

ANNUAL REPORT

Clean Water State Revolving Fund and the Water Quality, Supply, and Infrastructure Improvement Act of 2014

State Fiscal Year 2017-2018
(July 1, 2017 through June 30, 2018)

California State Water Resources Control Board
Division of Financial Assistance • 1001 I Street • Sacramento, CA 95814



MISSION | VISION Statements

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.

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



About the State and Regional Water Boards

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 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.

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 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. Ms. 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.

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I. INTRODUCTION

The California State Water Resources Control Board (State Water Board), Division of Financial Assistance (DFA) presents the Clean Water State Revolving Fund (CWSRF) annual report for State Fiscal Year (SFY) 2017-18. The State Water Board provided approximately \$707 million in new CWSRF financing to 44 projects in SFY 2017-18, which represent a wide variety of projects eligible under the CWSRF. This report describes how the State Water Board met the objectives identified in the [SFY 2017-18 CWSRF Intended Use Plan \(IUP\)](#).





II. PROGRAM SUMMARY

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

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

DFA, in cooperation with the Division of Administrative Services (DAS) and the Office of Chief Counsel (OCC), administers the CWSRF program, and is responsible for the implementation of the State Water Board's financial assistance programs. These programs finance the construction of municipal sewage, water recycling, drinking water and stormwater facilities, and the remediation of groundwater contamination including effects of releases from underground storage tanks.

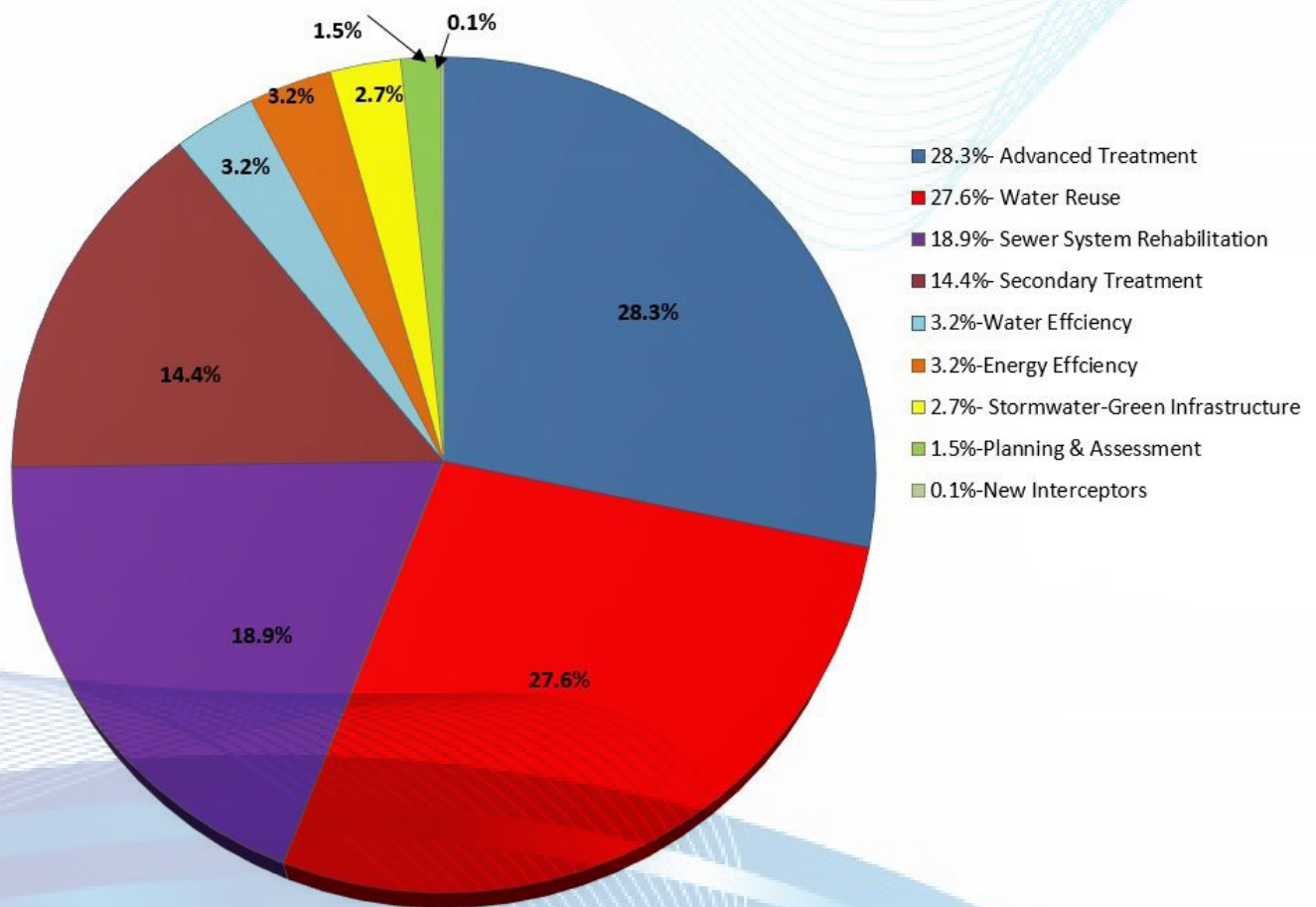
As of June 30, 2018, \$10.263 billion in cumulative CWSRF funds were available for CWSRF financial assistance and other eligible purposes. As of June 30, 2018, the State Water Board had committed approximately 106.5 percent (106.5%) of these available CWSRF funds to projects through binding commitments (executed financing agreements). Similarly, the State Water Board had disbursed approximately 81 percent (81%) of these available CWSRF funds to financing recipients or expended these funds for other eligible program purposes, as of June 30, 2018. Cumulative program activity from inception through the end of SFY 2017-18 is described in **Table 1** below.

Table 1: Cumulative Activity Since Inception of CWSRF Program

Activity	Life of Program
Number of Financing Agreements	828
Value of All Financing Agreements	\$10.93 billion
Cumulative Financing Disbursements	\$8.3 billion
Cumulative Cap Grant Administration Expenses	\$97.69 million
Cumulative CWSRF Administration Fund Expenses	\$59.3 million

The State Water Board funds projects from the CWSRF to address a broad range of water quality objectives. **Figure 1** below illustrates the categories of projects specifically funded in SFY 2017-18. The eight categories represent both wastewater and storm water infrastructure, with the five wastewater categories representing almost 95 percent (95%) of total funding in SFY 2017-18. This demonstrates the CWSRF's vital role in maintaining and improving California's wastewater infrastructure.

Figure 1: SFY 2017-18 CWSRF Funding by Project Categories*



*Percentages were calculated based on total funding amounts for each category in SFY 2017/18.

III. PROGRAM GOALS AND FINANCIAL RESULTS

A. Short-Term Goals

This section describes the CWSRF program's efforts to meet the following short term goals established in the SFY 2017-18 IUP. These goals provided the framework that guided State Water Board's decision-making, maximization, and prioritization of both staff and funding sources during SFY 2017-18.

1. Prepare and review cash management reports regularly.

State Water Board staff continued to prepare and review cash management reports for the CWSRF in SFY 2017-18 to ensure sufficient cash balances or otherwise plan for additional capital needs for all outstanding CWSRF obligations. Specifically, State Water Board staff reviewed management reports at quarterly, internal finance/audit coordination meetings that summarized the State Water Board's current CWSRF finances. State Water Board staff also routinely monitored cash flow as part of the financing approval process and analyzed each project's estimated disbursements on the CWSRF before financing was approved for new projects.

2. Continue regular staff level finance/audit coordination meetings.

State Water Board staff continued to conduct regular finance/audit coordination meetings between DFA and DAS in SFY 2017-18 to ensure sufficient oversight of the financial administration of the CWSRF. State Water Board staff conducted finance/audit coordination meetings on July 27, 2017, October 19, 2017, January 25, 2018, and May 25, 2018. Standing topics at these meetings included:

- Reviewing cash flow of projects under contract, short and long-term cash flow projections, and cash flow needs for upcoming projects;
- Comparing actual performance with target performance measures; and

- Reviewing audit issues, program control issues, tax compliance issues, and planning for upcoming audits.

3. Continue regular project staging meetings to identify and resolve process delays, coordinate and prioritize application reviews, and ensure ongoing pipeline of new projects.

State Water Board staff conducted monthly staging meetings in SFY 2017-18 to coordinate its review of active project applications and to ensure a robust pipeline of new projects.

4. Apply for and accept the Federal Fiscal Year (FFY) 2017 Capitalization Grant.

The State Water Board submitted its FFY 2017 Capitalization Grant application on May 30, 2017, to further capitalize the CWSRF and maximize financing for eligible CWSRF applicants. The United States Environmental Protection Agency (USEPA) awarded the FFY 2017 CWSRF Capitalization Grant for \$94,822,000 to the State Water Board on August 14, 2017. The State Water Board has provided the necessary state match for the FFY 2017 CWSRF Capitalization Grant through excess state bond funds and local match contributions.

5. Develop a "Debt Management Policy".

On October 2, 2017, the State Water Board adopted [Resolution No. 2017-0058](#) establishing a "debt management policy" for the CWSRF

and Drinking Water State Revolving Fund (DWSRF) programs. The debt management policy describes the roles and responsibilities of Board staff and describes the criteria and processes Board staff will use to manage debt in the SRF programs.

6. Prepare Annual Report and Audited Financial Statements for SFY 2016-17.

To satisfy federal requirements and ensure the accuracy of the State Water Board's financial management of the CWSRF, audited financial statements for the year ending June 30, 2017 were completed October 2, 2017. The audited financial statements are **Appendix K** (page 67) of the SFY 2016-17 Annual Report. CWSRF annual reports and audited financial statements are also posted online at: http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/pubs.shtml.

7. Provide funds for high-priority projects.

The State Water Board continued to provide CWSRF financing for high-priority projects that were ready to proceed to a financing agreement in SFY 2017-18. Section IV (page 21) and **Exhibit A** (page 36) provide further details

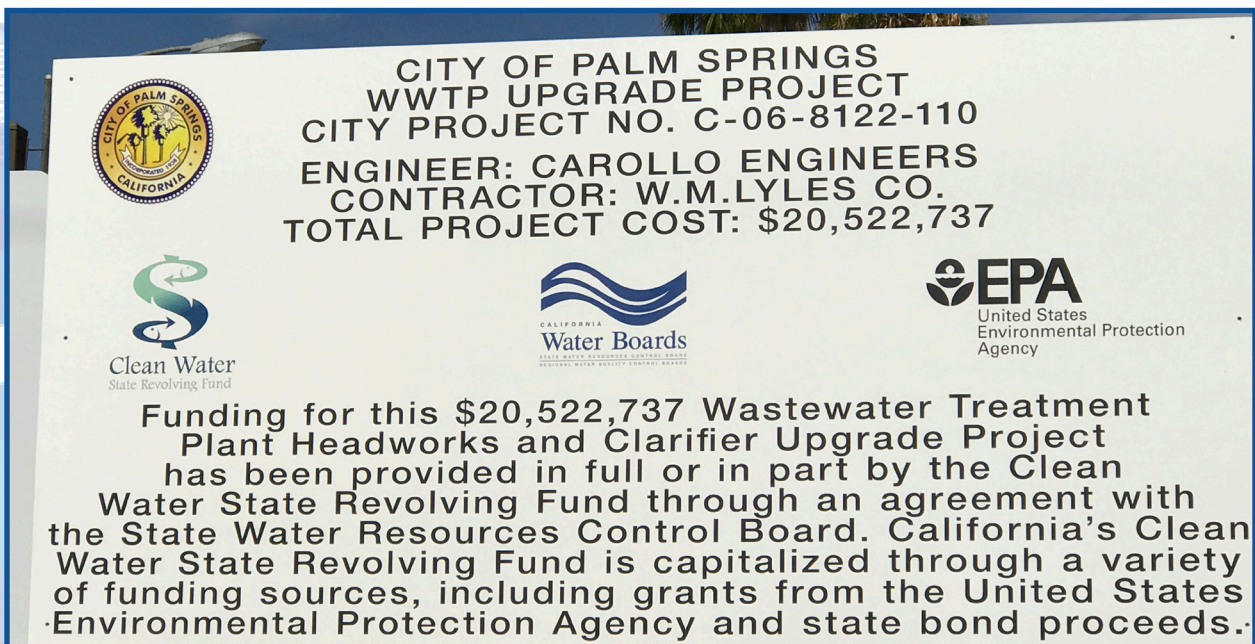
about the projects funded by the State Water Board in SFY 2017-18.

8. Adopt the SFY 2017-18 (FFY 2017) IUP.

The State Water Board adopted the SFY 2017-18 IUP on June 22, 2017 to satisfy its timely submission of its FFY 2017 Capitalization Grant application to USEPA and establish its SFY 2017-18 business plan for the CWSRF. The SFY 2017-18 IUP guided the marketing and assistance efforts in this fiscal year and helped DFA address the State Water Board's highest funding priorities.

9. Report activities supporting the California Water Action Plan, State Water Board's Strategic Plan, the CalEPA Strategic Vision, and the USEPA Strategic Plan in the CWSRF Annual Report, Clean Water Benefits Reporting (CBR), National Information Management System (NIMS), and Federal Funding Accountability and Transparency Act (FFATA) Reporting System.

In SFY 2017-18, the State Water Board continued to report activities supporting the USEPA strategic goals via the CWSRF Annual



CITY OF PALM SPRINGS
WWTP UPGRADE PROJECT
CITY PROJECT NO. C-06-8122-110
ENGINEER: CAROLLO ENGINEERS
CONTRACTOR: W.M. LYLES CO.
TOTAL PROJECT COST: \$20,522,737

Clean Water
State Revolving Fund

CALIFORNIA
Water Boards
STATE WATER RESOURCES CONTROL BOARD
NATIONAL WATER REPLY CENTER BOARD

EPA
United States
Environmental Protection
Agency

Funding for this \$20,522,737 Wastewater Treatment Plant Headworks and Clarifier Upgrade Project has been provided in full or in part by the Clean Water State Revolving Fund through an agreement with the State Water Resources Control Board. California's Clean Water State Revolving Fund is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency and state bond proceeds.

Report, CBR System, and Clean Water NIMS. State Water Board staff also reported via the FFATA Reporting System for an amount equal to the FFY 2017 CWSRF Capitalization Grant. **Exhibit B** (page 39) lists the projects reported to FFATA for FFY 2017.

10. Prepare a CWSRF Policy Amendment for the State Water Board's Consideration

DFA staff initiated the stakeholder process to amend the CWSRF Policy but did not complete the process in SFY 2017-18. Additional time was needed to develop and consider possible modifications to the CWSRF priority system. DFA staff completed three (3) stakeholder workshops (Oakland, Irvine, and Tulare) in June and July 2017 regarding potential

improvements to the CWSRF program's priority setting process to better manage the demand for CWSRF financing. On December 5, 2017, DFA staff presented an informational item to the State Water Board on the results of the three (3) workshops. DFA staff are also preparing an amendment to the CWSRF Policy for consideration by the State Water Board before the end of calendar year 2018 that will recommend changes for the CWSRF's priority setting approach.

11. Provide a Mid-Year Informational Update on Progress Implementing the SFY 2017-18 IUP

DFA provided stakeholders with an update in November 2017 on its progress implementing the SFY 2017-18 IUP.

B. Long-Term Goals

This section discusses the State Water Board's efforts to meet the following long-term goals for the CWSRF program established in the SFY 2017-18 IUP. These long-term goals also provided a framework that guided DFA's decision-making, maximization, and prioritization of both staff and funding sources during SFY 2017-18.

1. Maximize cash flow.

DFA continued to monitor cash flow trends through its management reports and finance/audit coordination meetings. It also approved and executed financing agreements to ensure that cash balances did not increase and that sufficient funds were available to meet all expenses and disbursement requests.

Throughout the year, the State Water Board received cash through loan repayments, capital contributions, investment earnings, and bond sales. It also disbursed cash to financing recipients, to its Trustee to pay debt service on revenue bonds, and for program expenses. DFA also continued to monitor project disbursement levels relative to the projects' schedules, and periodically reviewed projects to ensure that final disbursements are made no later than six (6) months after completion of construction to ensure that funds are disbursed in a timely manner.

2. Use revenue and capital effectively.

DFA continued to monitor cash flows and financing forecasts to determine whether additional capital will be needed to fund projects in the future. The State Water Board has substantial CWSRF revenue that can be leveraged to fund more projects at current costs to address California's large water quality needs.

The State Water Board obtained additional capital this year by selling \$449,225,000 par value of bonds in March 2018, generating \$525,000,373.84 in cash after expenses.

3. Maintain financial integrity.

To maintain the financial integrity of the CWSRF, DFA continued its comprehensive credit analysis for new financings in SFY 2017-18 to ensure CWSRF financings are repaid on time and in full. Specifically, DFA analyzed each applicant's finances, and imposed special

conditions where appropriate on applicants to lower the credit risk. Recipients were also generally required to provide ongoing financial information after loan closing or to complete public outreach if there was significant public disapproval during their rate setting process.

Financing approvals and transactions associated with individual CWSRF projects were also documented in each project's file. A hard-copy file was established and maintained for each project, and an electronic record was maintained for each project in the "Loans and Grants Tracking System," the CWSRF's data management system. Each approval and transaction in SFY 2017-18 required multiple reviews and sign-offs from staff and management to ensure accuracy and validity. Written internal procedures for the CWSRF program were also maintained.

To maintain the financial integrity of the CWSRF, DFA also conducted surveillance of financing recipients and their outstanding obligations. DFA staff maintained a "watch list" of financing recipients and potential applicants that showed signs of financial weakness in SFY 2017-18. Financial weakness was assessed through surveillance of CWSRF financing recipients' annual financial statements as well as general monitoring through a variety of news outlets about potential borrower weakness or risk. CWSRF financing recipients were also monitored in SFY 2017-18 for any late CWSRF payments, especially those whose financings have been pledged to repay CWSRF revenue bonds.

Finally, the financial integrity of the CWSRF was maintained through the development and auditing of CWSRF financial statements and certain personal financial disclosures by supervisors, managers, and Board members within the State Water Board. Specifically, CWSRF financial statements were prepared by State Water Board staff and audited by an independent auditor in accordance with Government Auditing Standards. A copy of the audited financial statements is included in this report (**Exhibit K**, page **67**), and is posted

on the State Water Board's CWSRF website. Designated supervisors and managers within the State Water Board were also required to file an annual "Statement of Economic Interest" with the California Fair Political Practices Commission. In addition, State Water Board supervisors and managers completed conflict of interest training and were required to complete ethics training biennially.

4. Achieve compliance statewide with water quality objectives.

The State Water Board continued its efforts to set and enforce water quality objectives. The State Water Board provided financial assistance from the CWSRF to correct pollution problems to help meet these objectives. The environmental benefits of the projects that received CWSRF financing during SFY 2017-18 are summarized in Section IV of this report.

5. Achieve sustainable water resource management.

The State Water Board continued to make California's water supply more sustainable and resilient. Eighteen (18) of the CWSRF projects funded during SFY 2017-18 were water recycling projects that helped offset or augment fresh water supplies.

Twenty-four (24) projects funded during SFY 2017-18 received additional subsidy in the form of principal forgiveness because they met the USEPA's "Green Project Reserve" criteria. Green projects reduce the environmental footprint of water and wastewater treatment, collection, and distribution; help utilities adapt to climate change; enhance water and energy conservation; adopt more sustainable solutions to wet weather flows; and promote innovative approaches to water management problems. Over time, GPR projects should enable utilities to take savings derived from reducing water losses and energy consumption and use them for public health and environmental enhancement projects. Additionally, USEPA expects green projects will help the water sector improve the quality of water services without putting additional strain on the energy

grid, and by reducing the volume of water lost every year.

All applicants for CWSRF infrastructure financing certified the existence or current development of fiscal sustainability plans (FSP). A certified FSP includes an inventory of critical treatment works assets, an evaluation of the condition and performance of the assets, a certification that the applicant evaluated and will be implementing water and energy conservation, and a plan for maintaining, repairing, and replacing the treatment works and funding those activities.

In addition, all public agencies that received CWSRF funds were required to certify they have performed a cost and effectiveness analysis and have selected a project to maximize the efficient use, reuse, and recapture of water. Financed projects must maximize conservation of water and energy and consider the costs of construction, operation, and maintenance over the life of the project as well as replacement of the project.

The State Water Board applied water conservation requirements to recipients and required compliance with a number of specific state water management laws, where applicable, including urban water management planning, agricultural water management

planning, Delta Plan compliance, and water metering requirements.

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

The State Water Board financed approximately \$707 million of infrastructure improvements during SFY 2017-18, which will support the Regional Water Boards' efforts to implement water quality control plans in their respective regions. Water quality control plans are developed on a watershed basis.

7. Assist with the State Water Board's Plan for California's Nonpoint Source Pollution Control Program and estuary Comprehensive Conservation and Management Plans.

The State Water Board did not finance any projects in SFY 2017-18 that will help address non-point source pollution and estuaries.

8. Invest in disadvantaged communities (DAC)s disproportionately affected by pollution and water contamination.

The CWSRF-Small Community Grant Fund (SCG) program under the Office of Sustainable Water Solutions (OSWS) continued to provide



grant funds to small DACs in SFY 2017-18 for projects that addressed pollution and water contamination. In summary, thirty-four (34) projects totaling \$97,856,769 of CWSRF-SCG and related Proposition 1 (Prop 1) grants were awarded in SFY 2017-18. See **Exhibit C** (page 40) for the list of projects for small DACs that were funded in SFY 2017-18 by the CWSRF-SCG. On May 18, 2016, the State Water Board's OSWS presented information to the State Water Board and the public about **the combined three-year strategy for small and/or DAC wastewater and drinking water capacity development**. The combined strategy provides an overview of the challenges these communities face, including failing septic systems, failing and undersized wastewater treatment plants, higher per capita costs, lower household incomes for DACs, and prohibitive rates. The combined strategy also discussed options and offered solutions to help address these communities' pollution and water contamination issues. These included offering grants, principal forgiveness, and reduced interest rates from DFA for new infrastructure financing and providing technical assistance. Additional information on technical assistance provided to small DACs in SFY 2017-18 is described in Section V (E) (page 29). The combined strategy is scheduled to be updated in SFY 2018-19.

9. Support the state's greenhouse gas reduction and climate adaptation goals to the maximum extent practicable consistent with the State Water Board's water quality objectives.

The State Water Board worked to meet its sustainability objectives by providing technical knowledge and helping funding recipients adapt to climate change. The State Water Board adopted **Resolution No. 2017-0012** on March 7, 2017, outlining a comprehensive response to climate change for all the State Water Boards' activities and programs. In response, DFA considered the potential effects of climate change on the viability of funded projects. Also, consistent with the California Air Resources Board's Climate Change

Scoping Plan, the State Water Board looked for actions to incentivize sustainable water-related infrastructure and water quality protection and improvement projects. DFA staffing included one Water Resource Control Engineer (WRCE) position in SFY 2017-18 funded by Assembly Bill 32 (2006), to provide technical advice on climate change strategy, sustainability, and greenhouse gas reductions. The climate change WRCE helped communities with resiliency and sustainability issues, developed climate change decision-making protocols, and evaluated the outcomes of the State Water Board's funding decisions to determine the benefits of those choices. Finally, DFA continued to evaluate information provided by applicants through the climate change worksheet required as part of all CWSRF funding applications. The climate change worksheet considers the impacts of climate change on projects being considered for CWSRF funding.

