

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

**FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Water Pollution Control Revolving Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the California State Water Resources Control Board, Water Pollution Control Revolving Fund as of June 30, 2025 and 2024, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the California State Water Resources Control Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 – Definition of Reporting Entity, the basic financial statements of the 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 in the 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, 2025 and 2024, 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 State of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Pollution Control Revolving Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water Pollution Control Revolving Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Pollution Control Revolving Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, 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 results 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**

Bellevue, Washington  
November 19, 2025

**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, 2025 and 2024. 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 \$366.4 million to a total of \$5.5 billion in 2025, which was \$144.4 million less than the increase of \$510.8 million in 2024. The smaller increase in 2025 is a direct result of lower capital contributions during the year from State Match sources.
- Total capital contributions decreased by \$144.9 million to \$377.8 million in 2025 as compared to \$522.7 million in 2024. The decrease in capital contributions was mostly a result of lower capital available from State Match sources for loan disbursements.
- Cash and cash equivalents decreased by \$212.6 million in 2025 as compared to the increase of \$95.9 million in 2024. The decrease in 2025 was a direct result of lower capital contributions and the absence of new revenue bond issuances.
- Loans receivable increased by \$462.6 million to \$6.4 billion in 2025 as compared to the increase of \$595.7 million in 2024. The smaller increase in 2025 was mostly the result of lower capital contributions.
- Restricted portion of net position is \$3.81 billion in 2025 as compared to \$3.62 billion in 2024. The increase in 2025 is mostly the result of an increase in pledged loans receivable balances.

## 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, 2025 and 2024 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 2025, the CWSRF's net position continued to strengthen increasing by \$366.4 million, or 7.1%, to \$5.5 billion at June 30, 2025 as compared to an increase of \$510.8 million, or 11%, the previous year. The increase in net position was \$144.4 million lower than the increase in the previous year, mostly reflecting the lower level of capital contributions from State Match sources.

A segment of the CWSRF's net position is subject to external restriction due to the debt service requirements for outstanding revenue bonds. Total restricted net position is comprised of restricted loans receivable, revenue bond liabilities, and repayments received. Restricted net position was \$3.81 billion in 2025, which was an increase of \$193.7 million or 5.4% when compared to 2024. Restricted net position was \$3.62 billion in 2024, which was an increase of \$20 million or 0.6% when compared to 2023. The increase in 2025 was primarily due to an increase in pledged loans receivable balances. The smaller increase in 2024 was primarily due the new Series 2024 revenue bond liabilities.

The restricted portion of outstanding loans receivable, which was pledged as security for revenue bond debt service, was \$5.2 billion in 2025 and \$5.033 billion in 2024. 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.

Current liabilities were \$136.6 million in 2025 and \$138.5 million in 2024. Current liabilities primarily correspond to principal payments for outstanding revenue bonds. Noncurrent liabilities were \$1.564 billion in 2025, which was a decrease of \$114.8 million when compared to 2024. Noncurrent liabilities were \$1.679 billion in 2024, which was an increase of \$185.5 million when compared to 2023. The decrease in 2025 was mostly the result of ongoing principal payments for outstanding revenue bonds. The increase in 2024 was mostly the result of the issuance of new revenue bonds.

The remaining restricted net position of \$293.6 million in 2025 and \$399.4 million in 2024 represent pledged loan repayments, which are restricted for future loan disbursements and/or debt service payments. Any excess 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.

Total payments received in 2025 on pledged loans was \$287.6 million (\$238 million of principal and \$49.6 million of interest) of which the debt service payment was \$171.3 million (\$96.7 million of principal and \$74.6 million of interest). Total payments received in 2024 on pledged loans was \$235.7 million (\$199.6 million of principal and \$36.1 million of interest) of which the debt service payments were \$160.8 million (\$94.3 million of principal and \$66.5 million of interest).



