curtis Creek Elementary School	Consolidation with TUD	Planning	10/4/2016	257,000	0	257,000
Groveland Community Services District	Water Distribution System Improvements	Planning	10/10/2016	355,000	0	355,000

Total 75,317,721 1,419,593 76,737,314

EXHIBIT K: CUMULATIVE LEFA PROJECTS

Project Name	Project Number	Total SRF Funding (Grant)	FA Execution Date	Status
Easton Community Services District – activation of latent water service authority	0010003-001L	\$220,449.00	4/30/2015	Complete - latent authority not activated; community supports further investigation of development of a PWS under Prop. 1 TA
Rural Community Assistance Corporation – Garlen Court Mutual Water Company Formation	0027002-001L	\$52,745.00	6/17/2014	Complete - entity formed
Rural Community Assistance Corporation – Courtland Community Services District	0034001-001L	\$84,747.00	6/27/2014	Complete - no entity formed per community decision
Rural Community Assistance Corporation – Wendell Lane Mutual Water Company Formation	0049001-001L	\$46,494.00	6/27/2014	Complete, entity formed
Self Help Enterprises – Weldon Regional Water Supply Entity	0015001-001L	\$186,723.00	9/29/2014	Complete –remaining LAFCo docs and process to form entity will be completed using Prop. 1 TA
Self Help Enterprises – Orange Center School Residential Area Water System Entity Formation	0010002-001L	\$214,247.00	9/29/2014	Complete - City of Fresno extending service to Daleville community
California Rural Water Association – Ali Mutual Water Company Formation	0054004-001L	\$76,584.00	6/30/2014	Complete – entity formed
Self Help Enterprises – Highland Acres “Okieville” Water System Entity Formation	00540005-001L	129,007.00	11/24/2014	Complete – entity formed
Self Help Enterprises – Perry Colony Residential Area Water System Entity Formation	0010001-001L	\$191,457.00	9/29/2014	Complete – no entity formed due to lack of community support
California Rural Water Association – Barstow Perchlorate Area Entity Formation)	0036002-001L	\$204,605.00	11/14/2014	Complete – no entity formed due to lack of community support
Frazier Park Public Utility District – Lake of the Woods Regional	0015002-001L	\$202,265.00	11/7/2014	Complete – remaining LAFCo docs for annexation of entities to be completed with Prop. 1 TA
Tulare County – North Tulare County Area Regional Surface Water Treatment Plant Governance formation	0054002-001L	\$250,000.00	5/7/2015	Complete – JPA selected entity
Pajaro/Sunny Mesa Community Services District – Springfield Terrace	0027001-001L	\$71,280.00	3/10/2015	Complete – support from individual homeowners on wells to connect to Pajaro/Sunny Mesa
Tulare County –Monson Water System Entity Formation	0054003-001L	132,027.00	11/6/2015	Complete – community to connect to Sultana CSD
Jurupa Community Services District – Chandler Community Water Entity Formation	0033001-001L	\$28,000.00	2/23/2015	Complete – support from individual homeowners on wells to become part of Jurupa CSD

**EXHIBIT L: SFY 2016-17
AUDITED FINANCIAL STATEMENTS**

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

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS

June 30, 2017 and 2016



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

**FINANCIAL STATEMENTS
and SINGLE AUDIT REPORTS**

June 30, 2017 and 2016



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the California State Water Resources Control Board, Drinking Water Revolving Fund (Safe Drinking Water Revolving Fund), a governmental fund of the State of California, as of and for the years ended June 30, 2017 and 2016, 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

As discussed in Note 1 - Definition of Reporting Entity, the basic financial statements of the Safe Drinking Water Revolving Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the California State Water Resources Control Board that is attributable to the transactions of the Safe Drinking Water Revolving Fund. They do not purport to, and do not, present fairly the financial position of the California State Water Resources Control Board or the State of California as of June 30, 2017 and 2016, and the changes in their financial position and their cash flows, where applicable, for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Safe Drinking Water Revolving Fund as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the year 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 through IX be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