10. Provide good customer service with a special emphasis on assisting DACs.

The State Water Board continued to emphasize assisting small DACs and small severely DACs (SDAC) in SFY 2017-18. Specifically, the State Water Board continued to provide a suite of technical assistance to wastewater systems serving DACs under third-party contracts funded by the CWSRF program as well as technical assistance grants funded under Proposition 1. In summary, the State Water Board facilitated approximately 100 technical assistance referrals benefitting 118 small DACs and their wastewater needs in SFY 2017-18. See Section V(E) (page 29) for more updates on technical assistance provided to small DACs and SDACs in SFY 2017-18.

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

The State Water Board did not identify needed changes and continued to use its existing CWSRF application forms during SFY 2017-18. Updates were made to the forms in August 2016 to reflect recent changes in law, clarify

questions, and introduce the climate change worksheet.

12. Ensure staff is well trained and ready to help applicants resolve technical, legal, environmental, and financial issues needed to receive financing.

State Water Board CWSRF management conducted regular staff meetings to ensure that staff received up-to-date information about the current policies and procedures affecting the CWSRF program. DFA staff within the CWSRF program also completed numerous trainings throughout SFY 2017-18 including:

- American Iron and Steel (AIS) Training
- Change Orders and Disbursements Process Training
- Climate Change Worksheet Training
- CWSRF IUP Update Training
- Field Safety Training
- Operator Certification Training
- SCG Training
- Waste Discharge Requirements (WDR) Training
- Water Rights Training

C. Operating Agreement and Capitalization Grant Conditions

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

1. Assistance Activity

The State Water Board continued to provide CWSRF funding for activities in SFY 2017-18 that were eligible under Section 603(c) of the Clean Water Act. In summary, a total of \$707 million in new CWSRF funding was awarded to 44 projects in SFY 2017-18. CWSRF funds were provided to eligible recipients to enhance wastewater treatment, collection systems, or wastewater recycling. The projects and eligible recipients funded in SFY 2017-18 are detailed in **Exhibit A** (page 36).

However, in SFY 2017-18, 73 of 117 projects listed in the IUP were not funded. **Exhibit D** (page 42) lists these projects and the reasons why they did not receive CWSRF funding in SFY 2017-18. The high demand for water quality improvement funding in California requires the State Water Board to prioritize projects based upon their water quality benefits as well as the recipient's readiness to proceed to a funding agreement.



2. Eligible Categories of Projects and Financing Terms

The State Water Board offered funding to all eligible categories of projects in SFY 2017-18. The types of assistance included installment sales agreements, loans, and purchase of debt for the construction of treatment works. Additional subsidy in the form of principal forgiveness was also provided to those applicants that met the conditions specified by the State Water Board in Section III. C.2 of the SFY 2017-18 IUP.

Additionally, the State Water Board offered planning, design, and construction financing during SFY 2017-18. Planning and design financing was amortized over five or ten years with the option to roll the principal balance into a subsequent construction financing agreement. Construction or implementation financing was generally amortized for periods up to 30 years or the useful life of the project if less than 30 years.

The standard interest rate applied to financing agreements was established at the time the project's financing agreement was prepared. The interest rate was one-half the state's most recent general obligation bond rate, rounded up to the nearest one-tenth of a percent (0.1%). However, small DACs, NPS, and estuary management projects were generally offered a lower interest rate, not less than zero percent (0%), under certain conditions where necessary to make a project affordable as directed by the State Water Board in the IUP. The State Water Board also continued to provide one percent (1%) CWSRF financing for water recycling projects ([Exhibit E](#), page 44) in accordance with [Resolution No. 2016-0008](#), which was adopted by the State Water Board on February 16, 2016. Specifically, the City of Ukiah (8076-110), the City of Brentwood (8071-110) and the San Francisco Public Utilities Commission (8111-110) received a one percent (1%) interest rate on their CWSRF financing agreements in the amount of \$21,809,000, \$14,596,500 and \$171,220,000, respectively, as a financial incentive for their recycled water

projects. Finally, although the CWSRF is over-matched, as explained in the next section, the State Water Board offered the zero percent (0%) CWSRF local match financing option during SFY 2017-18, but no agreements were executed for local match financing.

3. Provide a State Match

The State Water Board met its match requirement by identifying state funds equal to at least 20 percent (20%) of each capitalization grant amount. As of SFY 2017-18, the total capitalization grant amount awarded to the State Water Board for the CWSRF program was \$3.147 billion. Of this amount, \$280 million did not require the 20 percent (20%) match because the funds were from the American Recovery and Reinvestment Act of 2009 (ARRA). As of June 30, 2018, the State Water Board has drawn \$2.768 billion in CWSRF federal grants that required a 20 percent (20%) match. The required match for federal grants drawn by the State Water Board was approximately \$553.7 million.

California uses a combination of state general obligation bonds repaid from non-CWSRF sources and funds contributed by CWSRF applicants to meet the 20 percent (20%) match requirement. A total of approximately \$638.3 million in matching funds has been contributed to the CWSRF; therefore, California contributed approximately \$84.636 million more to its CWSRF than is required to match grants drawn as of June 30, 2018.

Note: The National Information Management System (NIMS) Report includes all state match contributed to the CWSRF.

4. Binding Commitments within One Year

The State Water Board continued to commit CWSRF funding to projects in an amount equal to or greater than 120 percent (120%) of each federal quarterly payment within one year of that payment. As of June 30, 2018, executed funding agreements totaled approximately \$10.93 billion, or approximately 347% of the

total \$3.15 billion in federal payments received as of June 30, 2018.

5. Expeditious and Timely Expenditure

The State Water Board continued to make timely and expeditious use of CWSRF funds, especially federal capitalization grant funds. As of June 30, 2018, the State Water Board had \$3.186 million in undisbursed FFY 2016 CWSRF Capitalization Grant and \$94.492 million of FFY 2017 CWSRF Capitalization Grant funds. The undisbursed funds were substantially reserved for principal forgiveness. This undisbursed balance continues the State Water Board's practice of having federal fund balances of less than the equivalent of two capitalization grants.

This timely and expeditious use of CWSRF federal capitalization grant funds was substantially achieved through cash-flow modeling and the over-commitment of CWSRF funds in SFY 2017-18 and prior fiscal years. The over-commitment of funds, and expeditious and timely expenditures, is expected to continue in the future given the high demand for CWSRF funding.

The timely and expeditious use of CWSRF funds was also satisfied through the prompt and efficient processing of CWSRF reimbursement claims. To ensure timely reimbursement, CWSRF claims were generally reviewed and paid within 45 days from receipt of a complete claim. DFA staff reviewed and approved complete disbursement claims generally within 25 days, and then routed the requests to DAS for processing. DAS generally processed requests within eight calendar days of receiving the claim, and the State Controller's Office (SCO) generally issued a check (warrant) within seven calendar days to the funding recipient.

The State Water Board also continued to draw federal funds in SFY 2017-18 from the United States Treasury via the Automated Standard Application for Payments (ASAP) system as warrants were issued by SCO. ASAP is a request and delivery system of federal funds developed by the Financial Management

Service of the United States Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board draws funds from USEPA for expenditures incurred by the CWSRF 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.

To further enable the timely and expeditious use of CWSRF funds, the State Water Board primarily funded CWSRF reimbursement claims first with federal funds, if available, to ensure the prompt liquidation of federal capitalization grants. As of June 30, 2018, approximately \$112.594 million of CWSRF financings had also been encumbered to available CWSRF federal capitalization grant funds, constituting a 1.15:1 ratio. A select group of projects listed in **Exhibit F** (page 45) were also prioritized for Series 2016, Series 2017, and Series 2018 CWSRF revenue bond proceeds to ensure prompt liquidation of those proceeds. More information on the liquidation of CWSRF revenue bond proceeds is included in Section V(I) (page 31).

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

The State Water Board negotiated a total fair share DBE objective with the USEPA beginning FFY 2017-18 for the CWSRF 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 2.5 percent (2.5%) for MBE and 1.5 percent (1.5%) for WBE. The overall DBE participation was 4 percent (4%). **Exhibit G** (page 59) 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 CWSRF funded projects were required to comply with Davis-Bacon prevailing wage requirements in SFY 2017-18. Each funding agreement included provisions requiring applicants to follow Davis-Bacon requirements. DFA conducted a variety of surveillance activities throughout SFY 2017-18 to ensure each recipient's compliance with Davis-Bacon requirements. 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 control activities.

CWSRF funding recipients were also required to use American-made iron and steel products in SFY 2017-18 pursuant to USEPA guidelines for projects involving the construction, alteration, maintenance, or repair of a public treatment works funded after January 16, 2014, unless a national or project specific waiver from the USEPA applied. Each funding agreement included provisions requiring applicants to follow AIS requirements. DFA also examined

recipient records for AIS certifications and/or any AIS waivers during project inspections.

7. Use of Capitalization Grant Administration Allowance and Administrative Cost Expenditures

In accordance with federal requirements, CWSRF funds can be used for the administration of the CWSRF program¹. The State Water Board may also expend revenue derived from CWSRF fees deposited to the CWSRF Administration Fund² to administer the CWSRF program. As of June 30, 2018, the cumulative administrative expenditures from both the CWSRF and the CWSRF Administration Fund were \$157 million. In SFY 2017-18 specifically, the administrative expenditures from both the CWSRF and the CWSRF Administration Fund were \$9.32 million.

In SFY 2017-18 the State Water Board had three (3) options to determine the maximum amount of CWSRF funds that could be expended for administration of the CWSRF program. These options are defined from Section 603(d)(7) of the Clean Water Act and presented in **Table 2** below.

Table 2: CWSRF Administration Expenditure Options

Option	CWSRF Administration Allowance Options	Maximum CWSRF Administration Allowance for SFY 2017-18
A	\$400,000	\$400,000
B	4% of all grant awards (including FFY 2018 CWSRF Capitalization Grant) less prior years' CWSRF administrative expenses	\$28,506,521
C	1/5% of CWSRF Net Position (as of June 30, 2017)	\$8,066,018

The State Water Board elected to fund certain administrative costs through the CWSRF via a proportional share of federal and state match funds in a cumulative amount that did

not exceed four percent (4%) of all CWSRF grants awarded to the State Water Board. The administration cost (administrative expenses) incurred by the State Water Board from the

¹ Per section 603 (d)(7) of the Federal Pollution Control Act (Clean Water Act) the CWSRF may be used "for the reasonable costs of administering the fund and conducting activities under this subchapter, except that such amounts shall not exceed 4 percent of all grant awards to such fund under this subchapter, \$400,000 per year, or 1/5 percent per year of the current valuation of the fund, whichever amount is greatest, plus the amount of any fees collected by the State for such purpose regardless of the source.

²The CWSRF Administration Fund is held outside the CWSRF and is not subject to the limitations of Section 603(d)(7) of the CWA. All expenditures from the CWSRF Administration Fund are subject to the annual state budget process.

CWSRF program during SFY 2017-18 was \$393,000. This amount included operating expenses of \$183,157 (i.e. vendor contracts) and bond fees of \$209,886. Similarly, the cumulative administration cost incurred by the State Water Board from CWSRF as of June 30, 2018 was approximately \$97.7 million. This amount was \$28.1 million less than four percent (4%) of all CWSRF grant awards as of June 30, 2018, totaling \$125.8 million, thereby ensuring the State Water Board's compliance with Section 603(d)(7) of the Clean Water Act.

Other administration expenses, namely personnel costs, were paid from the CWSRF Administration Fund in SFY 2017-18, in the amount of \$8.93 million. As of June 30, 2018, the cumulative expenses of the CWSRF Administration Fund were approximately \$59.3 million. The balance of the CWSRF Administration Fund was approximately \$13.8 million as of June 30, 2018. The CWSRF Administration Fund is funded through administrative services fees on existing CWSRF repayable financing, as further described in Section D(4) on page 19.

8. Additional Subsidy and Green Project Reserve Requirements

In accordance with USEPA requirements, a portion of each CWSRF capitalization grant must be used for additional subsidy and the Green Project Reserve. **Table 3** below shows the minimum and maximum additional subsidy established by USEPA. The State Water Board has allocated the maximum allowable additional subsidy in the form of principal forgiveness for every annual capitalization grant awarded by USEPA. Table 3 also shows the total additional subsidy amount committed by capitalization grant and corresponding balance of additional subsidy uncommitted by capitalization grant as of June 30, 2018. Additionally, Table 3 shows the disbursement status of the additional subsidy by capitalization grant as of June 30, 2018 based upon USEPA's capitalization grant disbursement policies. In conclusion, of the total \$234.8 million allocated by the State Water Board for additional subsidy in accordance with USEPA requirements, a total of \$44.4 million of additional subsidy remains to be committed and a total of \$84.9 million remains to be disbursed to eligible CWSRF projects as of June 30, 2018.

Table 3: Additional Subsidization Funding as of June 30, 2018

FFY Grant	SFY	Grant Award Amount	Minimum Subsidy Amount by FFY Grant ³	Maximum Subsidy Amount by FFY Grant ⁴	Committed Subsidy Amount by FFY Grant ⁴	Uncommitted Subsidy Amount by FFY Grant ⁵	Disbursed Subsidy Amount by FFY Grant ⁶	Undisbursed Subsidy Amount by FFY Grant ⁷
2010	10/11	\$145,721,000	\$21,824,382	\$72,747,939	\$72,747,939	\$0	\$57,709,364	\$0
2011	11/12	\$105,570,800	\$9,786,413	\$32,609,378	\$32,609,378	\$0	\$1,769,886	\$0
2012	12/13	\$101,080,000	\$5,617,660	\$8,426,490	\$8,426,490	\$0	\$16,112,681	\$0
2013	13/14	\$95,485,000	\$4,497,751	\$6,746,627	\$6,746,627	\$0	\$18,269,736	\$0
2014	14/15	\$100,277,000	\$5,456,840	\$8,185,259	\$8,185,259	\$0	\$18,892,189	\$0
2015	15/16	\$99,763,000	\$0	\$29,928,900	\$29,928,900	\$0	\$9,894,082	\$0
2016	16/17	\$95,558,000	\$9,555,800	\$38,223,200	\$28,764,423	\$9,458,777	\$27,262,889	\$0
2017	17/18	\$94,822,000	\$9,482,220	\$37,928,800	\$0	\$37,928,800	\$0	\$84,885,766
Totals		\$838,276,800	\$66,221,066	\$234,796,593	\$190,409,016	\$44,387,577	\$149,910,827	\$84,885,766
Grand Totals					\$234,796,593		\$234,796,593	

³ Additional subsidy must be awarded within a minimum and maximum range of a CWSRF capitalization grant. The State Water Board has directed DFA to utilize the maximum additional subsidy from each capitalization grant.

⁴ In accordance with USEPA procedures, these amounts are the additional subsidy encumbered by capitalization grant as of 6/30/2018.

⁵ In accordance with USEPA procedures, these amounts are the additional subsidy balances that will be encumbered by capitalization grants in the future.

⁶ In accordance with State statutes, additional subsidy is directly encumbered against federal capitalization grants. These amounts are the additional subsidy disbursed by capitalization grant as 6/30/2018 based upon USEPA's "first-in-first-out" (FIFO) policy.

⁷ In accordance with USEPA procedures, these amounts are the total balances by capitalization grant that will be disbursed in the future.

Table 4 below shows the minimum amounts of Green Project Reserve that must be allocated by capitalization grant per USEPA requirements. It also shows the amounts of Green Project Reserve funding committed by capitalization grant to CWSRF projects as of June 30, 2018. Table 4 also shows the disbursements of Green Project Reserve funding by capitalization grant. In conclusion, of the \$109 million total minimum amount allocated for Green Project Reserve funding, a total of \$1.42 billion has been committed and a total of \$747 million has been disbursed. Both the amount committed and the amount disbursed exceed the minimum GPR requirement.

Table 4: Green Project Reserve Funding as of June 30, 2018

Federal Fiscal Year Grant	State Fiscal Year	Grant Award Amount	Minimum Green Project Reserve Amount by FFY Grant ⁸	Committed Green Project Reserve Amount Per FFY Grant ⁹	Disbursed Green Project Reserve Amount by State Fiscal Year ¹⁰	Undisbursed Green Project Reserve Amount by State Fiscal Year ¹¹
2010	10/11	\$145,721,000	\$29,144,200	\$37,106,001	\$1,434,330	\$0
2011	11/12	\$105,570,800	\$21,114,160	\$120,930,763	\$23,244,100	\$0
2012	12/13	\$101,080,000	\$10,108,000	\$24,779,684	\$34,590,115	\$0
2013	13/14	\$95,485,000	\$9,548,500	\$148,981,222	\$101,464,932	\$0
2014	14/15	\$100,277,000	\$10,027,700	\$63,278,840	\$91,194,006	\$0
2015	15/16	\$99,763,000	\$9,976,300	\$115,054,393	\$134,298,128	\$0
2016	16/17	\$95,558,000	\$9,555,800	\$400,708,169	\$135,893,731	\$0
2017	17/18	\$94,822,000	\$9,482,200	\$509,045,233	\$224,557,064	\$673,207,900
Total		\$838,276,800	\$108,956,860	\$1,419,884,305	\$746,676,406	\$673,207,900
Grand Total					\$1,419,884,305	

Exhibit H (page 60) identifies the 32 CWSRF projects funded from the Green Project Reserve in SFY 2017-18 while Exhibit I (page 61) identifies the 24 projects funded with additional subsidy (aka principal forgiveness) in SFY 2017-18.

9. Federal Cross-Cutters

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

CWSRF financing agreements included a list of applicable federal statutes and requirements taken from the most recent capitalization grant. The financing recipient agreed to comply with these federal requirements by signing the financing agreement.

The State Water Board used the USEPA approved [State Environmental Review Process](#) (SERP) to review any environmental impacts of CWSRF projects. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant was also required to complete and submit an [Evaluation Form for Environmental](#)

⁸The State Water Board must commit and expend a minimum amount of a CWSRF capitalization grant to projects that qualify under USEPA’s “Green Project Reserve.”

⁹In accordance with USEPA procedures, these amounts are the CWSRF project amounts committed to Green Project Reserve projects by capitalization grant as of 6/30/2018.

¹⁰Green Project Reserve funding is not necessarily encumbered and liquidated from CWSRF capitalization grants. These amounts are the Green Project Reserve disbursements for each state fiscal year. In cases where the Green Project Reserve funding is encumbered and disbursed directly against a CWSRF capitalization grant, the encumbrance and disbursement is based upon USEPA’s “first-in-first-out” (FIFO) policy.

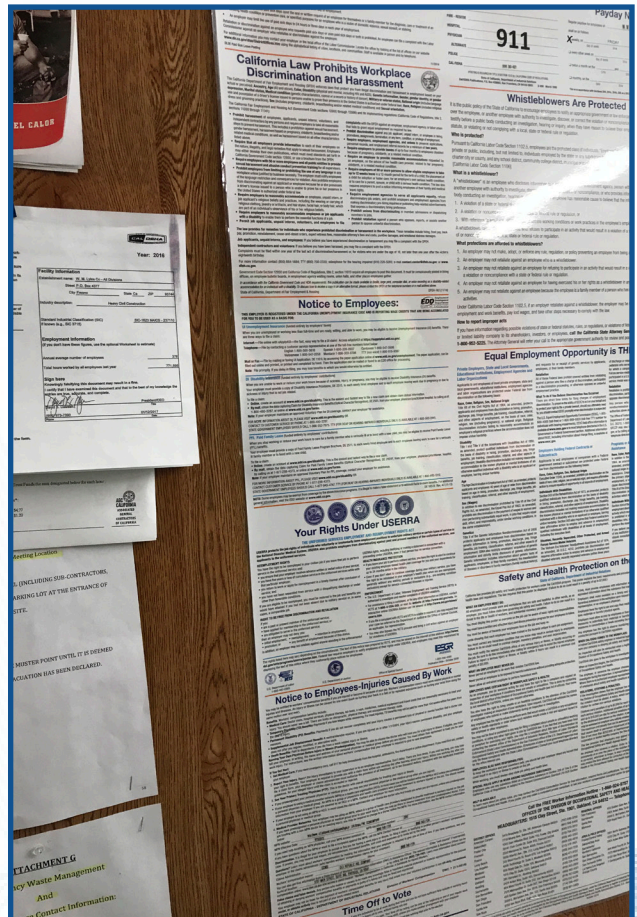
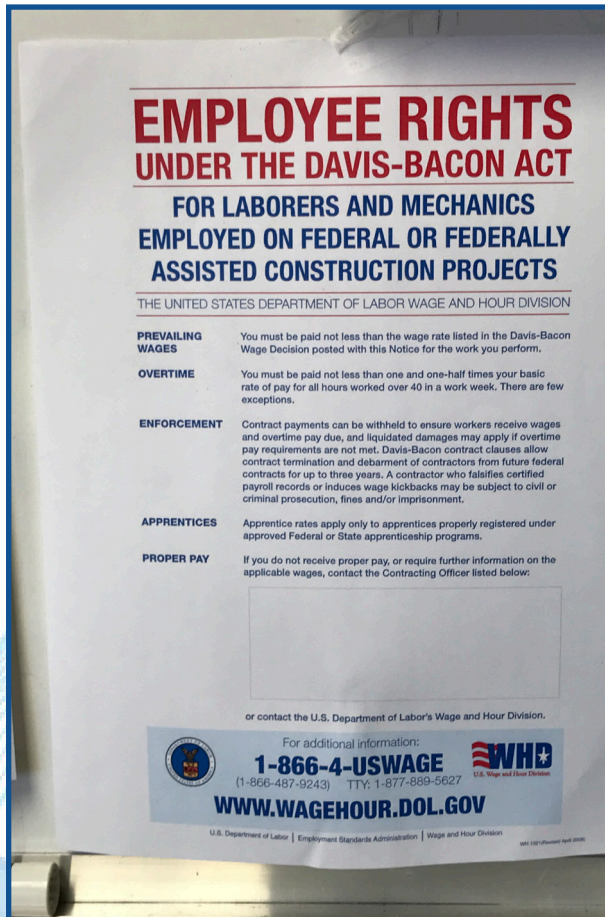
¹¹In accordance with USEPA procedures, these amounts are the total Green Project Reserve funding not yet disbursed as of 6/30/2018.

Review and Federal Coordination to assure compliance with the federal cross-cutters. State Water Board staff reviewed the completed Evaluation Form, supporting information, and the environmental and cultural resource documents. Staff coordinated with the USEPA, Region 9 to initiate consultations with relevant federal agencies on projects with known (or suspected) effects under federal environmental regulations, consistent with the CWSRF Operating Agreement executed between the State Water Board and the USEPA.

DFA also required compliance with DBE and Davis-Bacon wage requirements for all CWSRF financing, except planning and design financing, and required Single Audit Act (Office of Management and Budget [OMB] Circular A-133 and 2 CFR Part 200, subpart F, and updates or revisions, thereto) compliance and reporting on all recipients that received over \$750,000 in federal funds in any one

year. DFA also required compliance with AIS requirements beginning in 2014, as required by the Consolidated Appropriations Act of 2014 (Public Law 113-76) and by the Clean Water Act, unless the project qualified for a waiver.

As of October 1, 2010, FFATA, along with associated OMB directives, requires non-ARRA recipients of federal dollars to report recipient and sub-recipient information into the FFATA Subaward Reporting System (FSRS) by the end of the month following recipient or sub-recipient award greater than or equal to \$25,000. The CWSRF program began reporting FFATA data in FFY 2011, on an equivalency basis, by choosing financing agreements that equaled the total CWSRF grant amount received from USEPA. The CWSRF program continued to report FFATA financing agreement data, on an equivalency basis, to the FSRS as described in **Exhibit B** (page 39).