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

	<b>June 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 793,107	\$ 1,005,708	\$ 909,802
Loans receivable	6,380,407	5,917,799	5,322,055
All other assets	40,605	41,027	31,346
<b>Total assets</b>	<b>7,214,119</b>	<b>6,964,534</b>	<b>6,263,203</b>
<b>LIABILITIES</b>			
Current liabilities	136,553	138,501	133,203
Noncurrent liabilities	1,564,414	1,679,250	1,493,758
<b>Total liabilities</b>	<b>1,700,967</b>	<b>1,817,751</b>	<b>1,626,961</b>
<b>NET POSITION</b>			
Restricted			
Debt service	293,570	399,410	500,118
Security for revenue bonds	3,518,061	3,218,553	3,097,871
Subtotal restricted assets	<b>3,811,631</b>	<b>3,617,963</b>	<b>3,597,989</b>
Unrestricted	1,701,521	1,528,820	1,038,253
<b>Total net position</b>	<b>\$ 5,513,152</b>	<b>\$ 5,146,783</b>	<b>\$ 4,636,242</b>

## Changes in Net Position

Program revenue was \$65.5 million in 2025, which was an increase of \$5.3 million or 8.8% when compared to 2024. In 2025, \$56 million of program revenue was restricted for debt service. Program revenue was \$60.2 million in 2024, which was an increase of \$6.8 million or 12.7% when compared to 2023. In 2024, \$53.2 million of program revenue was restricted for debt service. The increase in 2025 and 2024 mostly reflects the interest earned on outstanding receivables.

General revenues were \$38.8 million in 2025, which was an increase of \$3.4 million or 9.6%, when compared to 2024. General revenues were \$35.4 million in 2024, which was an increase of \$17.3 million or 95.8% when compared to 2023. The increase in 2025 mostly reflects higher interest rates earned on the cash on deposit. The increase in 2024 mostly reflects higher earnings as a result of more cash on deposit and higher interest rates earned on those deposits.

Total expenses were \$115.7 million in 2025, which was an increase of \$8.3 million when compared to 2024. Total expenses were \$107.4 million in 2024, which was an increase of \$42.3 million when compared to 2023. The increase in 2025 was primarily due to an increase in revenue bond and administrative expenses. The increase in 2024 was primarily due to an increase in principal forgiveness, revenue bond and administrative expenses.

Administrative expenses were \$14.5 million in 2025, which was an increase of \$3.8 million or 35.6%, when compared to 2024. Administrative expenses were \$10.7 million in 2024, which was an increase of \$8.1 million or 312.3%, when compared to 2023. The increases in 2025 and 2024, were mostly the result of using the six percent allowance from EPA capitalization grants for administrative expenses again.

Total capital contributions were \$377.8 million in 2025, which was a decrease of \$144.9 million or 27.7%, when compared to 2024. Total capital contributions were \$522.7 million in 2024, which was an increase of \$460.9 million or 746.2%, when compared to 2023.

EPA capitalization grant contributions were \$329.5 million in 2025, which was an increase of \$10.5 million when compared to 2024. EPA capitalization grant contributions were \$319.0 million in 2024, which was an increase of \$299.7 million when compared to 2023. EPA capitalization grant contributions will fluctuate yearly depending on the available balances.

EPA capitalization grant contributions for principal forgiveness loans were \$48.3 million in 2025, which was an increase of \$1.2 million when compared to 2024. EPA capitalization grant contributions for principal forgiveness loans were \$47.1 million in 2024, which was an increase of \$23.4 million when compared to 2023. EPA capitalization grant contributions for principal forgiveness will fluctuate yearly depending on the available balances for principal forgiveness loans. 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)**

	<b>Year Ended June 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Revenues</b>			
Program revenues:			
Loan interest income	\$ 65,519	\$ 60,200	\$ 53,435
General revenues:			
Investment income	38,787	35,401	18,079
<b>Total revenues</b>	<b>104,306</b>	<b>95,601</b>	<b>71,514</b>
<b>Expenses</b>			
Program expenses:			
Administrative expenses	14,504	10,700	2,595
Principal Forgiveness expense	48,279	47,142	23,769
Revenue bond interest expense	52,936	48,121	36,325
Revenue bond issuance costs	-	1,496	2,485
<b>Total expenses</b>	<b>115,719</b>	<b>107,459</b>	<b>65,174</b>
<b>Increase in net position before contributions</b>	<b>(11,413)</b>	<b>(11,858)</b>	<b>6,340</b>
<b>Capital contributions:</b>			
EPA capitalization grant	329,477	319,017	19,357
EPA capitalization grant Principal Forgiveness	48,279	47,142	23,769
State and other contributions	26	156,492	18,639
Subtotal capital contributions	<b>377,782</b>	<b>522,651</b>	<b>61,765</b>
<b>Change in net position</b>	<b>366,369</b>	<b>510,793</b>	<b>68,105</b>
<b>Net position - beginning of year</b>	<b>5,146,783</b>	<b>4,636,242</b>	<b>4,568,137</b>
Net position - Restatement	-	(252)	-
<b>Net position - beginning of year (restated)</b>	<b>5,146,783</b>	<b>4,635,990</b>	<b>4,568,137</b>
<b>Net position - end of year</b>	<b>\$ 5,513,152</b>	<b>\$ 5,146,783</b>	<b>\$ 4,636,242</b>