Board of Directors
California State Water Resources Control Board

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017, on our consideration of the Safe Drinking Water Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Safe Drinking Water Revolving Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Safe Drinking Water Revolving Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 2, 2017

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

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis is a required supplement to the California State Water Resources Control Board's (State Water Board), Safe Drinking Water State Revolving Fund (Drinking Water State Revolving Fund program) (DWSRF) financial statements. It describes and analyzes the financial position of the DWSRF providing an overview of the DWSRF's activities for the years ended June 30, 2017 and 2016. 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 \$138 million to a total of \$1.7 billion in 2017, which was \$3 million more than the increase of \$135 million in 2016. The larger increase in net position is primarily due to an increase in loan receivables, which is a direct result of steady capital contributions.
- Capital contributions decreased by \$0.9 million to \$169.2 million as compared to \$170.1 million in 2016. The decrease in capital contributions was mostly a result of lower capital available from EPA capitalization grants for loan disbursements. Capital contributions from EPA capitalization grant funds that were forgiven decreased by \$15 million to \$7 million as compared to \$22 million in 2016.
- Cash and cash equivalents decreased by \$50 million in 2017 as compared to an increase of \$47 million in 2016. The decrease in 2017 was mostly the result of an increase in loan disbursements.
- Loans receivable increased by \$189 million to \$1.4 billion in 2017 and increased by \$90 million in 2016. The larger increase in 2017 was primarily due to an increase in loan disbursements.
- On October 6, 2016, the DWSRF initiated a short term financing loan from California Infrastructure and Economic Development Bank for \$36 million. The short term financing loan was made for the purpose of meeting State Match requirements and making financial assistance available to recipients for eligible projects.

Using this Annual Financial Report

The financial statements included in this annual financial report are those of the DWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the DWSRF are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of the State Water Board that is attributable to the transactions of the DWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2017 and 2016 and the change in their financial positions and their cash flows for the years then ended.



Overview of Financial Statements

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

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

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

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

Net Position

In 2017, the growth of the DWSRF's net position continued to strengthen increasing by \$138 million, or 8.7%, to \$1.7 billion at June 30, 2017 as compared to an increase of \$135 million, or 9.3%, the previous year. The increase in net position was \$3 million higher than in the previous year, mostly reflecting an increase in loans receivables.

The current portion of the DWSRF's liabilities was \$2 million in 2017 and \$6 million in 2016. Current liabilities primarily correspond to administrative expenses, which include employee salary and benefits.

Table 1

Net Position (in thousands)	June 30,		
	2017	2016	2015
ASSETS			
Cash and cash equivalents	\$ 327,134	\$ 377,393	\$ 330,600
Loans receivable	1,396,908	1,208,063	1,118,196
All other assets	7,065	11,079	12,099
Total assets	1,731,107	1,596,535	1,460,895
LIABILITIES			
Current liabilities	2,232	5,933	5,570
Total liabilities	2,232	5,933	5,570
NET POSITION			
Restricted			
Future Loan Disbursements	-	-	17,900
Subtotal restricted assets	-	-	17,900
Unrestricted	1,728,875	1,590,602	1,437,425
Total net position	\$ 1,728,875	\$ 1,590,602	\$ 1,455,325

Changes in Net Position

Program revenue for the DWSRF in 2017 was \$17.8 million, which was an increase of \$1.5 million or 9.10% when compared to \$16.3 million in 2016. In 2017 and 2016, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2017, general revenue was \$2 million, which was an increase of \$0.8 million or 60.3%, when compared to \$1.2 million in 2016. In 2016, general revenue increased \$0.6 million or 101% when compared to \$0.6 million in 2015. The increase in investment income during 2017 was the result of higher interest earnings from the Surplus Money Investment Fund (SMIF) while the increase in investment income during 2016 mostly reflects increased earnings that resulted from more cash on deposit.

Total expenses decreased by \$1.6 million in 2017 as compared to a increase of \$11.6 million in 2016. The decrease in 2017 was primarily due to a decrease in administrative expenses while the increase in 2016 was primarily due to an increase in principal forgiveness expenses.