D. Financial Activity

To satisfy federal requirements and ensure the accuracy of the State Water Board's financial management of the CWSRF, audited financial statements for the year ending June 30, 2018 were completed October 1, 2018, and are included as **Exhibit K** (page 67) in this report. The following constitutes a summary of the financial position of the CWSRF as of June 30, 2018, including a discussion on the credit risk of the CWSRF.

1. Net Position

The net position of the CWSRF program is shown in **Table 5** below.

	June 30, 2018	June 30, 2017
ASSETS		
CURRENT ASSETS	\$1,509,690	\$1,297,153
OTHER ASSETS	\$4,148,468	\$3,781,562
TOTAL ASSETS	\$5,658,158	\$5,078,715
LIABILITIES		
CURRENT LIABILITIES	\$100,318	\$56,921
NON-CURRENT LIABILITIES	\$1,430,322	\$988,785
TOTAL LIABILITIES	\$1,530,640	\$1,045,706
NET ASSETS		
RESTRICTED	\$2,422,066	\$1,534,283
UNRESTRICTED	\$1,705,451	\$2,498,726
TOTAL NET ASSETS	\$4,127,517	\$4,033,009

2. Revenues

CWSRF revenues are reflected in the SFY 2017-18 CWSRF Audited Financial Statements. The total revenues for SFY 2017-18 were \$679 million. Revenues for this period are further summarized in **Table 6** below.

Interest Income	\$64,185
Net Investment Income*	\$12,950
Capitalization Grant - Principal Forgiveness	\$26,510
Capitalization Grant - Loans	\$46,261
State Match Revenue	\$43
2018 Revenue Bond	\$527,000
*This revenue is not an operating revenue.	

3. Disbursements and Expenses

Total disbursements are based on the SFY 2017-18 CWSRF Audited Financial Statements and do not include matching funds provided by financing recipients. Total disbursements for SFY 2017-18 were approximately \$723 million. Disbursements for this period are provided in **Table 7** below.

Loan disbursements	\$625,060
Principal forgiveness disbursements	\$26,510
Employee salaries and vendor payments	\$246
Bond fees paid	\$210
Principal paid on revenue bonds	\$27,350
Interest paid on revenue bonds	\$41,472
2018 Bond issuance cost	\$1,704



4. Service Charges¹² for CWSRF Administration and SCG Funds

State law allows the State Water Board to collect two service charges on CWSRF financings. One charge provides a secondary source of revenue for CWSRF administration and the other charge provides revenue for the CWSRF SCG Fund. The SCG Fund can provide wastewater grants to small DACs.

The total service charges collected for the CWSRF Administration Fund during SFY 2017-18 was approximately \$6.458 million while expenses incurred from the CWSRF Administration fund were approximately \$8.929 million. The cumulative activity of the CWSRF Administration Fund since its inception is described in **Table 8** below.

Table 8: Cumulative Activity of the CWSRF Administration Fund as of June 30, 2018 (dollars in thousands)	
Cumulative Administration Fund Revenue Collected	\$73,054
Cumulative Administration Fund Expenses	\$59,266
Administration Fund Balance	\$13,788



The total service charges collected for the CWSRF SCG Fund during SFY 2017-18 was \$9.136 million while grants disbursed from the CWSRF SCG Fund were approximately \$3.404 million. The cumulative activity of the CWSRF SCG fund since its inception is described in **Table 9** below.

Table 9: Cumulative Activity of the CWSRF SCG Fund as of June 30, 2018 (dollars in thousands)	
Cumulative SCG Fund Revenue Collected	\$68,321
Cumulative grants disbursed from SCG Fund	\$27,140
SCG Fund Encumbering Balance	\$30,528
SCG Fund Balance (uncommitted funds)	\$10,653

Exhibit J (page 62) identifies the fee rates charged to recipients under the Administration Service Fee and/or Small Community Grant Fee funds during SFY 2017-18.



¹²For federal purposes, the Administrative Fund service charge is a fee “other than program income not included as principal in CWSRF financing.” The service charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement. The service charge is offset by the reduction in the interest rate so that financing recipients’ payments remain the same whether or not they pay the service charge.

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

5. Credit Risk of the CWSRF

The State Water Board continued to mitigate credit risks to the CWSRF in SFY 2017-18. Each financing recipient was required to pledge one or more dedicated sources of revenue toward payment of its CWSRF obligation. Dedicated sources of revenue were generally sewer rate revenue pledges but may also be any number of other revenue sources, special tax pledges, or other pledgeable income.

State Water Board staff also continued efforts to ensure that existing CWSRF financing agreements were secured and that payments due were made in full. The State Water Board used a variety of analysis and monitoring measures to reduce the possibility of non-payment and continued to evaluate additional steps to ensure full and timely payment of all agreements.

During SFY 2017-18, the CWSRF program restructured two agreements. The City of Delano

(4242-110), an SDAC, requested modification of their current term to maintain their existing sewer rates and plan for future improvements of the existing infrastructure. The State Water Board approved extending the financing term from 20 to 30 years, with no changes to the interest rate. The State Water Board also approved a reduction for Donner Summit Public Utilities District (7670-110) reducing their loan interest rate from 2.2 percent to 0.75 percent for the remaining 25 years of the District's 27-year CWSRF financing term, due to District declaring financial distress.

The allowance for bad debt also remained the same at \$9.356 million. As further described in **Exhibit K** (page 67), the allowance for bad debt represents the State Water Board's assessment of at-risk outstanding principal balance as a result of financial challenges with a funding recipient(s).



IV. ENVIRONMENTAL BENEFITS

The contributions of the CWSRF to water quality are diverse and difficult to quantify. Rather than being a weakness of the program, this indicates the program's strength and versatility in addressing a wide range of water quality issues. The data and graphics on the next page summarize the environmental benefits derived from the CWSRF projects funded during SFY 2017-18. The data supporting this summary has been transmitted to USEPA via the Clean Water Benefits Reporting Database. The data indicates the CWSRF protected or restored a wide range of beneficial water uses.

A. Projects in SFY 2017-18 Will Help Achieve and Maintain Clean Water Act Goals

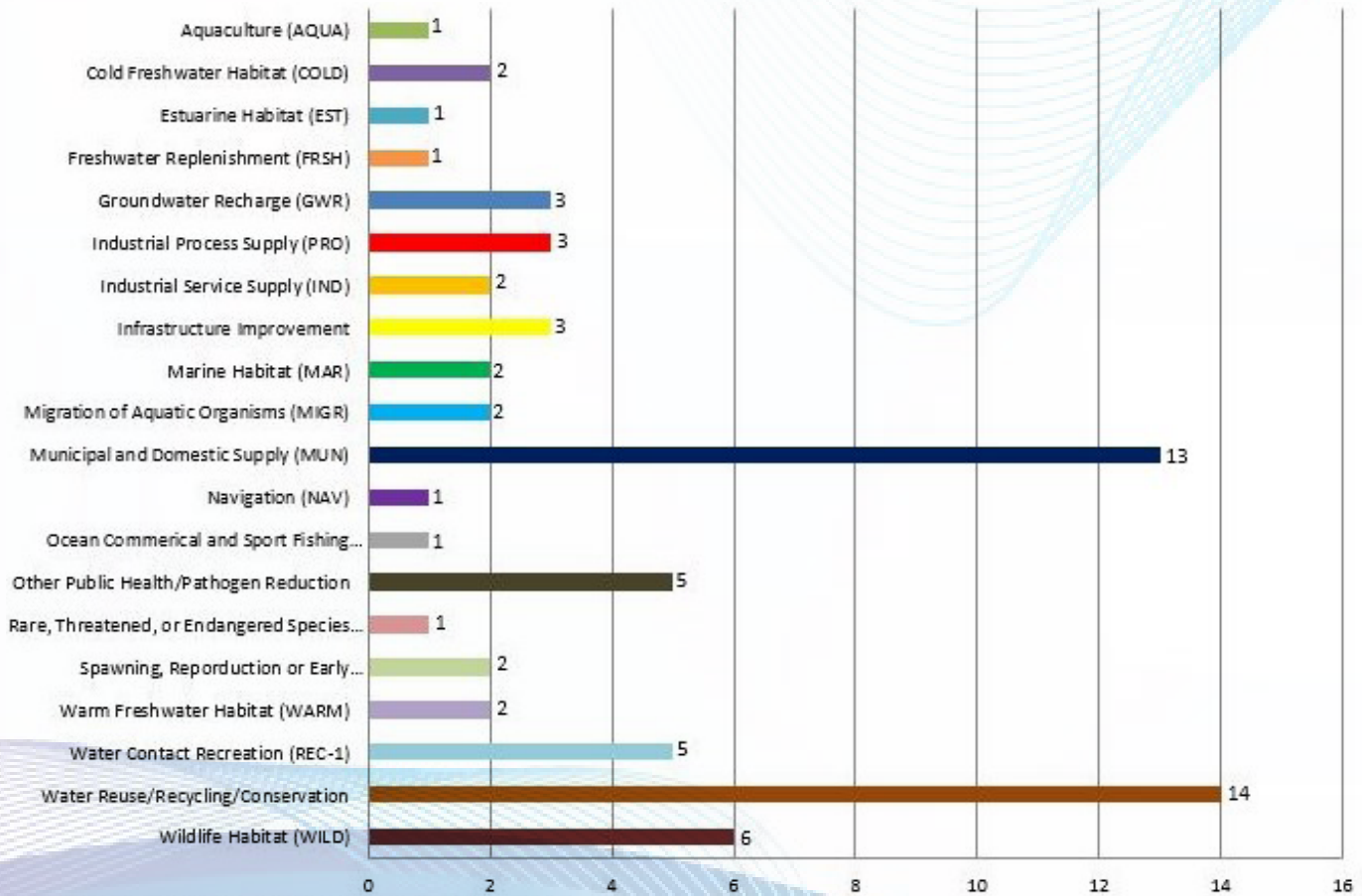
- Recipients received approximately \$321.2 million in CWSRF subsidy (the subsidy is the amount of funds saved by recipients due to the reduced interest rate and/or principal forgiveness on CWSRF financing).
- Funded projects directly served 12.8 million people and will indirectly serve 19.3 million people statewide.



B. CWSRF Projects Achieve Multiple Benefits

CWSRF projects often benefit water quality in more than one way. **Figure 2** below illustrates the multi-faceted benefits commonly provided by the CWSRF projects. It shows the number of projects in SFY 2017-18 that addressed each designated beneficial use identified in state water quality control plans or by USEPA.

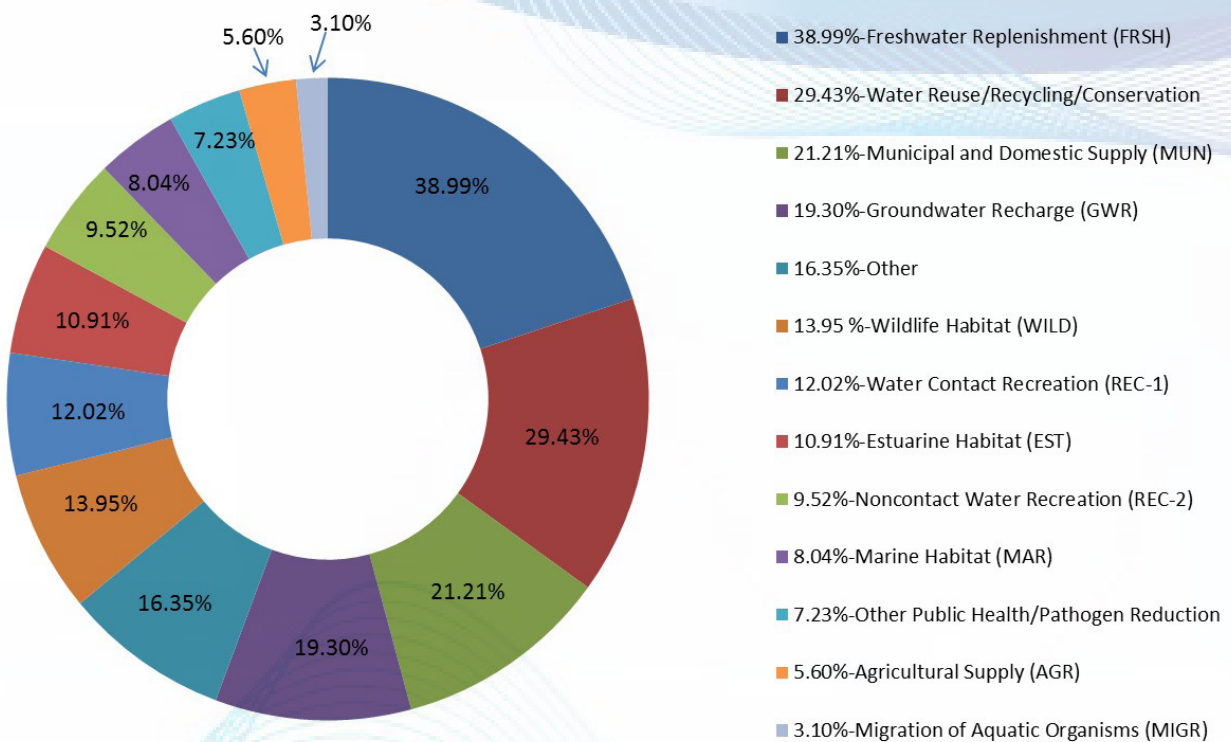
Figure 2: Number of Projects Addressing Different Beneficial Uses*



*Individual projects may address multiple beneficial uses.

Another way to display the large breadth of environmental benefits from CWSRF projects is shown in **Figure 3** below. Figure 3 shows the large scope of environmental benefits from CWSRF projects through a breakdown of funding supporting different designated beneficial uses and other water quality benefits relative to the cumulative CWSRF funding provided by the State Water Board in SFY 2017-18. In SFY 2017-18, the CWSRF program contributed broadly to support and protect many different environmental benefits.

Figure 3: Percentage of Funding Supporting All Uses and Benefits*

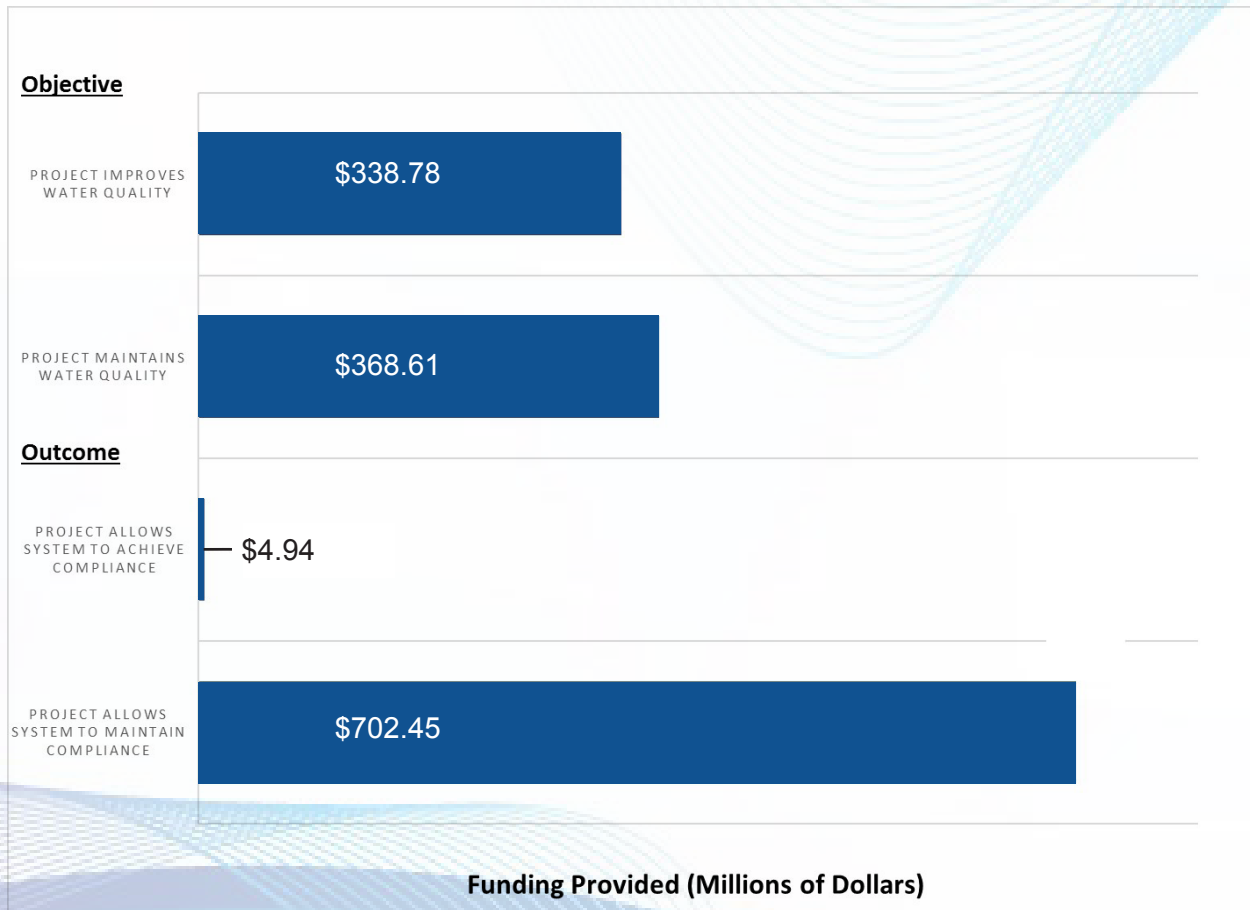


Other includes: Spawning, Reproduction or Early Development -2.80%, Infrastructure Improvement -2.58%, Ocean Commercial and Sport Fishing (COMM) -1.91%, Rare, Threatened, or Endangered Species (RARE) -1.83%, Cold Freshwater Habitat (COLD) -1.47%, Industrial Process Supply (PRO) -1.41%, Navigation (NAV) -1.26%, Warm Freshwater Habitat (WARM) -1.23%, Industrial Service Supply (IND) -0.93%, and Aquaculture (AQUA) -0.93%

*Based on total dollar amount funded by project type.

Many of the water quality projects undertaken today are expensive and large. This reflects the level of assistance needed to continue to improve water quality. **Figure 4** below shows the total project cost for different project types. The State Water Board’s ability to fund such large projects through the CWSRF is one of its greatest strengths. Many agencies may not be able to secure such large funding amounts from one provider if the CWSRF were not available.

Figure 4: Total Project Cost by Water Quality Objective and Outcome



C. Highlights of Projects Funded by CWSRF in SFY 2017-18



Region 1

City of Arcata	\$1,000,000
City of Mt. Shasta	\$1,336,930
McKinleyville Community Services District	\$4,969,180
City of Ukiah	\$21,809,000

Region 2

Delta Diablo	\$500,000
Central Marin Sanitation Agency	\$500,000
County of Napa	\$1,573,554
Dublin San Ramon Services District-East Bay MUD Recycled Water Authority	\$2,500,000
City of Brentwood	\$14,596,500
Public Utilities Commission of the City and County of San Francisco (4 projects)	\$265,871,953

Region 3

Templeton Community Services District	\$3,646,504
Marina Coast Water District (2 projects)	\$10,976,400

Region 4

City of Santa Monica	\$56,885,903
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Region 5

City of Huron	\$391,103
Fresno County Waterworks District 38	\$730,000
Murphys Sanitary District	\$1,003,397
Napa Sanitation District	\$1,341,217
County of Shasta	\$1,474,250
Jamestown Sanitary District	\$4,998,000
City of Yuba	\$8,000,000
Fairfield-Suisun Sewer District	\$10,650,000
South Tahoe Public Utility District (2 projects)	\$14,045,534

Region 6

Los Angeles County Sanitation District	\$23,463,019
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Region 7

City of El Centro	\$1,663,161
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Region 8

Running Springs Water District	\$800,000
Inland Empire Utilities Agency (3 projects)	\$6,755,000
Elsinore Valley Municipal Water District (2 projects)	\$9,353,180
Orange County Water District	\$13,590,582
Santa Rosa Regional Resource Authority	\$31,800,000
Eastern Municipal Water District (3 projects)	\$49,164,075
East Valley Water District	\$63,000,000

Region 9

City of Escondido (2 projects)	\$9,000,000
City of San Diego	\$70,000,000

**44 Total Projects Funded
Funding of \$707 million**



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V. ADMINISTRATIVE AND PROGRAMMATIC UPDATES

A. General Comments

In SFY 2017-18, the State Water Board continued its efforts to finance CWSRF projects quickly and efficiently to reach the program's full potential as a water quality tool. The State Water Board continued to pair CWSRF financing with other appropriated financing sources to achieve the overall objectives of the State Water Board.

B. Program Evaluation Report (PER) Response

On April 19, 2018, the USEPA sent the State Water Board a combined PER for the CWSRF and DWSRF programs for SFY 2016-17. The PER addressed California's performance and compliance with the requirements of the program. USEPA identified one (1) recommended follow-up action, specific to the CWSRF program. USEPA assessed the following program and financial requirements:

1. Required Program Elements

- (a) Annual/Biennial Report
- (b) Funding Eligibility
- (c) Compliance with DBE Requirements
- (d) 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
- (e) Compliance with Environmental Review Requirements
- (f) Operating Agreement
- (g) Staff Capacity
- (h) Set-aside Activity

2. Required Financial Elements

- (a) State Match
- (b) Binding Commitment Requirements
- (c) Rules of Cash Draw (including improper payments)*
- (d) Timely and Expeditious Use of Funds

*Indicates recommended follow-up action.

Regarding Financial Element Item 2(c), Rules of Cash Draw, USEPA tested four (4) CWSRF cash transactions selected through random sampling with a total draw of \$13 million from the federal treasury between July 2016 and June 2017. The review of these program financial transactions found no instances of cash draw rule violation; however, there were two minor improper reimbursement payments totaling \$7 that had already been identified and corrected by the State Water Board.

The specific recommended follow-up and State Water Board responses are listed below.

- Recommended Follow-up: California should continue conducting thorough reviews of reimbursement requests. USEPA will provide financial analyst training for all Region 9 states in 2018. This will provide an opportunity for state staff to receive training and understand the role of claims processing and eligibility analysis in the broader context of the SRF program. USEPA recommends claims processing staff from the State Water Board attend this training when it is conducted.
- State Water Board Response: The State Water Board understands the importance of ensuring staff conduct a thorough analysis of reimbursement requests and perform cost adjustment calculations accurately. As recommended by USEPA, the State Water

Board will send appropriate staff to attend the financial analyst training for all Region 9 states. This training is anticipated to be held on October 22 and 23, 2018.

C. Demand Management

Demand has dramatically increased on the CWSRF program in recent years. The list of applications evaluated for possible funding in SFY 2018-19 included over 200 applications requesting approximately \$7.5 billion in financing; almost half of those applications were complete. The requested funding was substantially greater than the sustainable lending capacity of the CWSRF program.

This unprecedented demand continues to affect the CWSRF and the State Water Board's approach to managing the CWSRF program. In SFY 2017-18, DFA evaluated a number of changes to better manage demand on the CWSRF program, and several of these changes were incorporated into the SFY 2018-19 IUP, approved by the State Water Board on June 19, 2018.

Most significantly, the SFY 2018-19 IUP includes a "Fundable List." Only applications that are on the Fundable List are eligible for funding in SFY 2018-19. The State Water Board's expectation is that this practice will continue in the future.