## Budgetary Information

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

## Debt Administration

The State Water Board administers a leveraged CWSRF program. The State Water Board maintains high bond ratings from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on the CWSRF Series 2016, 2017, 2018 and 2023 Revenue Bonds. The Series 2016, 2017, 2018, 2023 and 2024 Revenue Bonds were issued for the purpose of making financial assistance available to recipients for eligible projects.

As of June 30, 2025, outstanding bonds totaled \$1.678 billion, a decrease of \$116.8 million, when compared to \$1.795 billion in 2024 as shown in Table 3. The decrease in 2025 was primarily due to the ongoing principal payments for the outstanding revenue bonds. The increase in 2024 was primarily due to the issuance of the Series 2024 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)**

	<b>June 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Revenue bonds</b>			
Bond principal	\$ 1,528,160	\$ 1,624,805	\$ 1,446,105
Bond premium	149,757	169,949	161,957
<b>Total revenue bonds</b>	<b>\$ 1,677,917</b>	<b>\$ 1,794,754</b>	<b>\$ 1,608,062</b>

## **Economic Conditions and Outlook**

In 2025, the State Water Board made \$679.3 million in new loan commitments, which was an increase of 152% when compared to \$269 million in 2024. Demand for CWSRF financing remains high and reflects the need in California for additional infrastructure improvements and the generally positive capacity of wastewater agencies to finance those improvements. A strong demand for CWSRF financing continues to be anticipated in the near term.

Capitalization grant funds from EPA continue to be an important component of cash flows for financing activities. For grant year 2025, the EPA allocated \$113.5 million to the CWSRF which is an increase of 94% when compared to the 2024 grant allocation of \$59 million. This increase was the result of no additional congressionally directed spending, unlike the prior year grant, thereby providing more grant funding for the state CWSRF programs. In addition to the 2025 base grant, EPA has allocated \$176.2 million under the “Bipartisan Infrastructure Law” (BIL), officially known as the Infrastructure, Investment and Jobs Act of 2021 (IIJA), which was an increase of 8% when compared to the 2024 grant allocation of \$163 million. Presently available information indicates that the 2026 base grant may be similar or lower than the 2025 base grant. The additional 2026 IIJA grant is also projected to be similar to than the 2025 IIJA grant. The additional IIJA capitalization will help California address the high demand for affordable wastewater infrastructure financing.

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 and market conditions to determine their likely effects on the CWSRF and to be prepared to sell a revenue bond if needed to meet required cash flows and to ensure sufficient encumbrances and disbursement rates to promptly liquidate federal funds.

Economic conditions generally remained stable during 2025, although project costs and related CWSRF financings have been noticeably increasing due to inflationary market conditions. The CWSRF, however, continues to monitor the impacts associated with supply chain disruptions and price increases on local entities’ revenues and to diligently work with and surveil loan recipients to ensure full and timely repayment of all loans.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF NET POSITION**  
**June 30, 2025 and 2024**  
(in thousands)