Administrative expenses decreased by \$4.1 million to \$18.8 million in 2017 compared to 2016. Administrative expenses decreased by \$.5 million to \$22.9 million in 2016 compared to 2015. The reduction of administrative expenses charged to the DWSRF during 2017 and 2016 primarily reflects lower capital available from EPA capitalization grants for administrative activities.



Capital contributions to the DWSRF increased by \$5.6 million, or 4%, in 2017 when compared to 2016. The increase in 2017 was primarily due to an increase in contributions from Proposition 1 State Match funding. In 2016, capital contributions decreased by \$59 million, or 29% when compared to 2015. The decrease in 2016 was due to a decrease in available contributions from both Proposition 84 State Match funding and EPA capitalization grants.

In 2017, the DWSRF received principal forgiveness funds from EPA capitalization grants and Proposition 1 State Match funding of \$6.8 million and \$10.7 million, respectively. In 2016, the DWSRF received principal forgiveness funds from EPA capitalization grants and Proposition 1 State Match funding of \$22.3 and \$1.6 million, respectively. The loans made with these funds were forgiven as disbursed and must be repaid if certain loan conditions are not met.

Table 2**Changes in Net Position**

(in thousands)

	Year Ended June 30,		
	2017	2016	2015
Revenues			
Program revenues:			
Loan interest income	\$ 17,784	\$ 16,301	\$ 14,718
General revenues:			
Investment income	2,032	1,268	631
Total revenues	19,816	17,569	15,349
Expenses			
Program expenses:			
Administrative expenses	18,801	22,906	23,452
Principal Forgiveness expense	31,955	29,510	16,345
ARRA Principal Forgiveness expense	-	-	1,054
State match loan expenses	22	-	5
Total expenses	50,778	52,416	40,856
Decrease in net position before contributions	(30,962)	(34,847)	(25,507)
Capital contributions:			
EPA capitalization grant	138,178	146,219	160,871
EPA capitalization grant Principal Forgiveness	6,750	22,353	7,234
EPA ARRA grant Principal Forgiveness	-	-	1,054
State and other contributions	13,610	-	44,520
State and other contributions Principal Forgiveness	10,697	1,552	1,230
Subtotal capital contributions	169,235	170,124	214,909
Change in net position	138,273	135,277	189,402
Net position - beginning of year	1,590,602	1,455,325	1,265,923
Net position - end of year	\$ 1,728,875	\$ 1,590,602	\$ 1,455,325

Budgetary Information

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

Economic Conditions and Outlook

In 2017 new binding loan commitments (encumbrances) were \$258 million, a decrease of 21% below the new commitments made in 2016. The lower level of financing activity reflects a decrease in eligible planning and construction projects that were ready-to-proceed with financing as well as a minor redirection of drinking water financing applications to other new state funding sources. Although, the total amount of new loan commitments was below 2016 commitments, the number of new projects financed in 2017 was comparable to the the levels of financing activity in previous years. A steady demand in DWSRF financing activity is anticipated in the near term.

Capitalization grant funds from EPA continue to be an important component of cash flows for financing activities. For the grant year 2017, the EPA allocated \$77.5 million to the DWSRF. The 2017 grant allocation is a reduction of 1% compared to the 2016 grant allocation of \$78.2 million. Presently available information indicates that the 2018 grant will be approximately equal to the historical four-year average of \$80 million but could be lower as a result of ongoing congressional budget negotiations.

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

Although improving economic conditions, as well as the mitigation of the California drought, has reduced the number of local entities experiencing strained revenue flows, the DWSRF 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 DWSRF finances. Questions concerning the information provided in this report or requests for additional information should be addressed to Ms. Heather Bell, Manager, Accounting Branch, Division of Administrative Services, P.O. Box 100, Sacramento, California 95812 or Heather.Bell@waterboards.ca.gov.