The large demand also necessitated a different approach to the process of selecting the fundable applications. DFA conducted a series of three (3) stakeholder workshops in June and July 2017 to solicit input on criteria to potentially be used to prioritize applications for funding. However, the workshops did not produce a clear set of criteria that could be put into place for the SFY 2018-19 IUP. As a result, the State Water Board used a set of qualitative criteria to rank projects for funding in SFY 2018-19, with a parallel goal to develop a new selection process that can be in place for the SFY 2019-20 IUP.

Another important consideration in managing the CWSRF program is to maintain the program's sound finances. The program has

substantial capital and earnings that can be leveraged to fund additional water quality projects. In October 2017, the State Water Board approved a "debt management" policy for the CWSRF, and DWSRF, to guide staff in establishing a consistent and sustainable lending level and managing an appropriate debt load on the CWSRF program. The State Water Board established a "funding target" in the SFY 2018-19 IUP based on the principles articulated in the Debt Management Policy and used this Funding Target in conjunction with prioritizing applications to develop the SFY 2018-19 Fundable List in the IUP. In addition, it was necessary to limit the amount of funding offered to several applicants on the Fundable List to avoid committing too much future program capacity.

The State Water Board also modified its approach to determining the eligibility date for construction costs. Historically, construction costs were only eligible after approval of the application. Since application approval comes at the tail end of the review process, applicants who can and do start construction before application approval lose some eligibility. The State Water Board modified its approach in the SFY 2018-19 IUP so that applicants that are on the Fundable List may receive reimbursement for construction costs back to the start of construction. An important caveat to the new approach is that if applicants start construction before the financing agreement is approved, they do so at their own risk. Starting construction before financing approval can create circumstances that prevent the State Water Board from financing a project; under those circumstances, the applicant would have to provide its own financing.

The high demand for funds is expected to continue and will continue to shape the development of the CWSRF program in the future. The State Water Board expects that additional changes in policy or practice may be needed to manage the program effectively and provide stakeholders and the State Water Board with the best possible results.

Demand for DWSRF and complementary drinking water funding for small DACs/SDACs also necessitated a re-organization of certain staff and management assignments and duties within DFA in SFY 2017-2018. These changes impacted the CWSRF program. Specifically, certain CWSRF and DWSRF staff and management were transferred to the Office of Sustainable Water Solutions to assist with small DACs/SDACs. The Office of Sustainable Water Solutions was then re-organized into two sections to serve the drinking water and wastewater funding and technical assistance needs of small DACs/SDACs in northern and southern California. The remaining CWSRF and DWSRF staff and management were then re-organized into a new Clean Water/Drinking Water SRF Section. The re-organization further consolidated the program management of the CWSRF and DWSRF within DFA, as well as served the funding needs of DACs/SDACs.

D. Marketing Updates

State Water Board staff participated in six (6) California Financing Coordinating Committee (CFCC) funding fairs during SFY 2017-18. The funding fairs provided members of the public and infrastructure development professionals current information on funding options available for different project types.

State Water Board staff also participated in several conferences throughout the year to provide updated information on the CWSRF program. These conferences included the League of California Cities 2017 Annual Conference; the Association of California Water Agencies 2018 Spring Conference, and the 2018 WateReuse California Annual Conference.

E. Technical Assistance

DFA continued to provide a suite of technical assistance to small DACs funded under the CWSRF as well as Prop 1 in SFY 2017-18. In general, this technical assistance addressed infrastructure improvements to correct system deficiencies and prevent pollution. It also ensured compliance with water quality objectives; created more stable and sustainable community governance with enhanced public awareness of wastewater issues; improved asset management, fiscal planning, and accountability that leads to more financially sound and creditworthy small DAC financial assistance applicants; and assisted small DACs in completing their applications for CWSRF/SCG financing.

Under the CWSRF four percent (4%) administration allowance, a third-party contract



with California Rural Water Association (CRWA) also provided for their technical assistance to small DACs. CRWA provided hands-on technical and financial expertise to help small DACs address their individual needs in the following areas that are commonly difficult for small DACs: preparation of financial assistance applications; design and operational solutions, including compliance assistance; community outreach, awareness, and education; fiscal management and accountability; capital improvement planning and asset management; rate setting; the Proposition 218 process; and income surveys.

F. Proposition 1 Update

The State Water Board continued to implement and award funding in SFY 2017-18 to projects using Proposition 1 water recycling and SCG local assistance funds in coordination with CWSRF financing¹³. As of June 30, 2018, the State Water Board had been appropriated \$581.25 million of Proposition 1 water recycling local assistance funding and \$222.2 million of Proposition 1 SCG local assistance funding. Approximately \$420.1 million of Proposition 1 water recycling funds and \$168.4 million of Proposition 1 SCG funds had been committed (executed agreement) as of June 30, 2018.

As of June 30, 2018, a total of \$420.1 million in Proposition 1 water recycling funds (\$24.3 million for grants and \$133.1 million for loans) had been committed to 48 projects, leaving approximately \$148.65 million in Proposition 1 local assistance funds for projects. In SFY 2017-18 specifically, the State Water Board provided approximately \$210 million in Proposition 1 water recycling local assistance funds to projects (\$97 million in grant and \$103 million in loan funds). DFA expects that all the remaining Proposition 1 local assistance water recycling funds will be committed to projects during SFY 2018-19. The Proposition 1 water recycling financing represents a significant investment by the State Water Board and the

California voters to offset or augment fresh water supplies and make California's water supply more sustainable and resilient.

Also, in SFY 2017-18, the State Water Board provided approximately \$89.9 million in Proposition 1 funding to small DACs to assist them in solving their wastewater treatment problems. This is in addition to the \$7.9 million of funding provided under the CWSRF-SCG fund and \$10.2 million in CWSRF financing, for a combined total of approximately \$108 million in SFY 2017-18. The list of SCG funded projects, including those funded with Proposition 1 SCG, is included in **Exhibit C** (page 40).

The State Water Board continued to commit Proposition 1 SCG funds at a fast pace and will continue to commit available Proposition 1 SCG funds, as well as other SCG funds, in SFY 2018-2019. The Proposition 1 SCG funding requirements were fully integrated into the SFY 2018-19 IUP and the State Water Board continued to collect CWSRF SCG fees intended to assist small DACs and their wastewater projects.

G. Proposition 68 Update

On June 5, 2018, California voters approved Proposition 68 - The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Senate Bill 5, DeLeon). Proposition 68 provides general obligation bond funding to the State Water Board for various wastewater, drinking water, water recycling and other related projects that will complement the funding provided under the CWSRF. Specifically, Proposition 68 provided \$250 million for grants and loans for projects to improve access to safe drinking water and projects to improve water quality under the CWSRF SCG, with priority given to projects that help disadvantaged communities. Proposition 68 also provided \$80 million to a variety of water recycling and advanced treatment projects. The CWSRF 2018-2019 IUP was adopted

¹³The State Water Board was allocated \$581.25 million in water recycling local assistance funding and \$241.8 million in SCG local assistance funding under Prop 1 Bond Law.

in June of 2018 and incorporated certain Proposition 68 criteria relating to the CWSRF SCG. It is anticipated that guidelines for the implementation Proposition 68 water recycling funds will be adopted as early as SFY 2018-19.

H. Drought and 1% Water Recycling Financing Update

The State Water Board executed the final agreements for its reduced interest-rate, drought response financing, in SFY 2017-18. On February 16, 2016, the State Water Board adopted [Resolution No. 2016-0008](#), approving one percent (1%) CWSRF financing for 36 water recycling projects that submitted complete applications by December 2, 2015. The State Water Board executed the final three (3) agreements on this list, with a combined financing amount of approximately \$207.6 million, during SFY 2017-18. Of the original 36 projects approved for drought response financing, 32¹⁴ received financing funds with a one percent (1%) interest rate. Although several agreements will be adjusted in the future, the State Water Board will have provided approximately \$920.8 million in 1.0% CWSRF financing to respond to California's historic drought as further detailed in [Exhibit E](#) (page 44). These investments will produce approximately 117,500 acre-feet annually of sustainable water supply for beneficial reuse after they are fully operational.

I. CWSRF Revenue Bond Activity

The CWSRF's financing over the last five years has been approximately \$915 million per year – significantly above the long-term average of about \$625 million per year. This level of financing is approaching the sustainable, annual capacity of about \$1.0 billion per year.

The significant commitment levels in recent years have created the need for additional capital. In January 2016, the State Water Board authorized the issuance of up to \$1.2 billion in CWSRF revenue bonds and increased

this limit to \$2.2 billion in October 2017. The CWSRF program obtained additional cash in the municipal bond market in 2016, 2017, and 2018 by issuing bonds, via the California Infrastructure and Economic Development Bank (IBank), to meet projected disbursement levels. The State Water Board anticipates additional bonds will be issued in 2020. Currently the CWSRF has approximately \$1.3 billion in bonds outstanding.

In SFY 2017-2018 specifically, the IBank, as conduit issuer for the State Water Board, sold \$449,225,000 par amount in revenue bonds on March 8, 2018 (Series 2018 CWSRF Revenue Bonds). The 2018 CWSRF Revenue Bonds were in addition to bonds sold in the spring of 2017 (Series 2017 CWSRF Revenue Bonds) and 2016 (Series 2016 CWSRF Revenue Bonds) to support the recent increase in CWSRF financing levels. While the Series 2016 CWSRF Revenue Bonds were fully liquidated in SFY 2016-2017, the State Water Board continued to liquidate the Series 2017 CWSRF Revenue Bonds, and began liquidating the Series 2018 CWSRF Revenue Bonds, in SFY 2017-2018. In summary, 49 CWSRF projects were financed as of June 30, 2018 with a combination of \$500 million in Series 2016 CWSRF Revenue Bonds, \$537,503,546 of Series 2017 CWSRF Revenue Bonds and \$525 million of Series 2018 CWSRF Revenue Bonds. In SFY 2017-2018 specifically, the State Water Board liquidated \$279 million of the Series 2017 CWSRF Revenue Bonds and \$105 million of the Series 2018 CWSRF Revenue Bonds to eligible CWSRF project financing. An additional \$1.95 million of issuance costs related to the Series 2018 CWSRF Revenue Bonds was also reimbursed from the proceeds of the Series 2018 CWSRF Revenue Bonds. [Exhibit F](#) (page 45) provides a detailed listing of the use of 2016, 2017 and 2018 CWSRF Revenue Bond proceeds as of June 30, 2018.

The recent lending has also helped California achieve results similar to those of other states

¹⁴One (1) recipient opted to take grant funds only for their projects, and did not take any loan funds. Three (3) recipients cancelled their projects after receiving executed agreements.

with comparable levels of capitalization. One measure of SRF success is the ratio of cumulative agreements to cumulative capitalization from USEPA. Since 1989, California's CWSRF has executed \$3.47 worth of agreements for every \$1.00 of federal capitalization. Three (3) states with similar levels of federal capitalization, Ohio, New York, and Texas, have executed between \$3.51 to \$3.57 for every \$1.00 in federal capitalization.



VI. ACRONYMS

AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
ASAP	Automated Standard Application of Payments
CRWA	California Rural Water Association
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DAS	Division of Administrative Services
DBE	Disadvantaged Business Enterprise
DFA	Division of Financial Assistance
DWSRF	Drinking Water State Revolving Fund
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FSP	Fiscal Sustainability Plan
FSRS	FFATA Subaward Reporting System
IUP	Intended Use Plan
MBE	Minority Owned Business Enterprise
MGD	Million Gallons per Day
NPS	Nonpoint Source
NIMS	National Information Management System
OMB	Office of Management and Budget
OSWS	Office of Sustainable Water Solutions
SCG	Small Community Grant
SCO	State Controller's Office
SDAC	Severely Disadvantaged Community
SERP	State Environmental Review Process
SFY	State Fiscal Year
USEPA	United States Environmental Protection Agency
WBE	Women Owned Business Enterprise
WRCE	Water Resource Control Engineer



VII. EXHIBITS

Exhibit A	SFY 2017-18 CWSRF Projects Funded by Needs Category
Exhibit B	SFY 2017-18 CWSRF FFATA Projects
Exhibit C	SFY 2017-18 CWSRF/Prop 1-SCG Projects
Exhibit D	SFY 2017-18 IUP Non-Funded Projects
Exhibit E	Cumulative CWSRF 1% Financed Water Recycling Projects
Exhibit F	Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update
Exhibit G	SFY 2017-18 DBE Reporting Results
Exhibit H	SFY 2017-18 CWSRF Green Project Reserve Projects
Exhibit I	SFY 2017-18 Additional Subsidy (Principal Forgiveness) Projects
Exhibit J	CWSRF Projects With Financing Servicing Fees
Exhibit K	SFY 2017-18 CWSRF Audited Financial Statements

EXHIBIT A

SFY 2017-18 CWSRF Projects Funded by Needs Category

Funding Recipient	Project Number	Loan Date	Hardship/DAC	Planning & Assessments	Energy Efficiency	Water Efficiency	Secondary Treatment	Advanced Treatment	New Interceptors	Sewer System Rehabilitation	Stormwater - Green Infrastructure	Water Reuse	Total Loan Amount
Eastern Municipal Water District	8047-110	7/12/2017						\$47,632,440					\$47,632,440
City of Ukiah	8076-110	7/17/2017										\$21,809,000	\$21,809,000
County of Napa	8311-110	7/17/2017										\$1,573,554	\$1,573,554
City of Brentwood	8071-110	7/25/2017										\$14,596,500	\$14,596,500
Public Utilities Commission of the City & County of San Francisco	8111-110	9/19/2017						\$85,610,000				\$85,610,000	\$171,220,000
Public Utilities Commission of the City & County of San Francisco	8129-110	9/21/2017								\$20,199,435			\$20,199,435
Public Utilities Commission of the City & County of San Francisco	8132-110	9/21/2017					\$34,445,778						\$34,445,778
City of Santa Monica	8211-110	9/21/2017						\$18,772,348			\$19,341,207	\$18,772,348	\$56,885,903
Central Marin Sanitation Agency	8285-110	9/25/2017		\$500,000									\$500,000
Public Utilities Commission of the City & County of San Francisco	8088-110	9/28/2017								\$40,006,740			\$40,006,740
South Tahoe Public Utility District	8220-110	9/28/2017				\$14,010,534							\$14,010,534
Inland Empire Utilities Agency	8105-110	11/15/2017										\$3,025,000	\$3,025,000
Inland Empire Utilities Agency	8105-120	11/15/2017										\$3,230,000	\$3,230,000
Orange County Water District	8252-110	11/21/2017										\$13,590,582	\$13,590,582
City of Escondido	8113-110	11/22/2017										\$4,000,000	\$4,000,000
City of Escondido	8115-110	11/22/2017								\$2,500,000		\$2,500,000	\$5,000,000
Inland Empire Utilities Agency	8173-110	12/19/2017		\$500,000									\$500,000
Templeton Community Services District	8217-110	12/22/2017							\$766,236			\$2,880,268	\$3,646,504
Santa Rosa Regional Resources Authority	8128-110	1/2/2018			\$15,900,000		\$15,900,000						\$31,800,000

EXHIBIT A

SFY 2017-18 CWSRF Projects Funded by Needs Category (continued)

Funding Recipient	Project Number	Loan Date	Hardship/DAC	Planning & Assessments	Energy Efficiency	Water Efficiency	Secondary Treatment	Advanced Treatment	New Interceptors	Sewer System Rehabilitation	Stormwater - Green Infrastructure	Water Reuse	Total Loan Amount
Los Angeles County Sanitation District	8226-110	1/11/2018						\$23,463,019					\$23,463,019
Elsinore Valley Municipal Water District	8234-110	1/11/2018		\$3,057,346									\$3,057,346
Elsinore Valley Municipal Water District	8234-120	1/11/2018		\$6,295,834									\$6,295,834
Marina Coast Water District	8184-110	1/25/2018										\$5,256,609	\$5,256,609
Delta Diablo	8284-110	1/25/2018		\$500,000									\$500,000
Jamestown Sanitary District	8000-210	1/31/2018	P1 SCG				\$4,998,000						\$4,998,000
South Tahoe Public Utility District	8314-110	2/5/2018		\$35,000									\$35,000
Fairfield-Suisun Sewer District	8172-110	2/12/2018					\$10,650,000						\$10,650,000
Napa Sanitation District	8250-110	3/2/2018										\$1,341,217	\$1,341,217
City of San Diego	8032-110	3/14/2018								\$70,000,000			\$70,000,000
City of El Centro	8301-110	3/27/2018			\$831,581		\$831,581						\$1,663,161
Eastern Municipal Water District	8165-110	4/13/2018					\$795,400						\$795,400
City of Huron	8093-210	4/24/2018	SCG									\$391,103	\$391,103
Running Springs Water District	8324-110	5/1/2018			\$800,000								\$800,000
City of Yuba City	8253-110	5/18/2018			\$8,000,000								\$8,000,000
Murphys Sanitary District	8039-110	5/23/2018	P1 SCG				\$1,003,397						\$1,003,397
City of Mt. Shasta	8174-210	5/23/2018	P1 SCG					\$1,336,930					\$1,336,930
County of Shasta	8085-210	5/30/2018	P1 SCG				\$1,474,250						\$1,474,250
Dublin San Ramon Services District-East Bay MUD Recycled Water Authority	8266-110	5/30/2018						\$2,500,000					\$2,500,000
Eastern Municipal Water District	8357-110	6/11/2018			\$736,235								\$736,235

EXHIBIT A SFY 2017-18 CWSRF Projects Funded by Needs Category (continued)

Funding Recipient	Project Number	Loan Date	Hardship/DAC	Planning & Assessments	Energy Efficiency	Water Efficiency	Secondary Treatment	Advanced Treatment	New Interceptors	Sewer System Rehabilitation	Stormwater - Green Infrastructure	Water Reuse	Total Loan Amount
City of Arcata	8127-110	6/15/2018	P1 SCG							\$1,000,000			\$1,000,000
McKinleyville Community Services District	8221-110	6/20/2018			\$4,969,180								\$4,969,180
Fresno County Waterworks District 38	7109-110	6/25/2018			\$261,160		\$466,840						\$730,000
East Valley Water District	8106-110	6/26/2018					\$31,500,000	\$20,790,000				\$10,710,000	\$63,000,000
Marina Coast Water District	8184-120	6/27/2018										\$5,719,791	\$5,719,791
Total	44		6	\$10,888,180	\$22,698,156	\$22,810,534	\$102,067,246	\$200,104,737	\$766,236	\$133,706,175	\$19,341,207	\$195,005,972	\$707,388,442

Exhibit B: SFY 2017-18 CWSRF FFATA Projects

Funding Recipient Name	Project Number	Funding Agreement Number	Agreement Date	FFATA Reporting Due	Actual Date Reported	FFATA* Reporting Amount	Total Agreement Amount
City of Escondido	8113-110	D1701009	11/22/2017	12/31/2017	12/26/2017	\$4,000,000	\$4,000,000
City of Escondido	8115-110	D1701010	11/22/2017	12/31/2017	12/26/2017	\$5,000,000	\$5,000,000
Inland Empire Utilities Agency	8105-110	D1701014	11/15/2017	12/31/2017	12/26/2017	\$3,025,000	\$3,025,000
Inland Empire Utilities Agency	8105-120	D1701015	11/15/2017	12/31/2017	12/26/2017	\$3,230,000	\$3,230,000
Los Angeles County Sanitation District	8226-110	D1701016	1/11/2018	2/28/2018	1/26/2018	\$23,463,019	\$23,463,019
Santa Rosa Regional Resources	8128-110	D1701024	1/2/2018	2/28/2018	1/26/2018	\$31,800,000	\$31,800,000
City of San Diego	8032-110	D1701008	3/14/2018	4/30/2018	3/20/2018	\$24,303,981	\$70,000,000
Total						\$94,822,000	\$140,518,019

*Based on FFY 2017 Capitalization Grant of \$94,822,000

EXHIBIT C

SFY 2017-18 CWSRF/Prop 1-SCG Projects

Agreement Execution Date	Project Number	Funding Recipient	Project Name	Type of Project	Region	County	Prop 1 Grant	SCG Grant	CWSRF Loan
12/6/2017	8292-110	City of Alturas	City of Alturas Wastewater Facility Improvement Project	Planning	5	Modoc	\$500,000.00	\$0.00	\$0.00
6/15/2018	8127-110	City of Arcata	Inflow and Infiltration Reduction Project Phase 5	Construction	1	Humboldt	\$6,000,000.00	\$0.00	\$1,000,000.00
1/3/2018	8344-110	City of Avenal	Sewer Collection and WWTP Improvements	Planning	5	Kings	\$500,000.00	\$0.00	\$0.00
2/6/2018	8378-110	Calaveras Unified School District	Wastewater Plant Upgrades (JLE and TMS)	Planning	5	Calaveras	\$323,000.00	\$0.00	\$0.00
1/23/2018	8056-210	Clearlake Oaks County Water District	Wastewater Infrastructure Rehabilitation Project	Construction	5	Lake	\$5,450,000.00	\$0.00	\$0.00
3/14/2018	7385-110	City of Fort Bragg	Wastewater Treatment Plant Upgrade Project	Construction	1	Mendocino	\$6,000,000.00	\$0.00	\$0.00
8/2/2017	8304-110	Franklin County Water District	Improvements for Sewer Collection and Recycled Water Use	Planning	5	Merced	\$465,000.00	\$0.00	\$0.00
2/16/2018	8317-110	City of Grass Valley	SCADA and Septage/Debris Receiving Station	Construction	5	Nevada	\$3,120,000.00	\$0.00	\$0.00
12/11/2017	8310-110	Grayson Community Services District	Grayson Community Services District WWTF Planning Project	Planning	5	Stanislaus	\$500,000.00	\$0.00	\$0.00
3/8/2018	8009-110	Grizzly Lake Community Services District	Delleker Wastewater Treatment Plant Improvements Planning Project	Planning	5	Plumas	\$500,000.00	\$0.00	\$0.00
2/23/2018	8179-110	City of Gustine	WWTF Improvement Planning Project	Planning	5	Merced	\$500,000.00	\$0.00	\$0.00
7/12/2017	8312-110	County of Humboldt	Samoa Peninsula Wastewater	Planning	1	Humboldt	\$500,000.00	\$0.00	\$0.00
1/31/2018	8000-210	Jamestown Sanitary District	Wastewater Treatment Facilities Improvements	Construction	5	Tuolumne	\$5,520,000.00	\$0.00	\$4,998,000.00
7/5/2018	7659-110	County of Kern	South Shafter Sewer Project	Construction	5	Kern	\$10,177,553.00	\$0.00	\$0.00
9/15/2017	8210-210	Lake County Sanitation District	Anderson Springs Septic to Sewer Project	Construction	5	Lake	\$7,436,000.00	\$0.00	\$0.00
7/12/2017	8278-110	Laton Community Services District	Laton Community Services District Wastewater Facility 2016 Improvements	Planning	5	Fresno	\$370,000.00	\$0.00	\$0.00
5/8/2018	8048-210	Lewiston Community Services District	Wastewater Collection, Treatment and Disposal Project	Construction	1	Trinity	\$15,560,300.00	\$0.00	\$0.00
5/23/2018	8174-210	City of Mt. Shasta	State Mandated Wastewater Treatment and Disposal Improvement Project	Construction	5	Siskiyou	\$5,800,161.00	\$0.00	\$1,336,930.00
5/23/2018	8039-110	Murphys Sanitary District	Wastewater Treatment Plant Upgrade Project	Construction	5	Calaveras	\$3,010,192.00	\$0.00	\$1,003,397.00
8/2/2017	8269-110	Planada CSD	PCSD Solar Generation System at WWTP	Construction	5	Merced	\$1,733,240.00	\$0.00	\$0.00
8/16/2017	7842-120	San Andreas Sanitary District	WWTP Digester Upgrade Project	Construction	5	Calaveras	\$5,075,000.00	\$0.00	\$0.00
3/2/2018	8375-110	San Andreas Sanitary District	SASD Collection System Improvements Planning	Planning	5	Calaveras	\$220,000.00	\$0.00	\$0.00
12/4/2017	8337-110	City of Shasta Lake	City of Shasta Lake Force Main Replacement Project	Planning	5	Shasta	\$449,000.00	\$0.00	\$0.00
5/30/2018	8085-210	County of Shasta	CSA 17 Wastewater Treatment Plant Improvement Project	Construction	5	Shasta	\$4,422,750.00	\$0.00	\$1,474,250.00
7/5/2018	8332-110	Tolowa Dee-ni Nation	Smith River Wastewater System Improvement Planning Study	Planning	1	Del Norte	\$500,000.00	\$0.00	\$0.00