	<u><b>2025</b></u>	<u><b>2024</b></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 499,537	\$ 355,571
Cash and cash equivalents - Restricted	293,570	650,137
Receivables:		
Loan interest	28,802	27,205
Investment interest	8,598	11,556
Due from other funds and other governments	3,205	2,266
Loans receivable:		
Current portion	25,829	20,520
Current portion - Restricted	215,008	218,133
Total current assets	<u>1,074,549</u>	<u>1,285,388</u>
<b>OTHER ASSETS</b>		
Loans receivable:		
Noncurrent (net of allowance for bad debt)	1,140,690	864,573
Noncurrent - Restricted	4,998,880	4,814,573
Total other assets	<u>6,139,570</u>	<u>5,679,146</u>
<b>TOTAL ASSETS</b>	<u>7,214,119</u>	<u>6,964,534</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Revenue bond interest payable	17,910	19,398
Due to other funds and other governments	3,205	2,266
Revenue bonds cost of issuance payable	-	1
Revenue bonds payable	115,438	116,836
Total current liabilities	<u>136,553</u>	<u>138,501</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	1,562,479	1,677,918
Compensated absences	1,935	1,332
Total noncurrent liabilities	<u>1,564,414</u>	<u>1,679,250</u>
Total liabilities	<u>1,700,967</u>	<u>1,817,751</u>
 <b>NET POSITION</b>		
Restricted for:		
Debt service	293,570	399,410
Security for revenue bonds	3,518,061	3,218,553
Unrestricted	1,701,521	1,528,820
Total net position	<u>\$ 5,513,152</u>	<u>\$ 5,146,783</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, 2025 and 2024**  
(in thousands)

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUE</b>		
Loan interest income	\$ 65,519	\$ 60,200
Total operating revenue	<u>65,519</u>	<u>60,200</u>
<b>OPERATING EXPENSES</b>		
Principal forgiveness	48,279	47,142
Personnel services	9,503	7,230
Other expenses	4,548	2,964
Total operating expenses	<u>62,330</u>	<u>57,336</u>
<b>INCOME FROM OPERATIONS</b>	<u>3,189</u>	<u>2,864</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	38,787	35,401
Revenue bond interest expense	(52,936)	(48,121)
Revenue bond fees	(453)	(506)
Revenue bond issuance costs	-	(1,496)
Total nonoperating revenue (expense)	<u>(14,602)</u>	<u>(14,722)</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<u>(11,413)</u>	<u>(11,858)</u>
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	329,477	319,017
EPA capitalization grant - Principal Forgiveness	48,279	47,142
State match revenue	26	156,492
Total contributions	<u>377,782</u>	<u>522,651</u>
<b>CHANGE IN NET POSITION</b>	366,369	510,793
<b>NET POSITION - BEGINNING OF YEAR</b>	5,146,783	4,636,242
NET POSITION - RESTATEMENT	-	(252)
<b>NET POSITION - BEGINNING OF YEAR (RESTATED)</b>	<u>5,146,783</u>	<u>4,635,990</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,513,152</u>	<u>\$ 5,146,783</u>

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



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2025 and 2024**  
(in thousands)

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to employees and vendors	\$ (12,509)	\$ (8,521)
Cash flows provided (required) by operating activities	<u>(12,509)</u>	<u>(8,521)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA capitalization grant	376,817	368,734
Funds received from the State of California	26	156,497
Proceeds from revenue bond issuance	-	301,544
Revenue bond issuance costs paid	(1)	(1,495)
Revenue bond fees paid	(453)	(506)
Principal paid on revenue bonds	(96,645)	(94,250)
Interest paid on revenue bonds	<u>(74,615)</u>	<u>(66,547)</u>
Cash flows provided (required) by noncapital financing activities	<u>205,129</u>	<u>663,977</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from interest on loans	54,335	40,290
Loans disbursed	(712,940)	(804,313)
Principal forgiveness disbursed	(48,279)	(47,142)
Principal received on loans receivable	259,919	220,760
Net investment income received	<u>41,744</u>	<u>30,855</u>
Net cash provided (required) by investing activities	<u>(405,221)</u>	<u>(559,550)</u>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(212,601)	95,906
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,005,708</u>	<u>909,802</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 793,107</u>	<u>\$ 1,005,708</u>

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2025 and 2024**  
(in thousands)