BASIC FINANCIAL STATEMENTS



CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF NET POSITION
June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 327,134	\$ 377,393
Receivables:		
Loan interest	4,426	4,935
Investment interest	618	421
Due from other funds and other governments	2,021	5,723
Loans receivable:		
Current portion	49,530	45,374
Total current assets	<u>383,729</u>	<u>433,846</u>
OTHER ASSETS		
Loans receivable:		
Noncurrent	1,347,378	1,162,689
Total other assets	<u>1,347,378</u>	<u>1,162,689</u>
TOTAL ASSETS	<u>1,731,107</u>	<u>1,596,535</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to other funds	2,232	5,933
Total current liabilities	<u>2,232</u>	<u>5,933</u>
Total liabilities	<u>2,232</u>	<u>5,933</u>
NET POSITION		
Unrestricted	1,728,875	1,590,602
Total net position	<u>\$ 1,728,875</u>	<u>\$ 1,590,602</u>

See accompanying Notes to Financial Statements.



CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUE		
Loan interest income	\$ 17,784	\$ 16,301
Total operating revenue	<u>17,784</u>	<u>16,301</u>
OPERATING EXPENSES		
Principal Forgiveness	31,955	29,510
Personnel services	9,222	13,190
Other expenses	7,506	9,250
Grants and Subventions-setsides	2,073	466
Total operating expenses	<u>50,756</u>	<u>52,416</u>
INCOME (LOSS) FROM OPERATIONS	<u>(32,972)</u>	<u>(36,115)</u>
NONOPERATING REVENUE (EXPENSE)		
Net investment income	2,032	1,268
State match loan expense	(22)	-
Total nonoperating revenue (expense)	<u>2,010</u>	<u>1,268</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(30,962)</u>	<u>(34,847)</u>
CONTRIBUTIONS		
EPA capitalization grant	138,178	146,219
EPA capitalization grant - Principal Forgiveness	6,750	22,353
State match revenue	13,610	-
State match revenue-Principal Forgiveness	10,697	1,552
Total contributions	<u>169,235</u>	<u>170,124</u>
CHANGE IN NET POSITION	138,273	135,277
NET POSITION - BEGINNING OF YEAR	<u>1,590,602</u>	<u>1,455,325</u>
NET POSITION - END OF YEAR	<u>\$ 1,728,875</u>	<u>\$ 1,590,602</u>

See accompanying Notes to Financial Statements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016
(in thousands)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants disbursed	\$ (2,073)	\$ (466)
Cash paid to employees and vendors	(20,430)	(22,076)
Cash flows provided (required) by operating activities	<u>(22,503)</u>	<u>(22,542)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA capitalization grant	148,631	169,904
Funds received from the State of California	24,307	1,552
State Match loan proceeds	36,000	-
Principal paid for State Match loan	(36,000)	-
State Match Fees paid	(2)	-
Interest paid on State Match Loan	(20)	-
Cash flows provided (required) by noncapital financing activities	<u>172,916</u>	<u>171,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest on loans	18,294	16,233
Loans disbursed	(254,098)	(170,781)
Principal forgiveness disbursed	(31,955)	(29,510)
Principal received on loans receivable	65,252	80,914
Net investment income received	1,835	1,023
Net cash provided (required) by investing activities	<u>(200,672)</u>	<u>(102,121)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(50,259)	46,793
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>377,393</u>	<u>330,600</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 327,134</u>	<u>\$ 377,393</u>
Reconciliation of operating income to net cash provided (required) by operating activities		
Loss from operations	\$ (32,972)	\$ (36,115)
Adjustments to reconcile income from operations to net cash required by operating activities		
Cash received from interest on loans	(18,294)	(16,233)
Loans disbursed	254,098	170,781
Principal forgiveness disbursed	31,955	29,510
Principal received on loans receivable	(65,252)	(80,914)
Effect of changes in operating assets and liabilities:		
Loans receivable	(188,846)	(89,866)
Loan interest receivable	510	(68)
Due to other funds	(3,702)	363
Net cash provided (required) by operating activities	<u>\$ (22,503)</u>	<u>\$ (22,542)</u>

See accompanying Notes to Financial Statements.



CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

Since 1997, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). States are required to provide matching funds equal to 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. States may elect to use up to 31% of each grant for other eligible activities, such as DWSRF administration, other local assistance and special programs, small water system-technical assistance, and the State program management of its public water system supervision/capacity development programs. These other eligible activities under a DWSRF capitalization grant are accounted in separate funds, known as Set-asides. An additional 1:1 in matching funds must be provided by the State for the amount budgeted and expended under the State Program Management Set-aside. As of June 30, 2017 and 2016, the EPA has awarded cumulative capitalization grant funding of \$1,624,400 and \$1,546,185, respectively to the State of California (State), for which the State is required to provide \$324,880 and \$309,237, respectively, of cumulative match funding to the Fund. As of June 30, 2017 and 2016, the Fund has designated \$222,036 and \$201,700, respectively, of the cumulative capitalization grant for Set-aside funding, including \$90,540 and \$82,719, respectively, under the State Program Management Set-aside. As such, as of June 30, 2017 and 2016, the State is also required to provide \$90,540 and \$82,719, respectively, in cumulative 1:1 matching funds. In addition, in June 2009, the EPA awarded \$159,008 in ARRA grant funding, including \$8,152 of Set-aside funding, for which there is no State Match requirement.

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

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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

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

Reporting Entity

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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



CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

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

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

Budgets

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

Use of Estimates in Preparing Financial Statements

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

Cash and Cash Equivalents

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

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, short term state matching loans, loan repayments and fund earnings. Loans are advanced to local agencies on a cost reimbursement basis. Interest is calculated from the date that funds are advanced. Standard construction loans are amortized over periods up to 20 years, and not to exceed the useful life of the facilities, while construction loans for public water systems that serve "disadvantaged" communities are amortized over periods up to 30-years, also not to exceed the useful life of the facilities.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Planning loans are amortized over periods up to 5-years. Interest only repayments begin within D6 months of the first disbursement with principal repayments beginning within 6 months after project completion date and are made on a semi-annual basis.

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

Allowance for Bad Debts

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

Due to Other Funds

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

NOTE 3 - CASH AND CASH EQUIVALENTS

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

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

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

At June 30, 2017 and 2016, the Fund's cash deposits had a carrying balance of \$72,995 and \$58,816, respectively.



CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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

<u>Investments</u>	<u>2017</u>	<u>2016</u>
Treasury/Trust Portfolio	<u>\$ 254,139</u>	<u>\$ 318,577</u>
Total cash deposits and investments	<u>\$ 327,134</u>	<u>\$ 377,393</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, 2017 and 2016, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

Cash deposits and cash equivalents are reflected on the June 30, 2017 and 2016 statement of net position as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	<u>\$ 327,134</u>	<u>\$ 377,393</u>
Total cash deposits and cash equivalents	<u>\$ 327,134</u>	<u>\$ 377,393</u>

NOTE 4 - LOANS RECEIVABLE

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

As of June 30, 2017 and 2016, the Fund had total binding commitments of \$2,804,380 and \$2,548,367, respectively, since program inception. As of June 30, 2017, the remaining commitment on these loans amounted to \$716,134, of which \$647,617 is federal funds. The federal loan commitments included capitalization funds of \$34,198 which will be forgiven. As of June 30, 2016, the remaining commitment on these loans amounted to \$746,174, of which \$721,926 is federal funds. The federal loan commitments included capitalization funds of \$34,227 which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

(Dollar Amounts Expressed in Thousands)

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

At June 30, 2017 and 2016 the unpaid balance on all loans receivable outstanding amounted to \$1,396,908 and \$1,208,063, respectively.

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 14,539	\$ 49,530	\$ 64,069
2019	18,131	68,259	86,390
2020	17,155	72,987	90,142
2021	16,113	74,574	90,687
2022	15,043	74,788	89,831
2023-2027	58,744	371,607	430,351
2028-2032	32,645	313,928	346,573
2033-2037	16,070	201,396	217,466
2038-2042	7,456	91,329	98,785
2043-2047	3,139	68,181	71,320
2048-2052	181	9,369	9,550
Total	<u>\$ 199,216</u>	<u>1,395,948</u>	<u>\$ 1,595,164</u>
Loans not yet in repayment		<u>960</u>	
Total loans receivable		<u>\$ 1,396,908</u>	

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, 2017 and 2016 of these major local agencies represent approximately 63.4 and 47.2 percent of the total loans receivable.