EXHIBIT C SFY 2017-18 CWSRF/Prop 1-SCG Projects (continued)

Agreement Execution Date	Project Number	Funding Recipient	Project Name	Type of Project	Region	County	Prop 1 Grant	SCG Grant	CWSRF Loan
11/3/2017	5957-210	Willow Creek Community Services District	Downtown Wastewater Development Project	Construction	1	Humboldt	\$4,800,000.00	\$0.00	\$0.00
6/26/2018	5957-310	Willow Creek Community Services District	Willow Creek Downtown Wastewater - Private Septic Decommissioning and Lateral Installation	Construction	1	Humboldt	\$500,000.00	\$0.00	\$0.00
5/30/2018	8376-110	County of Butte	Stirling City Sewer Rehabilitation Planning Study	Planning	5	Butte	\$0.00	\$202,125.00	\$0.00
6/11/2018	8270-110	City of Chowchilla	Chowchilla Regional Sewer System Consolidation And Capacity Study	Planning	5	Madera	\$0.00	\$500,000.00	\$0.00
3/23/2018	8347-110	City of Femdale	City of Femdale Energy Savings Project	Planning	1	Humboldt	\$0.00	\$498,000.00	\$0.00
4/24/2018	8093-210	City of Huron	Recycled Water Improvements at WWTF	Construction	5	Fresno	\$0.00	\$5,677,448.00	\$391,103.00
4/6/2018	8404-110	Manila Community Services District	Manila CSD Wastewater Wastewater Infrastructure Improvement Project	Planning	1	Humboldt	\$0.00	\$355,000.00	\$0.00
6/25/2018	8412-110	Monterey Park Tract Community Services District	Monterey Park Tract Community Services District Sewer Project	Planning	5	Stanislaus	\$0.00	\$397,000.00	\$0.00
4/30/2018	8323-110	Santa Nella County Water District	Wastewater Treatment System Evaluation - Water Recycling Project	Planning	5	Merced	\$0.00	\$295,000.00	\$0.00
						Total	\$89,932,196.00	\$7,924,573.00	\$10,203,680.00

Exhibit D: SFY 2017-18 IUP Non-Funded Projects

Project Number	Applicant name	Priority Class	Project Type	IUP Projected Amount	Reason for Delay
8312-110	Humboldt, County of	C	POTW	\$500,000.00	4
5957-210	Willow Creek Community Services District	D	POTW	\$6,000,000.00	4
8283-110	Delta Diablo	C	POTW	\$415,000.00	8
8091-110	City of Hayward	C	POTW	\$19,365,000.00	9
8104-110	City of Palo Alto	C	POTW	\$6,727,757.00	7
8190-110	City of Palo Alto	D	POTW	\$30,000,000.00	9
8157-110	City of Petaluma	C	POTW	\$870,000.00	9
8258-110	City of Richmond	C	POTW	\$28,700,000.00	1
8087-110	City of San Jose	D	POTW	\$144,800,000.00	7
7837-110	Sausalito-Marín City Sanitary District	D	POTW	\$26,000,000.00	7
8153-110	City of Sunnyvale	C	POTW	\$127,068,522.00	9
8163-110	West Bay Sanitary District	C	POTW	\$17,288,000.00	9
8028-110	Monterey Regional Water Pollution Control Agency	C	POTW	\$113,000,000.00	9
8279-110	Monterey Regional Water Pollution Control Agency	C	POTW	\$1,730,945.00	9
8144-110	City of Paso Robles	C	POTW	\$17,230,000.00	9
8134-110	Santa Cruz County Sanitation District	C	POTW	\$4,000,000.00	3
8094-110	La Puente Valley County Water District	C	POTW	\$1,400,000.00	2
8154-110	Los Angeles County Sanitation District No. 2	C	POTW	\$636,150,000.00	2
8280-110	Los Angeles County Sanitation District No. 3	D	POTW	\$5,400,000.00	8
8200-110	City of Los Angeles	C	POTW	\$9,107,096.00	6
8137-110	City of Pasadena	C	POTW	\$25,325,000.00	1
8156-110	Santa Clarita Valley Sanitation District	C	POTW	\$56,001,000.00	1
8306-110	Adin Community Services District	C	POTW	\$419,000.00	4
7884-110	City of Biggs	C	POTW	\$8,444,569.00	9
8095-110	City of Brentwood	C	POTW	\$31,957,000.00	1
8270-110	City of Chowchilla	C	POTW	\$500,000.00	6
7896-310	City of Colusa	C	POTW	\$4,800,000.00	6
8304-110	Franklin County Water District	C	POTW	\$435,000.00	4
8310-110	Grayson Community Services District	C	POTW	\$500,000.00	4
8097-110	Kern-Tulare Water District	C	POTW	\$9,730,000.00	1
8278-110	Laton Community Services District	C	POTW	\$345,000.00	4
8089-110	Mariposa Public Utility District	C	POTW	\$8,529,550.00	9
8077-110	Nevada County Sanitation District #1	D	POTW	\$2,200,000.00	9
8142-110	City of Patterson	C	POTW	\$1,984,736.00	1
8269-110	Planada Community Services District	E	POTW	\$1,733,240.00	4
7842-120	San Andreas Sanitary District	C	POTW	\$5,500,000.00	4
8041-110	City of Shasta Lake	C	POTW	\$20,000,000.00	9

Reason for Delay:

1. CWSRF Reviews are not complete. (Complete Application)
2. Application requires additional studies, more documents, and/or more hearings (Incomplete Application)
3. N/A - CWSRF financing agreement is pending.
4. N/A- financed with other (non-CWSRF) financing
5. N/A - funded as part of another CWSRF financing agreement
6. N/A- financed with SCG or WRFPP financing
7. Project dropped from consideration due to inactive status
8. N/A- application withdrawn
9. Project has been funded in a previous fiscal year

Exhibit D: SFY 2017-18 IUP Non-Funded Projects (continued)

Project Number	Applicant name	Priority Class	Project Type	IUP Projected Amount	Reason for Delay
8265-110	Stockton, City of	C	POTW	\$5,350,000.00	7
7767-210	Stratford Public Utility District	C	POTW	\$6,489,100.00	2
8237-110	Turlock, City of	C	POTW	\$39,461,000.00	3
8038-110	Valley Springs Public Utility District	C	POTW	\$9,500,000.00	7
8125-110	Palmdale Recycled Water Authority	C	POTW	\$8,800,000.00	1
8102-110	Palmdale Water District	C	POTW	\$55,000,000.00	1
8053-110	South Tahoe Public Utility District	D	POTW	\$3,730,384.00	7
8083-110	Victor Valley Wastewater Rec Authority	D	POTW	\$5,700,000.00	1
8262-110	Calipatria, City of	D	POTW	\$1,000,000.00	9
8315-110	Coachella, City of	C	POTW	\$35,000.00	2
8122-110	Palm Springs, City of	C	POTW	\$29,917,266.00	9
8146-110	Anaheim, City of	C	POTW	\$758,800.00	9
8147-110	Anaheim, City of	C	POTW	\$3,472,000.00	6
8223-110	Chino Basin Regional Financing Authority	C	POTW	\$5,000,000.00	8
8150-110	Eastern Municipal Water District	C	POTW	\$2,250,300.00	9
8186-110	Eastern Municipal Water District	C	POTW	\$5,005,000.00	6
8207-110	Eastern Municipal Water District	C	POTW	\$516,763.00	9
8212-110	Inland Empire Utilities Agency	C	POTW	\$500,000.00	1
8235-110	Inland Empire Utilities Agency	C	POTW	\$4,659,818.00	1
8235-120	Inland Empire Utilities Agency	C	POTW	\$1,514,440.00	1
8235-130	Inland Empire Utilities Agency	C	POTW	\$990,212.00	1
8235-140	Inland Empire Utilities Agency	C	POTW	\$6,640,238.00	8
8235-150	Inland Empire Utilities Agency	C	POTW	\$4,077,339.00	1
8236-110	Inland Empire Utilities Agency	C	POTW	\$22,639,081.00	1
8290-110	Orange County Water District	C	POTW	\$244,400,000.00	1
8149-110	San Gabriel Valley Water Company	C	POTW	\$1,693,825.00	8
8162-110	Yucaipa Valley Water District	C	POTW	\$6,900,114.00	1
8164-110	El Toro Water District	C	POTW	\$12,000,000.00	9
8059-110	Escondido, City of	C	POTW	\$29,000,000.00	1
8133-110	Padre Dam Municipal Water District	C	POTW	\$116,200,000.00	9
8168-110	San Diego, City of	C	POTW	\$82,789,831.00	8
8169-110	San Diego, City of	C	POTW	\$144,618,161.00	8
8277-110	San Diego, City of	D	POTW	\$42,032,242.00	1
8195-110	San Elijo Joint Powers Authority	C	POTW	\$6,300,000.00	8
8196-110	San Elijo Joint Powers Authority	C	POTW	\$6,200,000.00	1
8060-110	Santa Margarita Water District	C	POTW	\$47,450,000.00	9

Reason for Delay:

1. CWSRF Reviews are not complete. (Complete Application)
2. Application requires additional studies, more documents, and/or more hearings (Incomplete Application)
3. N/A - CWSRF financing agreement is pending.
4. N/A- financed with other (non-CWSRF) financing
5. N/A - funded as part of another CWSRF financing agreement
6. N/A- financed with SCG or WRFPP financing
7. Project dropped from consideration due to inactive status
8. N/A- application withdrawn
9. Project has been funded in a previous fiscal year

Exhibit E: Cumulative CWSRF 1% Financed Water Recycling Projects

Funding Recipient	Project Number	Funding Agreement Number	Agreement Date	CWSRF 1% Financing Amount
Applications with an Executed Agreement				
Victor Valley Wastewater Rec Authority	4806-110	13847	6/24/2014	\$27,072,759
Victor Valley Wastewater Rec Authority	4807-110	13839	6/24/2014	\$40,549,955
Inland Empire Utilities Agency	5318-110	13835	6/26/2014	\$22,206,050
Napa County Department of Public Works	5210-110	13844	6/27/2014	\$6,866,326
Los Carneros Water District	8005-110	14827	2/10/2015	\$8,596,745
Carlsbad Municipal Water District	7899-110	14820	2/11/2015	\$22,150,000
City of Fresno	7893-110	14817	2/24/2015	\$33,138,638
Idyllwild Water District*	7808-110	14830	6/26/2015	\$0
San Benito County Water District**	3321-110	14674	6/30/2015	\$0
West County Wastewater District	8043-110	14837	6/30/2015	\$21,100,763
City of Pleasanton	8024-110	D1501003	7/3/2015	\$11,317,177
City of Fresno	8061-110	D1501011	9/24/2015	\$37,475,049
County of Fresno	5541-110	D1501013	12/17/2015	\$1,773,937
Eastern Municipal Water District	7831-110	D1501017	1/25/2016	\$7,798,170
Orange County Water District	8101-110	D1501016	2/17/2016	\$5,446,635
Sacramento Regional County Sanitation District	8082-110	D1501015	3/21/2016	\$8,262,384
City of Pacific Grove	8026-110	D1501021	4/5/2016	\$5,292,700
Pajaro Valley Water Management Agency	8072-110	D1501022	5/13/2016	\$1,069,000
Pajaro Valley Water Management Agency	8072-120	D1501023	5/13/2016	\$3,617,500
Pajaro Valley Water Management Agency	8072-130	D1501024	5/13/2016	\$1,355,500
City of Malibu	8018-110	D1501033	5/19/2016	\$24,654,121
North Marin Water District	8086-110	D1501034	6/17/2016	\$7,110,406
City of Woodland	8075-110	D1501031	7/11/2016	\$1,791,607
City of Modesto	8062-110	D1501005	7/19/2016	\$41,862,028
Hesperia Water District	8049-110	D1501029	9/23/2016	\$9,946,413
Water Replenishment District of Southern California	8096-110	D1601014	10/27/2016	\$80,000,000
Delta Diablo*	8181-110	D1601004	12/29/2016	\$0
West Basin Municipal Water District	8084-110	D1601022	1/20/2017	\$15,725,526
Santa Margarita Water District	8060-110	D1601026	3/26/2017	\$47,012,000
Monterey One Water	8028-110	D1601033	4/12/2017	\$88,000,000
Padre Dam Municipal Water District*	8133-110	D1601025	4/20/2017	\$0
West Bay Sanitary District	8163-110	D1601018	5/9/2017	\$17,335,200
City of Hayward	8091-110	D1601028	5/31/2017	\$13,533,650
City of Ukiah	8076-110	D1601035	7/17/2017	\$21,809,000
City of Brentwood	8071-110	D1601038	7/25/2017	\$14,596,500
San Francisco Public Utilities Commission	8111-110	D1701001	9/19/2017	\$171,220,000
			Total	\$920,885,739

* Idyllwild Water District (7808-110), Delta Diablo (8181-110) and Padre Dam (8133-110) had executed Agreements but have since cancelled or delayed their projects.

** San Benito County Water District (3321-110) opted to receive Prop 1 grant funds only and did not receive loan funds.

Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ¹⁴	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ¹⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
4806-110	Victor Valley Wastewater Reclamation Authority	\$26,088,996	The Project will address wastewater flow and water supply issues by strategically locating a subregional wastewater reclamation plant in the sewer shed. This will reduce the load on the Authority's collection system by diverting wastewater, a valuable commodity, to a recycled wastewater scalping plant and reduce recycled wastewater pumping costs. The scope of work includes repurposing 10,600 feet of existing sewer main into a reuse pipeline, construction of 4,600 feet of new reuse main, construction of percolation basins for groundwater recharge, and 9,700 feet of sewer main to convey waste activated sludge from the new plant to an existing sewer interceptor that runs to the Authority's regional treatment plant for further processing.	\$13,028,936.00	\$11,596,007.50	\$0.00	\$0.00	\$82,946.00	2/28/2018
4807-110	Victor Valley Wastewater Reclamation Authority	\$37,180,580	The Project will address wastewater flow and water supply issues by strategically locating a subregional wastewater reclamation plant in the sewer shed. This will reduce the load on the Authority's collection system by diverting wastewater, a valuable commodity, to a recycled wastewater scalping plant and reduce recycled wastewater pumping costs. The scope of work includes 730 feet of gravity sewer line, a new lift station, and 2,265 feet of force main to convey wastewater from the existing collection system to the new scalping plant, 3,000 feet of force main from the plant to an existing interceptor to convey waste activated back to the Authority's regional treatment plant for further processing, and percolation basins for groundwater recharge.	\$20,603,584.00	\$14,571,910.00	\$0.00	\$0.00	\$32,362.00	2/28/2018
5069-110	City of San Diego	\$7,203,499	The Project will add two new chemical storage silos identical to its existing eight storage silos at its Metropolitan Biosolids Center. Each silo has a capacity of approximately 7,000 cubic feet. The new silos will provide additional storage capacity to accommodate projected increased loadings and to facilitate major rehabilitation of the existing silos.	\$7,203,499.00	\$0.00	\$0.00	\$0.00	\$0.00	4/30/2015

¹⁵The CWSRF financing reflects funding amounts as of 6/30/2018, including any adjustments for funding increases as a result of contract amendments or funding decreases as a result of un-liquidated/de-obligated balances.

¹⁶The Series 2016 revenue bonds were fully disbursed in late fall of 2016.

¹⁷The construction completion dates are as of 6/30/2018 and include any adjustments as a result of amendments to extend the completion of construction.

Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ¹⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ¹⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
5175-210	City of Modesto	\$124,829,278	This is the second phase of a five phase Project to construct a 27.5 million gallon per day (mgd) tertiary wastewater treatment system. The second phase will bring the tertiary treatment capacity to 12.6 mgd. The Project consists of three aeration basins, six membrane bioreactors, ultraviolet disinfection systems, pump stations, structures and auxiliary equipment. Completion of the Project will allow the City to discharge tertiary treated effluent to the San Joaquin River year-round.	\$4,227,012.03	\$5,278,174.00	\$0.00	\$0.00	\$0.00	12/1/2015
5223-110	Union Sanitary District	\$12,200,000	The piping and related electrical and control equipment in the District's Thickener Control Building has reached the end of its useful life. The District will replace the outdated systems and equipment as part of the Project. The District will also make other changes to improve the reliability of the gravity sludge thickening process and add additional metering equipment and pipelines to facilitate automated, precise, and reliable control of the thickened sludge feed rate and density to each digester. The greater reliability and control will increase the District's sludge handling and digestion efficiency, thereby improving the efficiency and reliability of the entire treatment plant.	\$4,036,881.00	\$2,557,225.00	\$0.00	\$0.00	\$0.00	3/31/2017

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¹⁶The Series 2016 revenue bonds were fully disbursed in late fall of 2016.

¹⁷The construction completion dates are as of 6/30/2018 and include any adjustments as a result of amendments to extend the completion of construction.

Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ¹⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ¹⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
5295-110	Hi-Desert Water District	\$142,349,314	The purpose of the project is to move the Town of Yucca Valley from its current wastewater discharge method, individual septic tanks, to a community sewer collection and treatment system. The facilities will be constructed in three phases. Phase 1 of the District's Project will include installation of approximately 77 miles of sewer pipeline in the central portion of the Town, a wastewater treatment facility (WWTF), and water reclamation (groundwater) recharge ponds. The WWTF system will convey an annual average flow of one million gallons per day (mgd) of wastewater to the proposed WWTF. This first phase of the project will provide the core infrastructure for expansion of the collection, treatment and disposal system needed for Phases 2 and 3.	\$695,924.00	\$37,781,443.00	\$2,540,910.00	\$0.00	\$28,553,045.22	12/31/2019
5402-110	Hillisborough, Town of	\$10,172,759	The Project includes upsizing approximately 10,000 feet of existing trunk sewer on Crystal Springs Road and El Cerrito Ave. Increasing the size of the trunk sewer will eliminate sewage overflows in this area.	\$6,982,206.00	\$2,020,809.00	\$0.00	\$0.00	\$1,169,744.00	9/15/2016
7215-110	City of Visalia	\$92,580,432	Water demands in the area have increased and resulted in significant overdraft of the groundwater table. The objective of the Project is to upgrade the Visalia wastewater treatment plant to produce recycled water that will lessen current groundwater demands. To mitigate the project's increased power consumption, a 1 MW solar photovoltaic facility will be installed onsite. Additional work and associated support facilities will also be completed as part of the Project to ensure that the City can reliably meet its overall wastewater recycling objective.	\$35,800,917.00	\$0.00	\$0.00	\$0.00	\$0.00	9/13/2017
7613-110	Fallbrook Public Utilities District	\$28,723,000	The Project includes rehabilitation of the District's facilities to ensure that it can reliably meet its wastewater discharge requirements. This includes rehabilitating the equalization basin, the operations center (lab, bathrooms, and work areas), and the reclamation facilities (flocculation and filtration); repurposing a primary clarifier and an existing emergency storage holding tank; and construction of an additional secondary clarifier.	\$6,177,341.00	\$0.00	\$0.00	\$0.00	\$0.00	3/31/2016

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¹⁶The Series 2016 revenue bonds were fully disbursed in late fall of 2016.

¹⁷The construction completion dates are as of 6/30/2018 and include any adjustments as a result of amendments to extend the completion of construction.

Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
7617-110	City of San Diego	\$12,000,000	The Project will replace six of the eight existing sludge centrifuges. The new centrifuge units, each with a processing capacity of 400 gallons per minute, have approximately twice the capacity of the existing units, and are more energy efficient. Operation of the new units requires the same power as that of the existing units.	\$4,258,189.00	\$2,861,655.00	\$0.00	\$0.00	\$2,095,261.59	2/28/2019
7694-110	Los Angeles County Sanitation District No. 2	\$41,510,796	The Long Beach Main Pumping Plant was constructed in 1947 and has been modified several times since then. The facility is near the end of its useful life. USEPA issued a compliance order in September 2003, requiring the District to reduce sanitary sewer overflows, and the District's Project is needed to bring it into compliance. The proposed Project involves building a new pumping plant on adjacent land and rehabilitating a 54-inch concrete force main. The new pumping plant will include a 78-inch inlet and cross connections between two existing inlets, a wet well, dry well, two buildings, headers, six pumps, and an emergency generator.	\$16,109,563.00	\$6,233,869.00	\$0.00	\$0.00	\$2,844,341.00	11/30/2017
7834-110	City of Corona	\$11,133,592	The City is required to come into compliance with a Regional Water Board enforcement order. The Project will improve overall treatment efficiency by improving the headwork's screening process and adding tertiary treatment of wastewater to the facility. The Project will include construction of on-site piping, site grading, storm drain improvements, reinforced concrete structures, pumping equipment, flow meters, manual and motor-operated valves, above-ground piping, chemical storage and pumping equipment, electrical equipment, and controls.	\$9,795,188.00	\$701,373.00	\$0.00	\$0.00	\$0.00	8/31/2016
7845-110	Western Municipal Water District	\$24,000,000	The Project will expand the desalter program to increase the flow rate to 40,000 acre-feet per year. The Project is expected to achieve hydraulic control to help reduce salt loading to the upper Santa Ana River from the Chino Groundwater Basin. Phase 3 includes expansion of desalter capacity, construction and operation of new groundwater wells, and new pipelines to convey water both to and from the desalters.	\$1,527,745.00	\$0.00	\$0.00	\$0.00	\$7,934,426.66	6/30/2019

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¹⁶The Series 2016 revenue bonds were fully disbursed in late fall of 2016.

¹⁷The construction completion dates are as of 6/30/2018 and include any adjustments as a result of amendments to extend the completion of construction.

Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ¹⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ¹⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
7847-110	City of Vista	\$21,991,869	The Project will upgrade the Vista/Carlsbad Sewer Interceptor System, jointly owned by the cities of Vista and Carlsbad. The affected segments are part of a regional sewage collection system located in North San Diego County. The Project includes replacing a bridge to support a 54-inch replacement sewer pipe, replacing a sewer lift station and 30-inch force main, and installing a new 54-inch gravity sewer. The improvements are necessary because the existing sewer line and lift station are under-sized, outdated, and nearing the end of their useful lives. The current infrastructure also has insufficient capacity for future wastewater flows.	\$6,567,630.00	\$11,789,563.00	\$1,658,995.00	\$0.00	\$1,722,962.60	10/31/2018
7857-110	City of Santa Barbara	\$31,388,033	The Project will upgrade the aeration and secondary clarification systems at the City's El Estero Wastewater Treatment Plant.	\$0.00	\$19,590,950.00	\$2,016,238.00	\$0.00	\$4,936,805.20	3/1/2019
7871-110	City of Galt	\$24,638,094	The objective of the Project is to expand and improve the existing oxidation ditch system and construction of a new (third) secondary clarifier.	\$8,088,957.00	\$4,795,956.00	\$0.00	\$0.00	\$0.00	9/30/2016
7873-110	Woodland-Davis Clean Water Agency	\$87,746,473	The Cities of Woodland and Davis are subject to Cease and Desist Orders and Time Schedule Orders from the Regional Water Board to bring their respective wastewater treatment plants into compliance with selenium discharge limits. Replacing the current groundwater source with water from the Sacramento River will allow both cities to meet their permit limits. The Project involves construction of an intake on the Sacramento River, a new regional water treatment facility, pipelines from the intake to the treatment facility, and pipelines to the cities' distribution systems.	\$64,449,601.00	\$7,576,348.00	\$0.00	\$0.00	\$0.00	12/31/2016

¹⁵The CWSRF financing reflects funding amounts as of 6/30/2018, including any adjustments for funding increases as a result of contract amendments or funding decreases as a result of un-liquidated/de-obligated balances.