	<u>2025</u>	<u>2024</u>
<b>Reconciliation of operating income to net cash required</b>		
<b>by operating activities</b>		
Income from operations	\$ 3,189	\$ 2,864
Adjustments to reconcile income from operations to net cash		
required by operating activities		
Construction period interest	(9,588)	(12,192)
Cash received from interest on loans	(54,335)	(40,290)
Loans disbursed	712,940	804,313
Principal forgiveness disbursed	48,279	47,142
Principal received on loans receivable	(259,919)	(220,760)
Effect of changes in operating assets and liabilities:		
Loans receivable	(453,021)	(583,557)
Loan interest receivable	(1,596)	(7,714)
Compensated absences	603	1,080
Due to other funds	939	593
Net cash provided (required) by operating activities	<u>\$ (12,509)</u>	<u>\$ (8,521)</u>

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

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

The California State Water Resources Control Board, 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). These capitalization grants include the original grants (Base), American Recovery and Reinvestment Act grants (ARRA), and Bipartisan Infrastructure Law grants (BIL) {also known as the Infrastructure, Investment and Jobs Act grants (IIJA)}. States are required to provide matching funds between 0 and 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA.

As of June 30, 2025 and 2024, cumulative capitalization grant funding awarded by EPA to the State of California (State) was \$4,237,169 and \$4,016,136, respectively. As of June 30, 2025 and 2024, the State was required to provide \$763,740 and \$719,534, respectively, of cumulative matching funds.

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.

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

**Reporting Entity**

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

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

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

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

**Basis of Accounting**

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

**Implementation of New Standards**

Effective June 30, 2025, the Fund implemented GASB Statement No. 101, Compensated Absences, which is effective for fiscal years beginning after December 15, 2023. The provisions of the statement require recognition of liabilities for leave that is attributable to services already rendered, that accumulates and that is more likely than not to be used or otherwise paid/settled by other means. As a result of the implementation, the Fund had to restate the beginning net position as of June 30, 2024 to reflect the additional liability for compensated absences (see note 9).

Effective June 30, 2025, the Fund implemented GASB Statement No. 102, Certain Risk Disclosures, which is effective for fiscal years beginning after June 15, 2024. This statement requires governments to disclose vulnerabilities arising from certain concentrations or constraints that could have a substantial impact on financial condition or service delivery. Upon evaluation, by management, of the specified criteria, it has been determined that the Fund has nothing to disclose for the current reporting period.

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

**Operating Revenues and Expenses**

The Fund distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from carrying out the purpose of the Fund of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include principal forgiveness, direct salary costs and benefits expenses, 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.

**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.

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

**Loans Receivable**

Loans are funded by capitalization grants from the EPA, State matching funds, short term state matching loans, 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 recipients on a cost reimbursement basis and forgiven as each disbursement occurs. Loan agreements require repayment of the forgiven loan if all program requirements are not met.

**Allowance for Bad Debts**

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 uncollectability of the principal is probable. The allowance for bad debts was \$9,356 at June 30, 2025 and 2024.

**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.

**Compensated Absences**

Compensated Absences for employees accrue at variable rates based on multiple factors. These factors include, but are not limited to, type of leave, months of service, and time base. Additionally, employees retain their earned balances when transferring between state agencies within the State of California. The Fund recognizes a liability exists for compensated absences if (1) it has been earned, but not yet used, for services rendered, (2) it accumulates and is allowed to be carried forward, and (3) it is more likely than not to be used or settled during retirement/separation. In accordance with GASB Statement 101, the Fund has recorded an estimated liability for the Fund's portion of the Board's current employees compensated leave balances.

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**NOTE 3 - CASH AND CASH EQUIVALENTS**

The California State Treasurer's Office administers a pooled investment program for the State. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs. The necessary disclosures for the State's pooled investment program are included in the Annual Comprehensive 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, 2025 and 2024, the Fund's cash deposits had a carrying balance of \$11,860 and \$8,122 respectively.

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

<u><b>Investments</b></u>	<u><b>2025</b></u>	<u><b>2024</b></u>
Treasury/Trust Portfolio	<u>\$ 781,247</u>	<u>\$ 997,586</u>
Total cash deposits and investments	<u>\$ 793,107</u>	<u>\$ 1,005,708</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, 2025 and 2024, Annual Comprehensive Financial Reports for disclosure related to the risks applicable to the Portfolio.