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)**

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

	2017	
	Authorized Loan Amount	Outstanding Loan Balance
<u>Borrower</u>		
Los Angeles, City of (acting by and through the Department of Water & Power)	\$ 901,197	\$ 543,438
Fresno, City of	\$ 418,382	\$ 161,641
Woodland-Davis Clean Water Agency	\$ 111,358	\$ 101,646
Santa Barbara, City of	\$ 99,515	\$ 79,524
	<u>\$ 1,530,452</u>	<u>\$ 886,249</u>

	2016	
	Authorized Loan Amount	Outstanding Loan Balance
<u>Borrower</u>		
Los Angeles, City of (acting by and through the Department of Water & Power)	\$ 901,358	\$ 485,023
Woodland-Davis Clean Water Agency	\$ 111,358	\$ 85,102
	<u>\$ 1,012,716</u>	<u>\$ 570,125</u>

NOTE 5 - CAPITAL CONTRIBUTIONS

The Fund is capitalized by annual grants from the EPA. The State must also contribute an amount equal to 20 percent of the federal capitalization amount. The State’s matching contribution has been provided through the appropriation of State resources. As of June 30, 2017 and 2016 the EPA has awarded to the State cumulative capitalization grants, including in-kind of, \$1,624,400 and \$1,546,185, respectively. As of June 30, 2017 and 2016, the State has drawn, cumulatively \$1,607,064 and \$1,462,061, respectively, for loans, and administrative expenses. The State has provided matching funds of \$356,310 and \$296,003, respectively.

In addition, as of June 30, 2017, the EPA has awarded the ARRA grant of \$159,008 to the fund for which there is no State matching requirements. As of June 30, 2017 \$159,008 has been drawn, cumulatively, for loans and administrative expenses, of which \$121,290 was for principal forgiveness (See Note 4). There were no State matching requirements for the grant which was fully drawn as of June 30, 2015.

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2017 and 2016, and balances available for future loans as of June 30, 2017. Table 2 summarizes the state match amounts paid by the state as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, the state match required is \$321,413 and \$292,412, respectively. As of June 30, 2017 and 2016, the state match available for potential future state match is \$34,897 and \$3,591, respectively.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

(Dollar Amounts Expressed in Thousands)

NOTE 5 - CAPITAL CONTRIBUTIONS (CONTINUED)

Year	Grant Award	Funds Drawn	Funds Drawn	Funds Drawn	Funds Drawn	Available for Loans and Setasides as of June 30, 2017
		As of June 30, 2015	During Year Ended June 30, 2016	As of June 30, 2016	During Year Ended June 30, 2017	
1997-2011	\$ 1,216,720	\$ 1,216,720	\$ -	\$ 1,216,720	\$ -	\$ -
2012	84,758	59,952	24,806	\$ 84,758	-	\$ -
2013	77,916	10,454	63,628	\$ 74,082	3,834	\$ -
2014	82,921	4,772	70,029	\$ 74,801	8,120	\$ -
2015	82,279	-	10,109	\$ 10,109	65,316	\$ 6,854
2016	78,140	-	-	\$ -	67,658	\$ 10,482
	<u>\$ 1,622,734</u>	<u>\$ 1,291,898</u>	<u>\$ 168,572</u>	<u>\$ 1,460,470</u>	<u>\$ 144,928</u>	<u>\$ 17,336</u>
In-kind (Direct Payment)						
Made by EPA	1,666	1,196	395	1,591	75	\$ -
	<u>\$ 1,624,400</u>	<u>\$ 1,293,094</u>	<u>\$ 168,967</u>	<u>\$ 1,462,061</u>	<u>\$ 145,003</u>	<u>\$ 17,336</u>
2008-ARRA	159,008	159,008	-	159,008	-	-
	<u>\$ 1,783,408</u>	<u>\$ 1,452,102</u>	<u>\$ 168,967</u>	<u>\$ 1,621,069</u>	<u>\$ 145,003</u>	<u>\$ 17,336</u>