¹⁶The Series 2016 revenue bonds were fully disbursed in late fall of 2016.

¹⁷The construction completion dates are as of 6/30/2018 and include any adjustments as a result of amendments to extend the completion of construction.

Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ¹⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ¹⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
7876-130	West County Wastewater District	\$14,593,521	The objective of the District's Project is to rehabilitate aging facilities to avoid equipment failure, eliminate unsafe working conditions, and avoid wastewater discharge permit violations. The scope of work includes replacing the 12-kV main switchgear and seven motor control centers, performing seismic retrofits of various buildings and process structures, rehabilitating and replacing various components at the plant including the chlorine contact tank, the effluent flow meter, and the effluent chlorine analyzers, and rehabilitating or replacing the primary clarifier sludge collector drives and associated components.	\$2,941,291.00	\$7,761,467.00	\$0.00	\$0.00	\$1,318,650.20	8/30/2017
7882-110	South Coast Water District	\$102,560,000	In 1954, the District constructed the two-mile long Beach Interceptor Sewer Pipeline and Tunnel, which currently conveys an average of 1.0 million gallons per day of sewage. Most of the tunnel was hand-dug, with some areas blasted through bedrock. It is mostly unlined and unsupported, but some sections have timber struts and lining that have deteriorated over time. The tunnel condition is worsening, and there is a significant risk of injury or death to maintenance personnel, as well as an imminent threat of sewage spilling onto the beach and into the ocean should a major failure occur. The District will rehabilitate the tunnel and sewer pipeline to eliminate the risk of tunnel failure that could result in worker injuries, damage to the existing 24-inch sewer pipeline, and release of sewage onto the beach and into the ocean. The Project will improve the existing tunnel access points and enlarge and reinforce the tunnel with a structural concrete liner to stabilize the tunnel and prevent collapse. The existing 24-inch pipeline will be retained and encased in concrete throughout the length of the tunnel for future emergency and maintenance use, and a new pipeline will be installed on the tunnel floor above the existing pipeline.	\$0.00	\$0.00	\$10,939,106.00	\$0.00	\$27,218,996.18	5/31/2022

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Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ¹⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ¹⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
7885-110	Inland Empire Utilities Agency	\$24,645,000	The Project will construct a one-story, approximately 16,000 square-foot regional laboratory at the Agency's Regional Water Recycling Plant No. 5 in Chino, California. The building will also include office spaces, a visitor's center, and rooms for electrical, mechanical, telecommunication equipment, and storage. The Project replaces the Agency's outdated 2,200 square-foot laboratory facility, which will be renovated for use by plant operations staff.	\$236,823.00	\$16,744,827.00	\$0.00	\$0.00	\$4,713,736.73	2/28/2019
7893-110	City of Fresno	\$33,138,638	The Project will increase tertiary treatment and ultraviolet disinfection capacity to 5 million gallons per day and add a solar photovoltaic facility to provide electricity at the wastewater treatment plant.	\$32,440,566.00	\$698,072.00	\$0.00	\$0.00	\$0.00	7/12/2016
7894-110	Western Riverside County Regional Wastewater Authority	\$72,620,000	The Authority's wastewater plant has a tertiary treatment capacity of 8 million gallons per day (mgd). Due to high demand, the plant will be expanded from 8 mgd to 13.50 mgd. The upgrades will include improvements to the head works, equalization tanks, biological treatment, tertiary treatment and solids handling processes.	\$48,636,881.00	\$13,198,379.00	\$0.00	\$0.00	\$2,539,729.00	12/31/2017
7899-110	Carlsbad Municipal Water District	\$22,150,000	The Project will expand the District's recycled water system to the north area of Carlsbad and the neighboring water service areas. The project expands the wastewater recycling capacity from 4 million gallons per day to 6 million gallons per day, installs 85,000 feet of pipe, and relocates or constructs new recycled wastewater storage capacity.	\$389,180.00	\$553,302.00	\$0.00	\$0.00	\$2,326,238.17	12/31/2020

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Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

Project Number	Funding Recipient	CWSRF Funding Amount as of 6/30/2018 ⁵	Project Description	Amount Disbursed from Series 2016 Bonds as of 6/30/2018 ⁶	Amount Disbursed from Series 2017 Bonds as of 6/30/2018	Amount Disbursed from Series 2018 Bonds as of 6/30/2018	Anticipated Future Disbursements from Series 2017 Bonds	Anticipated Future Disbursements from Series 2018 Bonds	Construction Completion Date ¹⁷
8001-120	City of Dixon	\$28,093,094	The Project will upgrade and replace aged facilities with more reliable and efficient wastewater treatment systems. The current pond treatment method will be replaced with an activated sludge process, including construction of a new influent pump station and a new headworks with mechanical screening and flow measurement. Piping and pumping upgrades, an equalization basin, and disposal area will also be constructed as part of the proposed project.	\$18,259,649.00	\$4,492,622.00	\$0.00	\$0.00	\$0.00	12/1/2016
8002-110	City of Woodland	\$18,995,120	The City will complete various improvements to improve energy use and plant performance. The Project will convert the existing oxidation ditch system to a nitrifying and denitrifying bioreactor. The improvements are expected to reduce power usage by 30 percent, increase process capacity, and reduce operations costs. An alkalinity feed facility and a new blower building will also be constructed.	\$12,070,031.00	\$1,966,210.00	\$0.00	\$0.00	\$0.00	12/31/2016
8010-110	City of Davis	\$81,057,000	The City will replace the existing ponds and overland flow fields with a conventional activated sludge process with tertiary treatment. The Project will also upgrade ancillary facilities such as electrical, maintenance, disinfection, and solids handling.	\$34,504,097.00	\$14,282,749.00	\$0.00	\$0.00	\$12,293,441.97	10/1/2018
8019-110	City of Davis	\$35,500,000	The City's Project is a critical part of the Woodland-Davis Clean Water Agency's Water Supply Project (7873-110) to replace groundwater with surface water from the Sacramento River. The Project will tie the new water system to the existing distribution pipelines within the City. Changing the drinking water source from groundwater to surface water will help the City meet its wastewater discharge requirements.	\$17,238,358.97	\$6,315,075.03	\$0.00	\$0.00	\$3,551,876.49	12/30/2018
8024-110	City of Pleasanton	\$11,317,177	The City's Project includes a recycled water distribution system with 13 miles of new pipelines in existing developed areas, as well as adding treatment capacity at the Dublin-San Ramon Services District wastewater treatment facility. The Project is estimated to replace 1,303 acre-feet per year of potable water demand with recycled water.	\$8,629,306.00	\$1,618,033.00	\$0.00	\$0.00	\$0.00	10/31/2016

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Exhibit F: Cumulative CWSRF Revenue Bond (Green Bond) Funded Projects Update (continued)

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8025-110	Sacramento Regional County Sanitation District	\$41,828,976	The Project is the first phase of the District's Echo Water Project. The Echo Water Project will upgrade the Sacramento Regional Wastewater Treatment Plant to comply with the NPDES permit requirement to remove ammonia from its discharge to protect the Sacramento-San Joaquin Delta downstream. The plant is the largest wastewater discharger to the Delta, and the Delta is a significant source of California's water and a critical ecosystem. The Project will also substantially increase water recycling opportunities for agricultural and landscape irrigation and industrial process water by producing highly treated water that meets wastewater reuse standards. Use of recycled water helps preserve scarce water supplies, especially during drought conditions. The Project scope includes temporary and permanent infrastructure, demolition of existing buildings and infrastructure, and construction of new facilities to support construction activities associated with the Project.	\$37,156,388.00	\$4,672,608.00	\$0.00	\$0.00	\$0.00	9/15/2016
8025-120	Sacramento Regional County Sanitation District	\$138,672,372	The Project is the second phase of the District's Echo Water Project. The scope of this phase includes deepening and lining of the emergency storage basins (ESB). The ESB currently store partially or fully treated wastewater under a variety of circumstances. The proposed improvements and modifications to the ESB will ensure continued operational flexibility and permit compliance.	\$44,474,338.00	\$71,468,044.00	\$1,293,079.00	\$0.00	\$8,184,600.10	12/31/2018
8025-130	Sacramento Regional County Sanitation District	\$2,861,737	The Project is the third phase of the District's Echo Water Project. This phase of the Project will expand the existing 12 kV electrical switchgear to include new sections with circuit breakers to feed power to the Echo Water Project. The existing transformer has adequate capacity, but new switchgear will be installed into the existing substation in space that was prepared as part of the original substation expansion in the late 1990s.	\$1,962,640.00	\$899,097.00	\$0.00	\$0.00	\$0.00	11/30/2016

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8025-140	Sacramento Regional County Sanitation District	\$21,465,759	The Project is the fourth phase of the District's Echo Water Project. This phase will improve the disinfection facilities at the plant to meet stricter discharge limits. The District is converting the existing chlorine gas system to a liquid system and will upgrade the disinfection contact basin as part of its tertiary treatment efforts.	\$15,508,322.00	\$5,164,407.00	\$0.00	\$395,503.00	\$397,527.00	8/15/2017
8025-150	Sacramento Regional County Sanitation District	\$53,490,845	The Project is the fifth phase of the District's Echo Water Project. The scope of this phase will create the Nitrifying Sidestream Treatment (NST) facility to intercept and treat internal return flows from the solids storage basin and the biosolids recycling facility. These internal flows account for approximately 20% of the ammonia load into the District's plant. The NST facility reduces the ammonia in the main plant's effluent by converting the ammonia in the sidestreams to nitrates. The treated, nitrate-rich product from the NST facility will then be pumped to the interceptors upstream of the plant. The nitrate-rich product will help with odor control, thus reducing the need for chlorine or other chemicals to control odors at the influent structure.	\$0.00	\$36,441,686.00	\$0.00	\$0.00	\$12,469,403.89	1/1/2019
8025-160	Sacramento Regional County Sanitation District	\$533,142,603	The Project is the sixth phase of the District's Echo Water Project. The scope of this phase will create the Biological Nutrient Removal (BNR) facility. The BNR will nitrify and denitrify the plant's wastewater in a two-stage process.	\$0.00	\$179,565,844.00	\$0.00	\$6,259,119.08	\$158,892,699.70	5/14/2021
8025-170	Sacramento Regional County Sanitation District	\$35,696,952	The Project is the seventh segment of the District's Echo Water Project. The Project will upgrade the existing Return Activated Sludge (RAS) pumping system to convey RAS from the existing Secondary Sedimentation Tanks (SSTs) to the new Biological Nutrient Removal (BNR) Facility.	\$0.00	\$0.00	\$12,685,807.00	\$0.00	\$12,909,138.10	6/4/2019

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8025-180	Sacramento Regional County Sanitation District	\$564,657,506	The Project is the eighth and last segment of the District's Echo Water Project. The Project will filter and disinfect wastewater to meet California's water recycling regulations. The design is also based on meeting applicable effluent limitations and performance specifications for disinfected effluent coliform and filter effluent turbidity.	\$0.00	\$0.00	\$11,570,544.00	\$0.00	\$8,725,085.74	5/1/2023
8034-110	McKinleyville Community Services District	\$15,569,506	The District will improve its wastewater treatment facility to ensure reliable operation through the year 2030. The major improvements include a new headworks facility, aeration basins, a blower/electrical maintenance building, two new secondary clarifiers, including return activated sludge/waste activated sludge pumping, and a biosolids storage basin.	\$5,777,179.00	\$8,525,100.00	\$0.00	\$0.00	\$1,267,227.00	9/8/2017
8043-110	West County Wastewater District	\$21,100,763	The Project will improve the District's secondary treatment process to increase the reliability of its recycled wastewater deliveries.	\$10,221,797.00	\$9,834,106.00	\$0.00	\$0.00	\$673,658.82	6/9/2017
8047-110	Eastern Municipal Water District	\$47,632,440	The Recycled Water Supply Optimization Program (Program) will increase use of local and renewable water and energy resources and reduce dependence on imported water and fossil fuels. The Program is an integrated, multi-year initiative that provides significant benefits to multiple segments of the water use cycle. Program components include: (1) expansion of the Temecula Valley Regional Water Reclamation Facility to 23 million gallons per day; (2) construction of the Temecula Valley Recycled Water Pipeline; (3) upgrades to the Reach 4 Recycled Water Booster Station; and (4) the Solar Photovoltaic Renewable Energy Initiative Phase II Project, which involves installing solar systems at four regional water reclamation facilities.	\$0.00	\$0.00	\$6,443,478.00	\$0.00	\$6,193,353.19	9/30/2018

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8060-110	Santa Margarita Water District	\$76,315,000	Santa Margarita Water District (SMWD) will convert an existing dam and reservoir to a recycled water reservoir to provide seasonal storage for its recycled water system. The Project will increase SMWD's storage capacity by up to 5,000 acre-feet per year.	\$0.00	\$0.00	\$0.00	\$0.00	\$17,535,341.32	12/6/2019
8061-110	City of Fresno	\$37,475,049	The Project includes construction of a pipeline and booster pump station to convey tertiary treated recycled wastewater from the City's treatment plant to landscape irrigation sites in the City's Southwest Quadrant.	\$0.00	\$9,292,014.00	\$0.00	\$0.00	\$7,987,156.63	12/31/2019
8062-110	City of Modesto	\$41,862,028	The North Valley Regional Recycled Water Program (NVRWP) will provide recycled water from the City's wastewater facility to the Del Puerto Water District (DPWD). The City will improve an existing pump station at its Jennings Road wastewater facility and construct approximately 32,000 linear feet of 42-inch-diameter pipeline from the wastewater facility to the Delta Mendota Canal (DMC). The DPWD will then be able to withdraw the recycled water from the DMC for use by its agricultural irrigation customers. The Project will provide approximately 16,500 acre-feet per year of recycled water to DPWD.	\$0.00	\$0.00	\$27,812,005.00	\$0.00	\$2,221,551.58	6/30/2018
8088-110	The City & County of San Francisco Public Utilities Commission	\$40,006,740	The Project will upgrade a number of critical disinfection systems at the City's Southeast Treatment Plant including a new electrical building, refurbishment of the sampling station, relocation of valve actuators, updating the distributed control system, install a hydraulic power pack, providing return water supply pumps, and constructing a new sodium bisulfite containment area, storage tanks, and pumps.	\$0.00	\$0.00	\$0.00	\$0.00	\$8,801,899.40	7/18/2019

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8111-110	The City & County of San Francisco, Public Utilities Commission	\$171,220,000	The project includes all facilities needed to produce and deliver about 2.0 million gallons per day of recycled water to irrigate landscape in western San Francisco. The project includes a new recycled water treatment facility consisting of membrane filtration, reverse osmosis, and ultraviolet light disinfection; a 1.6 million gallon storage reservoir; distribution pumping facilities; 5 to 6 miles of new distribution pipelines; and retrofit of existing irrigation systems for compliance with California's recycled water regulations.	\$0.00	\$0.00	\$0.00	\$0.00	\$25,454,352.65	3/1/2021
8122-110	City of Palm Springs	\$29,917,266	The existing wastewater treatment plant needs upgrades/replacements due to aging and outdated infrastructure to reliably meet permit requirements and reduce plant odors in the surrounding community.	\$0.00	\$0.00	\$14,354,637.00	\$0.00	\$3,252,670.35	9/27/2018
8132-110	The City & County of San Francisco Public Utilities Commission	\$34,445,778	The Project will upgrade the primary and secondary clarifiers at the Southeast Treatment Plant. The upgrades include installing primary clarifiers covers, rehabilitating concrete surfaces, replacing the secondary clarifier rotating arm assemblies, and upgrading associated electrical systems.	\$0.00	\$0.00	\$0.00	\$0.00	\$7,578,415.58	3/30/2018

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8133-110 ¹⁸	Padre Dam Municipal Water District	\$101,200,000	The Project implements a key component of the East County Regional Water Reuse Program. The Project will expand the Ray Stoyer Water Reclamation Facility from 2.0 to 6.0 million gallons per day, add 2.2 million gallons per day of advanced water purification treatment capacity, and connect a brine line to the San Diego Metropolitan Sewerage System so the brine can be treated at the Point Loma Wastewater Treatment Plant and be discharged to the ocean.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	11/30/2019
8153-110	City of Sunnyvale	\$127,068,522	The Project includes new headworks and primary treatment facilities at the City's Water Pollution Control Plant to provide additional capacity for future flows and loads through buildout in 2035. The new headworks will include electrical pumps and associated service, screening, screening/grit handling building, and odor control equipment. Primary treatment facilities include six new sedimentation tanks, chemically enhanced primary treatment equipment, mechanized dewatering equipment, heat recovery at the power generation facility, 12KV switchgear, and a 2,000-kV diesel backup generator.	\$0.00	\$0.00	\$7,395,666.00	\$0.00	\$25,520,090.51	6/30/2021
8190-110	City of Palo Alto	\$29,683,900	The City will replace its existing solids handling facilities and sludge incinerators with a new sludge dewatering and truck loadout facility. The new facility will include a belt filter presses, conveyors, storage bins, standby diesel generator, odor control, and other ancillary equipment.	\$0.00	\$0.00	\$6,696,768.00	\$0.00	\$8,194,032.45	5/31/2019
Total:				\$500,000,000.00	\$520,848,924.53	\$105,407,233.00	\$6,654,622.08	\$419,592,767.00	

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¹⁸The applicant is reassessing the project and is not expected to complete construction as planned. The project will not receive proceeds from the Series 2018 bonds, but may be evaluated for future bonds.

Exhibit G: SFY 2017-18 DBE Reporting Results

	Reporting Period	MBE	WBE	TOTAL
Annual Total	October 1, 2016-September 30, 2017	\$16,810,377.00	\$9,714,178.00	\$26,524,555.00
Total Disbursements	October 1, 2016-September 30, 2017			\$669,434,230.00
Percentage to Total Disbursements	October 1, 2016-September 30, 2017	2.5%	1.5%	4.0%

Note: Percentage of DBE participation is determined by taking the percentage of MBE and WBE as compared to the total disbursements for the fiscal year for each category. Total disbursements equal \$669,434,230. DBE reports are collected annually based on the FFY.

Exhibit H: SFY 2017-18 CWSRF Green Project Reserve Projects

Funding Recipient	Project Number	Funding Agreement Number	Agreement Date	GPR Funding Amount	Total Agreement
South Tahoe Public Utility District	8220-110	D1701007	9/28/2017	\$14,010,534	\$14,010,534
Central Marin Sanitation Agency	8285-110	D1701005	9/25/2017	\$500,000	\$500,000
City of Santa Monica	8211-110	D1701006	9/21/2017	\$56,885,903	\$56,885,903
The City & County of San Francisco Public Utilities Commission	8111-110	D1701001	9/19/2017	\$171,220,000	\$171,220,000
City of Brentwood	8071-110	D1601038	7/25/2017	\$14,596,500	\$14,596,500
County of Napa	8311-110	D1601037	7/17/2017	\$1,573,554	\$1,573,554
City of Ukiah	8076-110	D1601035	7/17/2017	\$21,809,000	\$21,809,000
Eastern Municipal Water District	8047-110	D1601036	7/12/2017	\$47,632,440	\$47,632,440
Marina Coast Water District	8184-120	D1701045	6/27/2018	\$5,719,791	\$5,719,791
Fresno County Waterworks District 38	7109-110	D1701039	6/25/2018	\$261,160	\$730,000
McKinleyville Community Services District	8221-110	D1701033	6/20/2018	\$4,969,180	\$4,969,180
Eastern Municipal Water District	8357-110	D1701034	6/11/2018	\$736,235	\$736,235
Dublin San Ramon Services District-East Bay MUD Recycled Water Authority	8266-110	D1701035	5/30/2018	\$2,500,000	\$2,500,000
City of Yuba City	8253-110	D1701023	5/18/2018	\$8,000,000	\$8,000,000
Running Springs Water District	8324-110	D1701028	5/1/2018	\$800,000	\$800,000
Eastern Municipal Water District	8165-110	D1701031	4/13/2018	\$795,400	\$795,400
City of El Centro	8301-110	D1701032	3/27/2018	\$1,663,161	\$1,663,161
Napa Sanitation District	8250-110	D1701025	3/2/2018	\$1,341,217	\$1,341,217
South Tahoe Public Utility District	8314-110	D1701012	2/5/2018	\$35,000	\$35,000
Fairfield-Suisun Sewer District	8172-110	D1701020	2/12/2018	\$10,650,000	\$10,650,000
Templeton Community Services District	8217-110	D1701022	12/22/2017	\$2,880,268	\$3,646,504
Inland Empire Utilities Agency	8173-110	D1701013	12/19/2017	\$500,000	\$500,000
City of Escondido	8113-110	D1701009	11/22/2017	\$4,000,000	\$4,000,000
Orange County Water District	8252-110	D1701017	11/21/2017	\$13,590,582	\$13,590,582
Inland Empire Utilities Agency	8105-110	D1701014	11/15/2017	\$3,025,000	\$3,025,000
Inland Empire Utilities Agency	8105-120	D1701015	11/15/2017	\$3,230,000	\$3,230,000
Delta Diablo	8284-110	D1701026	1/25/2018	\$500,000	\$500,000
Marina Coast Water District	8184-110	D1701011	1/25/2018	\$5,256,609	\$5,256,609
Santa Rosa Regional Resources Authority	8128-110	D1701024	1/2/2018	\$31,800,000	\$31,800,000
Elsinore Valley Municipal Water District	8234-110	D1701018	1/11/2018	\$3,057,346	\$3,057,346
Elsinore Valley Municipal Water District	8234-120	D1701019	1/11/2018	\$6,295,834	\$6,295,834
Los Angeles County Sanitation District	8226-110	D1701016	1/11/2018	\$23,463,019	\$23,463,019
Total:	32			\$463,297,733	\$464,532,809

* Green Project Reserve includes projects that promote Green Infrastructure, Energy Efficiency, Water Efficiency or Green Innovative projects. Projects are categorically eligible or required a business case justification. If the Green Project Reserve Amount is less than the Total Agreement Amount, the project was partially green and required a business case justification

Exhibit I: SFY 2017-18 Additional Subsidy (Principal Forgiveness) Projects

Funding Recipient	Project Number	Funding Agreement Number	Agreement Date	Subsidy Amount ¹⁹	Total Agreement
Central Marin Sanitation Agency	8285-110	D1701005	9/25/2017	\$500,000	\$500,000
Delta Diablo	8284-110	D1701026	1/25/2018	\$500,000	\$500,000
Dublin San Ramon	8266-110	D1701035	5/30/2018	\$2,500,000	\$2,500,000
Eastern Municipal Water District	8165-110	D1701031	4/13/2018	\$795,400	\$795,400
Eastern Municipal Water District	8357-110	D1701034	6/11/2018	\$736,235	\$736,235
City of El Centro	8301-110	D1701032	3/27/2018	\$1,663,161	\$1,663,161
Elsinore Valley Municipal Water District	8234-110	D1701018	1/11/2018	\$500,000	\$3,057,346
Elsinore Valley Municipal Water District	8234-120	D1701019	1/11/2018	\$500,000	\$6,295,834
City of Escondido	8113-110	D1701009	11/22/2017	\$2,500,000	\$4,000,000
Fairfield-Suisun Sewer District	8172-110	D1701020	2/12/2018	\$4,000,000	\$10,650,000
Fresno County Waterworks District 38	7109-110	D1701039	6/25/2018	\$130,580	\$730,000
Inland Empire Utilities Agency	8105-110	D1701014	11/15/2017	\$2,500,000	\$3,025,000
Inland Empire Utilities Agency	8105-120	D1701015	12/19/2017	\$2,500,000	\$3,230,000
Inland Empire Utilities Agency	8173-110	D1701013	1/31/2018	\$500,000	\$500,000
McKinleyville Community Services District	8221-110	D1701033	5/23/2018	\$2,484,590	\$4,969,180
Napa Sanitation District	8250-110	D1701025	7/17/2017	\$1,341,217	\$1,341,217
County of Napa	8311-110	D1601037	11/21/2017	\$1,573,554	\$1,573,554
Running Springs Water District	8324-110	D1701028	5/1/2018	\$400,000	\$800,000
City of Santa Monica	8211-110	D1701006	9/21/2017	\$4,000,000	\$56,885,903
Santa Rosa Regional Resources Authority	8128-110	D1701024	1/2/2018	\$4,000,000	\$31,800,000
South Tahoe Public Utility District	8220-110	D1701007	9/28/2017	\$4,000,000	\$14,010,534
South Tahoe Public Utility District	8314-110	D1701012	2/5/2018	\$35,000	\$35,000
Templeton Community Services District	8217-110	D1701022	12/22/2017	\$1,440,134	\$3,646,504
City of Yuba City	8253-110	D1701023	5/18/2018	\$4,000,000	\$8,000,000
Total:	24			\$43,099,871	\$161,244,868

¹⁹Includes projects receiving Principal Forgiveness per the IUP.

Exhibit J: CWSRF Projects with Financing Servicing Fees

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

Contract Number	Project Number	Recipient	Fee Rates
00-808	4521-110	City of Riverbank	2.60%
07-810	5051-110	City of Reedley	2.40%
07-812	4438-110	City of Crescent	2.40%
07-828	4438-110	City of Colusa	2.40%
07-829	5085-110	Union Sanitary District	2.70%
08-804	4729-130	City of La Mesa	2.60%
08-813	5055-110	City of Patterson	2.60%
08-814	4352-110	Lake Arrowhead Community Services District	2.60%
08-815	4680-110	County of Ventura	2.60%
08-816	4916-110	Los Angeles County Sanitation District	2.60%
08-817	4148-110	Rosamond Community Services District	2.60%
08-838	5139-110	City of Hughson	1.00%
08-854	4729-140	City of La Mesa	1.00%
09-850	4688-110	City of Oakdale	2.50%
09-856	5043-110	City of Galt	2.90%

*Constitutes projects with only a Small Community Grant Fee

Exhibit J: CWSRF Projects with Financing Servicing Fees (continued)

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

Contract Number	Project Number	Recipient	Fee Rates
00-802	4665-110	Stege Sanitary District	1%
00-804	4486-110	Templeton Community Services District	1%
00-818	4062-220	City of Santa Rosa	1%
00-825	4062-170	City of Santa Rosa	1%
00-831	4062-250	City of Santa Rosa	1%
01-803	4053-110	McCloud Community Services District	1%
01-810	4062-160	City of Santa Rosa	1%
01-811	4062-230	City of Santa Rosa	1%
01-813	6036-110	County of Santa Cruz	1%
01-814	4062-150	City of Santa Rosa	1%
02-821	4812-110	Napa Sanitation District	1%
02-826	4845-110	Santa Margarita Water District	1%
02-827	4802-110	City of Corona	1%
03-846	4783-110	Los Angeles County Sanitation District	1%
03-847	4783-210	Los Angeles County Sanitation District	1%
04-802	6085-110	The Nature Conservancy	1%
04-814	4450-110	Coachella Sanitary District	1%
04-815	4252-510	City of La Canada Flintridge	1%
05-809	4665-210	Stege Sanitary District	1%
05-810	4200-110	Yucaipa Valley Water District	1%
05-811	4729-110	City of La Mesa	1%
07-815	4632-110	City of Alturas	1%
07-816	4728-120	South San Francisco	1%
07-818	4729-120	City of La Mesa	1%
93-805	6006-110	City of Davis	1%
93-810	6022-110	Pacheco Water District	1%
93-819	4330-110	Goleta Sanitary District	1%
93-806	4108-110	Cambria Community Services District	1%
96-805	6014-110	San Luis Water District	1%
96-813	6000-120	Fresno Metropolitan Flood Control District	1%
96-820	4360-110	City of Davis	1%
97-804	4001-220	Los Angeles County Sanitation District	1%
97-809	4505-110	City of Placerville	1%
97-813	6031-110	Town of Mammoth Lakes	1%
97-814	4648-100	City of Rialto	1%
98-813	4262-110	Humboldt County Res. Imp. District 1	1%
98-818	4001-250	Los Angeles County Sanitation District	1%
98-823	6045-110	Lost Hills Water District	1%
98-837	4452-110	Santa Ana Watershed Project Authority	1%
99-802	4704-110	Town of Windsor	1%
99-805	4610-110	City of Vacaville	1%
99-807	4679-110	County of Los Angeles	1%
99-811	4429-120	City of Thousand Oaks	1%
08-845	5100-110	Eastern Municipal Water District	1%
10-817	5222-110	Union Sanitary District	1%

**Constitutes Projects with only an Administrative service fee

Exhibit J: CWSRF Projects with Financing Servicing Fees (continued)

Fund 3147 and 9739 (percentage of outstanding principal balance)***

Contract Number	Project Number	Recipient	Fee Rates	
			SCG	Administrative
00-801	4610-120	City of Vacaville	1.7%	1%
00-805	4596-110	Hilmar County Water District	1.6%	1%
00-806	4685-110	City of Sacramento	1.6%	1%
00-809	4708-110	City of Redding	1.6%	1%
00-815	4465-110	City of Yreka	1.6%	1%
00-816	4062-140	City of Santa Rosa	1.6%	1%
00-819	4086-110	Lake County Sanitation District	1.6%	1%
01-802	4173-110	Laguna County Sanitation District	1.4%	1%
01-804	4655-110	City of Piedmont	1.4%	1%
01-815	4771-110	Union Sanitary District	1.4%	1%
01-816	4684-110	County of Ventura	1.4%	1%
01-817	4062-240	City of Santa Rosa	1.6%	1%
01-821	4800-110	City of Redlands	1.5%	1%
01-825	4790-110	Vallejo Sanitation & Flood District	1.5%	1%
02-804	4252-410	City of La Canada Flintridge	1.4%	1%
02-809	4846-130	Inland Empire Utilities Agency	1.5%	1%
02-810	4772-110	City of Burlingame	1.5%	1%
02-811	6061-120	Napa, County Of, Flood Control and Water	1.5%	1%
02-816	4801-110	North San Mateo County Sanitation District	1.5%	1%
02-817	4655-120	City of Piedmont	1.5%	1%
02-818	4307-110	City of San Luis Obispo	1.5%	1%
02-823	4007-610	City of Alameda, City of	1.6%	1%
02-824	4728-110	City of South San Francisco	1.5%	1%
02-825	4658-110	Victor Valley Wastewater Rec Authority	1.5%	1%
03-801	4695-110	City of Escondido	1.4%	1%
03-804	4657-110	Tahoe-Truckee Sanitation Agency	1.6%	1%
03-806	4528-210	City of Benicia	1.6%	1%
03-806	4528-210	City of Benicia, City of	1.6%	1%
03-811	4655-130	City of Piedmont	1.5%	1%
03-848	4783-310	Los Angeles County Sanitation District	1.3%	1%
05-803	4693-110	City of Petaluma	1.4%	1%
05-808	4844-110	North Marin Water District	1.4%	1%
06-801	4823-110	Sonoma Valley County Sanitation District	1.3%	1%
06-802	6090-110	The Conservation Fund	1.3%	1%
06-803	4971-110	City of Redding	1.2%	1%
06-806	4969-110	Nevada County Sanitation District #1	1.2%	1%
07-813	5053-110	Union Sanitary District	1.4%	1%
07-817	6093-110	City of St Helena	1.4%	1%
07-819	4971-210	Redding	1.4%	1%
07-820	4790-120	Vallejo Sanitation & Flood Dist.	1.4%	1%
07-825	4303-110	East Bay Municipal Utility District	1.4%	1%
07-826	4971-220	City of Redding	1.6%	1%
07-835	5045-110	Union Sanitary District	1.7%	1%
07-836	4470-110	City of Colfax	1.4%	1%

***Constitutes projects with both a Small Community Grant and Administrative Fee

Exhibit J: CWSRF Projects with Financing Servicing Fees (continued)

Fund 3147 and 9739 (percentage of outstanding principal balance)***

Contract Number	Project Number	Recipient	Fee Rates	
			SCG	Administrative
09-851	5152-110	City of Burlingame	1.9%	1%
10-801	7245-110	El Toro Water District	1.7%	1%
10-805	6601-110	Yolo County Flood Control and Water Conservation District	1.7%	1%
10-818	5571-110	Delta Diablo	1.6%	1%
10-820	5160-110	Sunnyslope County Water District	1.6%	1%
10-835	5533-110	City of Burbank	1.6%	1%
10-838	5310-110	City of Seal Beach	1.6%	1%
10-842	5310-120	City of Seal Beach	1.6%	1%
11-809	4971-230	City of Redding	1.6%	1%
97-812	4504-110	City of Chico	1.6%	1%
97-815	4155-110	San Elijo Joint Powers Authority	1.5%	1%
97-817	4251-110	City of Colton	1.5%	1%
97-827	4614-110	South San Francisco	1.6%	1%
97-829	4441-120	City of Sacramento	1.2%	1%
98-810	4243-110	City of Wascof	1.6%	1%
98-811	6050-110	County of Merced	1.6%	1%
98-816	4429-110	City of Thousand Oaks	1.4%	1%
98-817	4001-260	Los Angeles County Sanitation District	1.4%	1%
98-826	6026-110	City of South Lake Tahoe	1.6%	1%
98-828	6061-110	County of Napa Flood Control and Water	1.4%	1%
98-830	4529-110	City of Banning	1.6%	1%
99-809	4452-120	Santa Ana Watershed Project Authority	1.7%	1%
99-819	4666-110	City of American Canyon	1.7%	1%
99-825	4452-130	Santa Ana Watershed Project Authority	1.6%	1%
99-829	4616-110	City of Calistoga	1.6%	1%
99-830	4452-140	Santa Ana Watershed Project Authority	1.6%	1%
99-831	4653-110	City of Sacramento	1.6%	1%

***Constitutes projects with both a Small Community Grant and Administrative Fee



**Exhibit K: SFY 2017-18
CWSRF Audited Financial Statements**

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

FINANCIAL STATEMENTS
and SINGLE AUDIT REPORTS

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund), an enterprise fund of the State of California, as of and for the years ended June 30, 2018 and 2017, 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 an express 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the California State Water Resources Control Board, Water Pollution Control Revolving Fund as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1 – Definition of Reporting Entity, the basic financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the California State Water Resources Control Board that is attributable to the transactions of the California State Water Resources Control Board, Water Pollution Control Revolving Fund. They do not purport to, and do not, present fairly the financial position of the California State Water Resources Control Board or the State of California as of June 30, 2018 and 2017, and the changes in their financial position and their cash flows, where applicable, for the years then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

Board of Directors
California State Water Resources Control Board

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the Water Pollution Control Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Water Pollution Control 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 Water Pollution Control Revolving Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 1, 2018

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

Management's Discussion & Analysis

The following Management's Discussion and Analysis is a required supplement to the California State Water Resources Control Board's (State Water Board), Water Pollution Control Revolving Fund (Clean Water State Revolving Fund program) (CWSRF) financial statements. It describes and analyzes the financial position of the CWSRF providing an overview of the CWSRF's activities for the years ended June 30, 2018 and 2017. 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 \$94.5 million to a total of \$4.1 billion in 2018, which was \$18.6 million less than the increase of \$113.1 million in 2017. The smaller increase in net position is a direct result of an increase in capital contributions for principal forgiveness loan disbursements.
- Capital contributions increased by \$7 million to \$72.8 million as compared to \$65.8 million in 2017. The increase in capital contributions was mostly a result of more capital available from EPA capitalization grants for principal forgiveness loan disbursements. Capital contributions from EPA capitalization grant funds that were forgiven increased by \$21.7 million to \$26.5 million as compared to \$4.8 million in 2017.
- Cash and cash equivalents increased by \$177 million in 2018 as compared to an increase of \$308 million in 2017. The increase in 2018 was mostly the result of an increase in cash from the issuance of the Series 2018 Revenue Bond.
- Loans receivable increased by \$398 million to \$4.4 billion in 2018 and increased by \$309 million in 2017. The larger increase in 2018 mostly reflects an increase in loan disbursements.
- On March 8, 2018, the CWSRF issued California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2018 for \$449 million at a premium of \$77.5 million. The Series 2018 Revenue Bonds were issued for the purpose of making financial assistance available to recipients for eligible projects.
- Restricted portion of net position increased by \$888 million to \$2.4 billion in 2018 as compared to a decrease of \$100 million in 2017. The increase in 2018 reflects the greater pledged loan requirements of the Series 2018 Revenue Bonds. The decrease in 2017 reflects the decrease in notes receivables for loans pledged to the Series 2012, 2016 and 2017 Revenue bonds as a result of repayments received and the related debt service payments.

Using this Annual Financial Report

The financial statements included in this annual financial report are those of the CWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the CWSRF are intended to present the financial position, changes in financial position, and cash flows of only that portion of the financial reporting entity of the State Water Board that is attributable to the transactions of the CWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2018 and 2017 and the change in their financial positions and their cash flows for the years then ended.

Overview of Financial Statements

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

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

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

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

Net Position

In 2018, the CWSRF's net position continued to strengthen increasing by \$94.5 million, or 2.3%, to \$4.1 billion at June 30, 2018 as compared to an increase of \$113.1 million, or 2.9%, the previous year. The increase in net position was \$18.6 million lower than in the previous year, mostly reflecting an increase in capital contributions for principal forgiveness loan disbursements from EPA capitalization grants.

The current portion of the CWSRF's liabilities was \$100 million in 2018 and \$57 million in 2017. Current liabilities primarily correspond to continuing principal payments for the Series 2012, 2016, 2017 and 2018 Revenue Bonds. Noncurrent liabilities increased by \$441.5 million in 2018 as compared to an increase of \$481 million in 2017. The increase in 2018 is a result of the issuance of the Series 2018 Revenue Bonds while the increase in 2017 is the result of the issuance of the Series 2017 Revenue Bonds.

A segment of the CWSRF's net position is subject to external restriction due to the debt service requirements of the Series 2012, 2016, 2017 and 2018 Revenue Bonds. The net position that is restricted increased in 2018 by \$888 million to \$2.4 billion, or 57.9%, as compared to a decrease in 2017 of \$100 million to \$1.5 billion, or 6.1%. The increase in 2018 was primarily due to an increase in pledged loan receivables to secure the issuance of the Series 2018 Revenue Bonds. The decrease in 2017 was primarily due to several early payoffs of loan receivables and ongoing debt service payments.

Of the total restricted net position, \$2.210 billion in 2018 and \$1.377 billion in 2017 represent the balance of outstanding loans that were pledged as security to the Series 2012, 2016, 2017 and 2018 Revenue Bond debt service. The principal and interest received during the fiscal year from these loans is used to make the semi-annual debt service payments on the revenue bonds.

The CWSRF received total payments on pledged loans of \$143.7 million (\$117.5 million of principal and \$26.2 million of interest) in 2018 of which the debt service payment was \$68.8 million (\$27.3 million of principal and \$41.5 million of interest). In 2017, the CWSRF received total payments on pledged loans of \$234.3 million (\$207.3 million of principal and \$27 million of interest) of which the debt service payments were \$31.5 million (\$13 million of principal and \$18.5 million of interest).

The remaining \$211.7 million of restricted net position in 2018 and \$157.6 million in 2017 represent pledged loan repayments, which are restricted for future loan disbursements and/or debt service payments. Any excess of principal and interest received over the required debt service may be used for future loan disbursements and/or released from restriction in the event that certain criteria are met.

Table 1**Net Position
(in thousands)**

	June 30,		
	2018	2017	2016
ASSETS			
Cash and cash equivalents	\$ 1,217,225	\$ 1,039,972	\$ 731,798
Loans receivable	4,408,127	4,010,218	3,700,721
All other assets	32,805	28,525	24,341
Total assets	5,658,157	5,078,715	4,456,860
LIABILITIES			
Current liabilities	100,318	56,921	29,157
Noncurrent liabilities	1,430,322	988,785	507,846
Total liabilities	1,530,640	1,045,706	537,003
NET POSITION			
Restricted			
Debt service	211,650	157,601	66,876
Security for revenue bonds	2,210,416	1,376,682	1,567,358
Subtotal restricted assets	2,422,066	1,534,283	1,634,234
Unrestricted	1,705,451	2,498,726	2,285,623
Total net position	\$ 4,127,517	\$ 4,033,009	\$ 3,919,857

Changes in Net Position

Program revenue for the CWSRF in 2018 was \$64.2 million of which \$33 million is restricted for debt service. Program revenue in 2017 was \$59.6 million of which \$25.3 million was restricted for debt service. In 2018, program revenue increased by \$4.6 million or 7.67% and in 2017 increased by \$2 million or 3.43%. In 2018 and 2017, program revenue reflects an increase in outstanding receivables and the interest earned year over year on those receivables.

In 2018, general revenue was \$12.9 million, which was an increase of \$6.9 million or 115%, when compared to \$6.0 million in 2017. In 2017, general revenue increased \$4.6 million or 331% compared to \$1.4 million in 2016. The increase in investment income during 2018 and 2017 reflects increased earnings that resulted from more cash on deposit and higher interest rates earned on those deposits.

Total expenses increased by \$37.1 million in 2018 as compared to a increase of \$6 million in 2017. The increase in 2018 was primarily due to an increase in principal forgiveness expenses. The increase in 2017 was primarily due to an increase in revenue bond expenses.

Total capital contributions increased by \$7 million, or 10.6% in 2018 when compared to 2017. In 2017, total capital contributions decreased by \$9 million or 12% when compared to 2016.

In 2018, EPA capitalization grant contributions decreased by \$14.7 million or 24% when compared to 2017. In 2017, EPA capitalization grant contributions decreased by \$6 million or 9% when compared to 2016. The 2018 and 2017 decrease was primarily due to a decrease in available contributions from EPA capitalization grants.

In 2018, EPA capitalization grant contributions for principal forgiveness loans increased by \$21.7 million when compared to 2017. In 2017, EPA capitalization grant contributions for principal forgiveness loans decreased by \$3 million when compared to 2016. The 2018 increase was primarily due to an increase in available contributions for principal forgiveness loans from EPA capitalization grants. The 2017 decrease was primarily due to a decrease in available contributions from EPA capitalization grants. 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,		
	2018	2017	2016
Revenues			
Program revenues:			
Loan interest income	\$ 64,185	\$ 59,615	\$ 57,638
General revenues:			
Investment income	12,950	6,020	1,396
Total revenues	77,135	65,635	59,034
Expenses			
Program expenses:			
Administrative expenses	393	(844)	329
Capitalization Principal Forgiveness expense	26,510	4,790	7,792
Revenue bond interest expense	26,587	12,458	2,199
Revenue bond issuance costs	1,951	1,896	1,894
Total expenses	55,441	18,300	12,214
Increase in net position before contributions	21,694	47,335	46,820
Capital contributions:			
EPA capitalization grant	46,261	60,966	66,846
EPA capitalization grant Principal Forgiveness	26,510	4,790	7,792
State and other contributions	43	61	68
Subtotal capital contributions	72,814	65,817	74,706
Change in net position	94,508	113,152	121,526
Net position - beginning of year	4,033,009	3,919,857	3,798,331
Net position - end of year	\$ 4,127,517	\$ 4,033,009	\$ 3,919,857

Budgetary Information

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

Debt Administration

The State Water Board administers a leveraged CWSRF program. The State Water Board maintains high bond ratings from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on the CWSRF Series 2018, 2017, 2016 and 2012 Revenue Bonds. In 2018, the CWSRF issued Series 2018 Revenue Bonds for \$449 million at a premium of \$77.5 million. In 2017, the CWSRF issued Series 2017 Revenue Bonds for \$450 million at a premium of \$79.5 million. The Series 2018, 2017 and 2016 Revenue Bonds were issued for the purpose of making financial assistance available to recipients for eligible projects. In 2012, the CWSRF issued Series 2012 Refunding Revenue Bonds for \$68.9 million at a premium of \$6.0 million. The Series 2012 Revenue Bonds were issued to refund the Series 2002 Revenue Bonds.

As of June 30, 2018, outstanding bonds totaled \$1.514 billion, an increase of \$478.9 million, compared to \$1.035 billion last year as shown in Table 3. The increase in 2018 was due to the issuance of the Series 2018 Revenue Bonds. The increase in 2017 was due to the issuance of the Series 2017 Revenue Bonds. The revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

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

Table 3

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

	June 30,		
	2018	2017	2016
Revenue bonds			
Bond principal	\$ 1,299,610	\$ 877,735	\$ 440,675
Bond premium	214,278	157,251	90,118
Total revenue bonds	\$ 1,513,888	\$ 1,034,986	\$ 530,793

Economic Conditions and Outlook

In 2018, new binding loan commitments (encumbrances) were \$653 million, which is a 52.5% decrease when compared to new commitments made in 2017. The lower level of financing activity is consistent with the long-term average financing in the CWSRF, and reflects the general economic conditions in California along with recent CWSRF program improvements. A steady demand in CWSRF financing activity is anticipated in the near term.

Capitalization grant funds from EPA continue to be an important component of cash flows for financing activities. For the grant year 2018, the EPA allocated \$114 million to the CWSRF. The 2018 grant allocation is an increase of 20% compared to the 2017 grant allocation of \$94.6 million. Presently available information indicates that the 2019 grant will be approximately equal to the 2018 grant but could be lower as a result of ongoing congressional budget negotiations.