TABLE 2

	State Match Paid		State Match Paid		State Match Paid As of June 30, 2017
	As of June 30, 2015	During Year Ended June 30, 2016	As of June 30, 2016	During Year Ended June 30, 2017	
State Disbursed	\$ 241,501	\$ 1,552	\$ 243,053	\$ 24,307	\$ 267,360
State Interest Disbursed	52,950	-	52,950	36,000	88,950
	<u>\$ 294,451</u>	<u>\$ 1,552</u>	<u>\$ 296,003</u>	<u>\$ 60,307</u>	<u>\$ 356,310</u>

On October 6, 2016, the Fund borrowed \$36,000 with interest at .234 percent for the purpose of providing the state match. The loan was repaid on October 12, 2016.



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016
(Dollar Amounts Expressed in Thousands)**

NOTE 6 - RISK MANAGEMENT

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2017 and 2016, Comprehensive Annual Financial Reports.

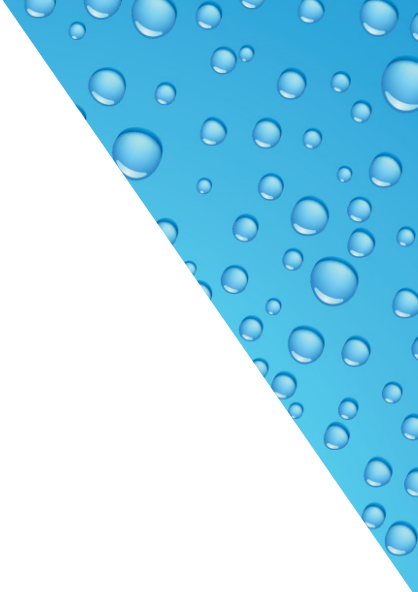
NOTE 7 - NET POSITION

Governmental Accounting Standards Board Statement provides for three components of net position: net investment in capital assets, restricted and unrestricted. As of June 30, 2017 and 2016 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, 2017 and 2016 the Fund had restricted net position of \$0.

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





SINGLE AUDIT REPORTS



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
Capitalization Grants for State Revolving Funds	66.468	\$ 144,928,544 (*)	\$ 128,199,849
		<u>\$ 144,928,544</u>	<u>\$ 128,199,849</u>

(*) Tested as a Major Program



See notes to schedule of expenditures of federal awards.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER STATE REVOLVING FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the California State Water Resources Control Board, Safe Drinking Water State Revolving Fund under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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

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

NOTE 3 - DISBURSEMENTS TO SUBRECIPIENTS

Capitalization Grants for Safe Drinking Water State Revolving Fund CFDA# 66.468 include \$126,127,033 of expenditures that were disbursed as loan awards, which includes \$6,750,133 of principal forgiveness loans and \$2,072,816 of expenditures that were disbursed as grant awards to qualifying subrecipients.





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California State Water Resources Control Board, Safe Drinking Water Revolving Fund (Safe Drinking Water Revolving Fund), a governmental fund of the State of California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Safe Drinking Water Revolving Fund's basic financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control Over Financial Reporting

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

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

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



California State Water Resources Control Board
Safe Drinking Water Revolving Fund

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 2, 2017





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

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

Report on Compliance for Each Major Federal Program

We have audited California State Water Resources Control Board, Safe Drinking Water Revolving Fund's (Safe Drinking Water Revolving Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Safe Drinking Water Revolving Fund's major federal programs for the year ended June 30, 2017. Safe Drinking Water Revolving Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Safe Drinking Water Revolving Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

California State Water Resources Control Board
Safe Drinking Water Revolving Fund

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 2, 2017



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major program:

Material weakness(es) identified? yes no

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

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

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

Identification of major program:

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

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

Auditee qualified as low-risk auditee? yes no

PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS

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

PART III - FINDINGS RELATED TO FEDERAL AWARDS

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



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
SAFE DRINKING WATER REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2017**

PART IV - PRIOR YEAR FINDINGS

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






STATE WATER RESOURCES CONTROL BOARD

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

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