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF NET POSITION
June 30, 2018 and 2017
(In thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 579,327	\$ 596,396
Cash and cash equivalents - Restricted	637,898	443,576
Receivables:		
Loan interest	28,066	25,861
Investment interest	4,702	2,518
Due from other funds and other governments	37	146
Loans receivable:		
Current portion	104,119	128,271
Current portion - Restricted	155,541	100,385
Total current assets	<u>1,509,690</u>	<u>1,297,153</u>
OTHER ASSETS		
Loans receivable:		
Noncurrent (net of allowance for bad debt)	2,093,592	2,505,265
Noncurrent - Restricted	2,054,876	1,276,297
Total other assets	<u>4,148,468</u>	<u>3,781,562</u>
TOTAL ASSETS	<u>5,658,158</u>	<u>5,078,715</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Revenue bond interest payable	16,466	10,603
Unearned Revenue	2	18
Due to other funds	37	99
Revenue bond cost of issuance payable	247	-
Revenue bonds payable	83,566	46,201
Total current liabilities	<u>100,318</u>	<u>56,921</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	1,430,322	988,785
Total noncurrent liabilities	<u>1,430,322</u>	<u>988,785</u>
Total liabilities	<u>1,530,640</u>	<u>1,045,706</u>
NET POSITION		
Restricted for:		
Debt service	211,650	157,601
Security for revenue bonds	2,210,416	1,376,682
Unrestricted	1,705,451	2,498,726
Total net position	<u>\$ 4,127,517</u>	<u>\$ 4,033,009</u>

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2018 and 2017
(In thousands)

	2018	2017
OPERATING REVENUE		
Loan interest income	\$ 64,185	\$ 59,615
Total operating revenue	64,185	59,615
OPERATING EXPENSES		
Capitalization Principal forgiveness	26,510	4,790
Other expenses	183	(860)
Total operating expenses	26,693	3,930
INCOME FROM OPERATIONS	37,492	55,685
NONOPERATING REVENUE (EXPENSE)		
Net investment income	12,950	6,020
Revenue bond interest expense	(26,587)	(12,458)
Revenue bond fees	(210)	(16)
Revenue bond issuance costs	(1,951)	(1,896)
Total nonoperating revenue (expense)	(15,798)	(8,350)
INCOME BEFORE CONTRIBUTIONS	21,694	47,335
CONTRIBUTIONS		
EPA capitalization grant	46,261	60,966
EPA capitalization grant - Principal Forgiveness	26,510	4,790
State match revenue	43	61
Total contributions	72,814	65,817
CHANGE IN NET POSITION	94,508	113,152
NET POSITION - BEGINNING OF YEAR	4,033,009	3,919,857
NET POSITION - END OF YEAR	\$ 4,127,517	\$ 4,033,009

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017
(In thousands)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to employees and vendors	\$ (246)	\$ (300)
Cash flows provided (required) by operating activities	<u>(246)</u>	<u>(300)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA capitalization grant	72,870	65,746
Funds received from the State of California	54	53
Proceeds from revenue bond issuance	527,000	529,467
Revenue bond issuance costs paid	(1,704)	(2,513)
Revenue bond fees paid	(210)	(16)
Principal paid on revenue bonds	(27,350)	(12,940)
Interest paid on revenue bonds	(41,472)	(18,517)
Cash flows provided (required) by noncapital financing activities	<u>529,188</u>	<u>561,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest on loans	50,179	46,018
Loans disbursed	(625,060)	(625,321)
Principal Forgiveness Disbursed	(26,510)	(4,790)
Principal received on loans receivable	238,938	327,013
Net investment income received	10,764	4,274
Net cash provided (required) by investing activities	<u>(351,689)</u>	<u>(252,806)</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	177,253	308,174
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,039,972</u>	<u>731,798</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,217,225</u>	<u>\$ 1,039,972</u>
Reconciliation of operating income to net cash required by operating activities		
Income from operations	\$ 37,492	\$ 55,685
Adjustments to reconcile income from operations to net cash required by operating activities		
Construction period interest	(11,786)	(11,237)
Cash received from interest on loans	(50,179)	(46,018)
Loans disbursed	625,060	625,274
Principal Forgiveness Disbursed	26,510	4,790
Principal received on loans receivable	(238,938)	(327,013)
Other expenses	-	(1,210)
Effect of changes in operating assets and liabilities:		
Loans receivable	(386,138)	(298,248)
Loan interest receivable	(2,205)	(2,373)
Due to other funds	(62)	50
Net cash provided (required) by operating activities	<u>\$ (246)</u>	<u>\$ (300)</u>

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

Since 1989, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). States are required to provide matching funds equal to 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. As of June 30, 2018 and 2017, the EPA has awarded cumulative capitalization grant funding of \$2,866,237, and \$2,771,615, respectively to the State of California (State), for which the State is required to provide \$573,247 and \$554,323, respectively, of cumulative matching funding to the Fund. In addition, in February 2009, the EPA awarded \$280,285 in ARRA grant funding for which there is no State Match requirement.

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

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

Reporting Entity

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Operating Revenues and Expenses

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

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

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

Budgets

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

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

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

Cash and Cash Equivalents

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

Loans Receivable

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

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

Allowance for Bad Debts

The allowance for bad debts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Loans receivable are charged against the allowance for bad debts when management believes that the uncollectibility of the principal is probable. The allowance for bad debts was \$9,356 at June 30, 2018 and June 30, 2017.

Due to Other Funds

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

Revenue Bond Issue Costs and Original Issue Premium

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)**

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, 2018 and 2017, the Fund's cash deposits had a carrying balance of \$6,062 and \$6, respectively.

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

<u>Investments</u>	<u>2018</u>	<u>2017</u>
Treasury/Trust Portfolio	<u>\$ 1,211,163</u>	<u>\$ 1,039,966</u>
Total cash deposits and investments	<u>\$ 1,217,225</u>	<u>\$ 1,039,972</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, 2018 and 2017, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)**

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Cash deposits and investments are reflected on the June 30, 2018 and 2017 statements of net position as follows:

	2018	2017
Cash and cash equivalents	\$ 579,327	\$ 596,396
Cash and cash equivalents - Restricted	637,898	443,576
Total cash deposits and investments	\$ 1,217,225	\$ 1,039,972

Cash and investments in the amount of \$426,247 and \$285,975, representing unspent revenue bonds proceeds, at June 30, 2018 and 2017, respectively, were restricted for future loan disbursements. Additionally, cash and investments in the amount of \$211,650 and \$157,601 representing various reserve accounts required by the revenue bonds, at June 30, 2018 and 2017, respectively, were restricted for future loan disbursements and debt service.

NOTE 4 - LOANS RECEIVABLE

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

As of June 30, 2018 and 2017, the Fund had total binding commitments of \$11,009,124 and \$10,355,713, respectively, since program inception. As of June 30, 2018, the remaining commitment on these loans amounted to \$2,708,317, of which \$112,594 is federal funds. The federal loan commitments included capitalization funds of \$50,706, which will be forgiven. As of June 30, 2017, the remaining commitment on these loans amounted to \$2,706,475, of which \$253,113 is federal funds. The federal loan commitments included capitalization funds of \$31,093, which will be forgiven. Principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet the program requirements.

At June 30, 2018 and 2017, the unpaid balance on all loans receivable outstanding amounted to \$4,408,127 and \$4,010,218, respectively.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 53,712	\$ 259,659	\$ 313,371
2020	50,380	245,109	295,489
2021	46,905	244,709	291,614
2022	43,468	239,814	283,282
2023	40,025	237,315	277,340
2024-2028	153,777	974,745	1,128,522
2029-2033	89,232	684,409	773,641
2034-2038	40,462	380,519	420,981
2039-2043	18,749	168,896	187,645
2044-2048	6,042	133,914	139,956
Total	<u>\$ 542,752</u>	<u>3,569,089</u>	<u>\$ 4,111,841</u>
Loans not yet in repayment		848,394	
Allowance for bad debt		(9,356)	
Total loans receivable		<u>\$ 4,408,127</u>	

Restricted Loans Receivable

At June 30, 2018 and 2017, \$2,210,416 and \$1,376,682, respectively, of loans receivable were pledged as security for the revenue bonds outstanding (see Note 5). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. During the year ended June 30, 2018, the Fund received \$117,510 and \$26,231 of principal and interest, respectively, on these loans. During the year ended June 30, 2017, the Fund received \$207,377 and \$26,944 of principal and interest, respectively, on these same loans. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event certain requirements are met.

Local Match Loans

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)**

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

The Fund had authorized a total of \$1,718,966 of local match loans as of June 30, 2018 and 2017. From these authorizations, certain borrowers elected to remit the State match at the time the loan was awarded in the amount of \$2,296 as of June 30, 2018 and 2017. The remaining borrowers elected to repay the State match over a period of 20 or 30 years, in the amount of \$281,714 as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, total local match loans outstanding, including the local match to be paid, amounted to \$581,403 and \$652,685, respectively. As of June 30, 2018 and 2017, the remaining State match to be repaid amounted to \$56,672 and \$67,795, respectively.

Loans to Major Local Agencies

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceeds 5 percent of total loans receivable. As of June 30, 2018 and 2017, respectively, the combined outstanding loan balances of these major local agencies represent approximately 22.17 and 19.31 percent of the total loans receivable.

<u>Borrower</u>	2018	
	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District (LACSD)	\$ 561,196	\$ 226,030
LACSD District #29	969	752
LACSD Santa Clarita	4,336	3,624
LACSD District #2	74,718	66,506
LACSD Total	<u>641,219</u>	<u>296,912</u>
Orange County Water District	333,860	222,293
Sacramento Regional County Sanitation District	1,400,079	458,152
	<u>\$ 2,375,158</u>	<u>\$ 977,357</u>
	2017	
<u>Borrower</u>	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District (LACSD)	\$ 596,746	\$ 246,481
LACSD District #29	969	796
LACSD Santa Clarita	4,336	3,820
LACSD District #2	41,511	38,219
LACSD Total	<u>643,562</u>	<u>289,316</u>
Orange County Water District	316,725	233,010
Sacramento Regional County Sanitation District	1,393,737	252,073
	<u>\$ 2,354,024</u>	<u>\$ 774,399</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT

On March 8, 2018, the Fund issued \$449,225 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2018, dated February 1, 2018 with coupon rates of 5 percent at a yield of 2.57%. These serial bonds are due annually in varying amounts through 2048. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2028 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after April 1, 2028. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

On March 23, 2017, the Fund issued \$450,000 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2017, dated March 1, 2017 with coupon rates of 2 to 5 percent at a yield of 2.24%. These serial bonds are due annually in varying amounts through 2036. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2027 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after April 1, 2027. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

On April 28, 2016, the Fund issued \$410,735 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2016, dated April 1, 2016 with coupon rates of 2.5 to 5 percent at a yield of 1.57%. These serial bonds are due annually in varying amounts through 2035. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2026 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after April 1, 2026. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

On December 3, 2012, the Fund issued \$68,940 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Refunding Revenue Bonds, Series 2012, dated November 1, 2012, with coupon rates of 2 to 4 percent at a yield of .058%. These serial bonds are due annually in varying amounts through 2018. The interest on the bonds is due semi-annually on April 1 and October 1. The Series 2012 bonds shall not be subject to redemption prior to maturity. The bonds were issued to refund the Series 2002 Revenue Bonds.

At the time of issuance of the Series 2018 revenue bond, the Fund increased the pledged pool by \$671 million to \$2.293 billion of the Fund's outstanding loans as security for all outstanding bonds when compared to the Series 2016 pledged pool of \$1.622 billion (see Note 4). The principal and interest received during the fiscal year from these loans is to be used to make annual debt service payments on the revenue bonds. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event that certain requirements are met.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

Series 2012

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,470	\$ 131	\$ 7,601
	<u>\$ 7,470</u>	<u>\$ 131</u>	<u>\$ 7,601</u>

Series 2016

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 21,010	\$ 18,166	\$ 39,176
2020	29,715	17,314	47,029
2021	30,885	16,072	46,957
2022	32,430	14,534	46,964
2023	34,205	12,940	47,145
2024-2028	129,240	43,213	172,453
2029-2033	83,610	17,456	101,066
2034-2036	31,820	2,295	34,115
	<u>\$ 392,915</u>	<u>\$ 141,990</u>	<u>\$ 534,905</u>

Series 2017

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 30,365	\$ 21,117	\$ 51,482
2020	37,965	19,764	57,729
2021	24,565	18,412	42,977
2022	25,725	17,165	42,890
2023	27,195	15,849	43,044
2024-2028	163,655	53,423	217,078
2029-2033	97,450	21,455	118,905
2034-2037	43,080	4,340	47,420
	<u>\$ 450,000</u>	<u>\$ 171,525</u>	<u>\$ 621,525</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Series 2018

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 23,896	\$ 23,896
2020	9,490	22,224	31,714
2021	27,165	21,308	48,473
2022	29,220	19,898	49,118
2023	31,420	18,382	49,802
2024-2028	117,495	74,408	191,903
2029-2033	112,235	43,376	155,611
2034-2038	64,945	21,367	86,312
2039-2043	27,450	10,949	38,399
2044-2048	28,450	3,902	32,352
2049	1,355	33	1,388
	<u>\$ 449,225</u>	<u>\$ 259,743</u>	<u>\$ 708,968</u>

Combined

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 58,845	\$ 63,310	\$ 122,155
2020	77,170	59,302	136,472
2021	82,615	55,792	138,407
2022	87,375	51,597	138,972
2023	92,820	47,171	139,991
2024-2028	410,390	171,044	581,434
2029-2033	293,295	82,287	375,582
2034-2038	139,845	28,002	167,847
2039-2043	27,450	10,949	38,399
2044-2048	28,450	3,902	32,352
2049	1,355	33	1,388
	<u>\$ 1,299,610</u>	<u>\$ 573,389</u>	<u>\$ 1,872,999</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	Balance June 30, 2017	Issuances	Retirements	Balance June 30, 2018	Due Within One Year
Series 2018 Revenue Bonds:					
Bond principal	\$ -	\$ 449,225	\$ -	\$ 449,225	\$ -
Bond premium	-	77,775	1,896	75,879	6,940
	<u>-</u>	<u>\$ 527,000</u>	<u>\$ 1,896</u>	525,104	<u>\$ 6,940</u>
Less current portion:					
Bond principal				-	
Bond premium amortization	-			(6,940)	
Long-term portion	<u>\$ -</u>			<u>\$ 518,164</u>	
Series 2017 Revenue Bonds:					
Bond principal	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 30,365
Bond premium	77,140	-	9,010	68,130	8,538
	<u>527,140</u>	<u>\$ -</u>	<u>\$ 9,010</u>	518,130	<u>\$ 38,903</u>
Less current portion:					
Bond principal	-			(30,365)	
Bond premium amortization	(9,010)			(8,538)	
Long-term portion	<u>\$ 518,130</u>			<u>\$ 479,227</u>	
Series 2016 Revenue Bonds:					
Bond principal	\$ 410,735	\$ -	\$ 17,820	\$ 392,915	\$ 21,010
Bond premium	79,765	-	9,549	70,216	9,190
	<u>490,500</u>	<u>\$ -</u>	<u>\$ 27,369</u>	463,131	<u>\$ 30,200</u>
Less current portion:					
Bond principal	(17,820)			(21,010)	
Bond premium amortization	(9,549)			(9,190)	
Long-term portion	<u>\$ 463,131</u>			<u>\$ 432,931</u>	
Series 2012 Revenue Bonds:					
Bond principal	\$ 17,000	\$ -	\$ 9,530	\$ 7,470	\$ 7,470
Bond premium	346	-	292	54	54
	<u>17,346</u>	<u>\$ -</u>	<u>\$ 9,822</u>	7,524	<u>\$ 7,524</u>
Less current portion:					
Bond principal	(9,530)			(7,470)	
Bond premium amortization	(292)			(54)	
Long-term portion	<u>\$ 7,524</u>			<u>\$ -</u>	

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Balance June 30, 2016</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Series 2017 Revenue Bonds:					
Bond principal	\$ -	\$ 450,000	\$ -	\$ 450,000	\$ -
Bond premium	-	79,467	2,327	77,140	9,010
	<u>-</u>	<u>\$ 529,467</u>	<u>\$ 2,327</u>	<u>527,140</u>	<u>\$ 9,010</u>
Less current portion:					
Bond principal	-			-	
Bond premium amortization	-			(9,010)	
Long-term portion	<u>\$ -</u>			<u>\$ 518,130</u>	
Series 2016 Revenue Bonds:					
Bond principal	\$ 410,735	\$ -	\$ -	\$ 410,735	\$ 17,820
Bond premium	89,153	-	9,388	79,765	9,549
	<u>499,888</u>	<u>\$ -</u>	<u>\$ 9,388</u>	<u>490,500</u>	<u>\$ 27,369</u>
Less current portion:					
Bond principal	-			(17,820)	
Bond premium amortization	(9,388)			(9,549)	
Long-term portion	<u>\$ 490,500</u>			<u>\$ 463,131</u>	
Series 2012 Revenue Bonds:					
Bond principal	\$ 29,940	\$ -	\$ 12,940	\$ 17,000	\$ 9,530
Bond premium	965	-	619	346	292
	<u>30,905</u>	<u>\$ -</u>	<u>\$ 13,559</u>	<u>17,346</u>	<u>\$ 9,822</u>
Less current portion:					
Bond principal	(12,940)			(9,530)	
Bond premium amortization	(619)			(292)	
Long-term portion	<u>\$ 17,346</u>			<u>\$ 7,524</u>	

NOTE 6 - CAPITAL CONTRIBUTIONS

The Fund is capitalized by annual grants from the EPA. The State must also contribute an amount equal to 20 percent of the federal capitalization amount. The State's matching contribution has been provided through the appropriation of State resources as well as through the use of loans from the Water Reclamation program. As of June 30, 2018 and 2017, the EPA has awarded to the State cumulative capitalization grants of \$2,866,237 and \$2,771,615, respectively. As of June 30, 2018 and 2017, the State has drawn, cumulatively \$2,768,559 and \$2,695,788, respectively, for loans and administrative expenses. The State has provided matching funds of \$354,337 and \$354,293, respectively.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

In addition, as of June 30, 2018, the EPA awarded the ARRA grant of \$280,285 to the fund for which \$161,006 was for principal forgiveness (See Note 4). There were no State matching requirements for the grant, which was fully drawn as of June 30, 2014.

As discussed in Note 4, certain borrowers have contributed funds that can be used to match federal contributions in exchange for reduced interest rate loans. The EPA allows the State to include amounts provided by borrowers under certain local matching loans in meeting the State's statutory matching obligation. As of June 30, 2018 and 2017, the borrowers had contributed \$284,010, which qualifies as meeting the State's matching requirement.

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2018 and 2017, and balances available for future loans as of June 30, 2018. Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, the state match required is \$553,711 and \$539,158, respectively. As of June 30, 2018 and 2017, the state match available for potential future state match is \$84,636 and \$99,145, respectively.

TABLE 1

Year	Grant Award	Funds	Funds	Funds	Funds	Funds	Available
		Drawn As of June 30, 2016	Drawn During Year Ended June 30, 2017	Drawn As of June 30, 2017	Drawn During Year Ended June 30, 2018	Drawn As of June 30, 2018	for Loans as of June 30, 2018
1989-2014	\$ 2,576,562	\$ 2,576,562	\$ -	\$ 2,576,562	\$ -	\$ 2,576,562	\$ -
2015	99,763	53,471	46,292	99,763	-	99,763	-
2016	95,290	-	19,464	19,464	72,640	92,104	3,186
2017	94,622	-	-	-	130	130	94,492
	<u>\$ 2,866,237</u>	<u>\$ 2,630,033</u>	<u>\$ 65,756</u>	<u>\$ 2,695,789</u>	<u>\$ 72,770</u>	<u>\$ 2,768,559</u>	<u>\$ 97,678</u>
2008-ARRA	280,285	280,285	-	280,285	-	280,285	-
	<u>\$ 3,146,522</u>	<u>\$ 2,910,318</u>	<u>\$ 65,756</u>	<u>\$ 2,976,074</u>	<u>\$ 72,770</u>	<u>\$ 3,048,844</u>	<u>\$ 97,678</u>

TABLE 2

	State Match	State Match	State Match	State Match	State Match
	Paid As of June 30, 2016	Paid During Year Ended June 30, 2017	Paid As of June 30, 2017	Paid During Year Ended June 30, 2018	Paid As of June 30, 2018
State Disbursed	\$ 354,232	\$ 61	\$ 354,293	\$ 44	\$ 354,337
Local Disbursed	284,010	-	284,010	-	284,010
	<u>\$ 638,242</u>	<u>\$ 61</u>	<u>\$ 638,303</u>	<u>\$ 44</u>	<u>\$ 638,347</u>

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)**

NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

Restricted Funds

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

Administrative Fund

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Administrative fee collected	\$ 6,458	\$ 5,851
Operating expenses incurred	\$ 8,929	\$ 9,205

Small Community Grant Fund

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Grant fee collected	\$ 9,136	\$ 10,039
Grants disbursed	\$ 3,404	\$ 3,602

NOTE 7 - RISK MANAGEMENT

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2018 and 2017, Comprehensive Annual Financial Reports.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017
(Dollar Amounts Expressed in Thousands)

NOTE 8 - NET POSITION

Governmental Accounting Standards Board Statement provides for three components of net position: net investment in capital assets, restricted and unrestricted. As of June 30, 2018 and 2017, 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, 2018 and 2017, the Fund had restricted net position of \$211,650 and \$157,601, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2018 and 2017 pledged loans restricted for future bond debt service payments were \$2,210,416 and \$1,376,682, respectively, representing loans receivable pledged as security for the revenue bonds (see Note 5).

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

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

SINGLE AUDIT REPORTS

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
 WATER POLLUTION CONTROL REVOLVING FUND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2018**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
Capitalization Grants for State Revolving Funds	66.458	\$ 72,770,286 (*)	\$ 72,553,351
		<u>\$ 72,770,286</u>	<u>\$ 72,553,351</u>

(*) Tested as a Major Program

See notes to Schedule of Expenditures of Federal Awards.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Fund) under programs of the federal government for the year ended June 30, 2018. 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 presented on the accrual basis of accounting and 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. Negative amounts shown on the Schedule represent adjustments or credits made, in the normal course of business, to amounts reported as expenditures in prior years. The Fund has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - LOANS TO SUBRECIPIENTS

Capitalization Grants for Clean Water State Revolving Fund CFDA# 66.458 include \$72,553,351 of expenditures that were disbursed as loan awards to qualifying subrecipients, which includes \$26,509,448 of principal forgiveness loans.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund), an enterprise fund of the State of California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Water Pollution Control Revolving Fund's basic financial statements, and have issued our report thereon dated October 1, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 1, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited California State Water Resources Control Board, Water Pollution Control Revolving Fund's (Water Pollution Control Revolving Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Water Pollution Control Revolving Fund's major federal programs for the year ended June 30, 2018. Water Pollution Control Revolving Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Water Pollution Control 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 Water Pollution Control Revolving Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Water Pollution Control Revolving Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 1, 2018

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
 WATER POLLUTION CONTROL REVOLVING FUND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2018**

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major program:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs:

CFDA Number(s)	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: \$2,183,109

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*.

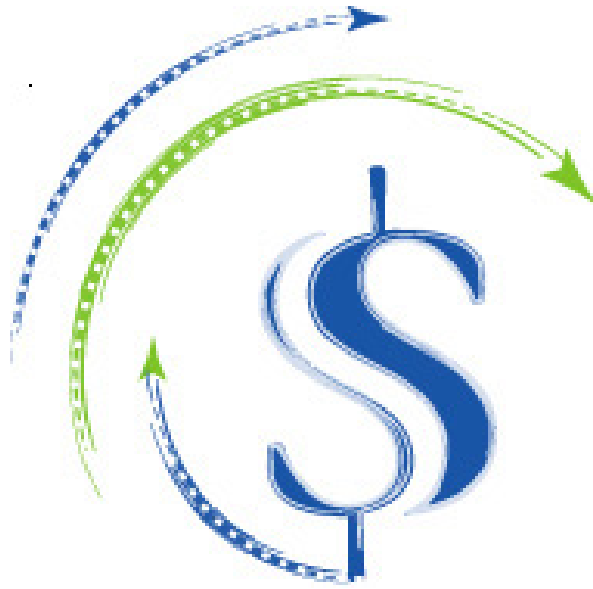
PART III - FINDINGS RELATED TO FEDERAL AWARDS

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
WATER POLLUTION CONTROL REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2018**

PART IV - PRIOR YEAR FINDINGS

There were no prior year audit findings required to be reported under *Government Auditing Standards* or 2 CFR 200.516(a).



STATE WATER RESOURCES CONTROL BOARD

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

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