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**NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)**

Cash deposits and investments are reflected on the June 30, 2025 and 2024 statements of net position as follows:

<u>Investments</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 499,537	\$ 355,571
Cash and cash equivalents - Restricted	293,570	650,137
Total cash deposits and investments	<u>\$ 793,107</u>	<u>\$ 1,005,708</u>

As of June 30, 2025 and 2024 cash and investments in the amount of \$-0- and \$250,727, respectively, representing unspent revenue bond proceeds, were restricted for future loan disbursements. Additionally, cash and investments in the amount of \$293,570 and \$399,410 representing various reserve accounts required by the revenue bonds, at June 30, 2025 and 2024, 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 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, 2025, the Fund had total binding commitments of \$15,324,740, since program inception. As of June 30, 2025, the remaining commitment on these loans amounted to \$2,364,372, of which \$1,454,517 is federal funds. The federal loan commitments included capitalization grants of \$202,624 which will be forgiven.

As of June 30, 2024, the Fund had total binding commitments of \$14,690,707, since program inception. As of June 30, 2024, the remaining commitment on these loans amounted to \$2,491,558, of which \$1,270,217 is federal funds. The federal loan commitments included capitalization funds of \$139,774, which will be forgiven.

At June 30, 2025 and 2024 the unpaid balance on all loans receivable outstanding amounted to \$6,380,407 and \$5,917,799, respectively.



**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
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**NOTE 4 - LOANS RECEIVABLE (CONTINUED)**

Estimated maturities of the loans receivable and interest payments thereon, at June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2026	\$ 54,790	\$ 240,837	\$ 295,627
2027	53,730	236,874	290,604
2028	51,192	235,849	287,041
2029	48,652	226,223	274,875
2030	46,251	223,997	270,248
2031 - 2035	196,623	1,067,137	1,263,760
2036 - 2040	141,767	932,328	1,074,095
2041 - 2045	92,165	849,533	941,698
2046 - 2050	45,678	775,212	820,890
2051 - 2055	10,439	340,846	351,285
Greater than 2055	-	-	-
Total	<u>\$ 741,287</u>	<u>5,128,836</u>	<u>\$ 5,870,123</u>
Loans not yet in repayment		1,260,927	
Allowance for bad debt		(9,356)	
Total loans receivable		<u>\$ 6,380,407</u>	

**Restricted Loans Receivable**

At June 30, 2025 and 2024, \$5,213,888 and \$5,032,706, 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, 2025 the Fund received \$238,027 and \$49,576 of principal and interest, respectively, on these loans. During the year ended June 30, 2024 the Fund received \$199,632 and \$36,052 of principal and interest, respectively, on these same loans. Any excess of the principal and interest received over the debt service payments required may be used for future loan disbursements and/or released from restriction upon approval by the Trustee in the event certain requirements are met.

**Local Match Loans**

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

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

The Fund had authorized a total of \$1,744,882 of local match loans as of June 30, 2025 and 2024. 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, 2025 and 2024. The remaining borrowers elected to repay the State match over a period of 20 or 30 years, in the amount of \$287,954 as of June 30, 2025 and 2024. As of June 30, 2025 and 2024, total local match loans outstanding, including the local match to be paid, amounted to \$175,976 and \$218,469, respectively. As of June 30, 2025 and 2024 the remaining State match to be repaid amounted to \$16,709 and \$20,585, 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, 2025 and 2024, respectively, the combined outstanding loan balances of these major local agencies represent approximately 28.18 and 23.83 percent of the total loans receivable.

<b>Borrower</b>	<b>2025</b>	
	<b>Authorized Loan Amount</b>	<b>Outstanding Loan Balance</b>
Sacramento Regional County Sanitation District	\$ 1,006,300	\$ 927,498
San Francisco, PUC of the City and County of	567,277	504,587
San Diego, City of	566,589	365,721
	<u>\$ 2,140,166</u>	<u>\$ 1,797,806</u>

<b>Borrower</b>	<b>2024</b>	
	<b>Authorized Loan Amount</b>	<b>Outstanding Loan Balance</b>
Sacramento Regional County Sanitation District	\$ 1,006,300	\$ 956,282
San Francisco, PUC of the City and County of	567,277	453,779
	<u>\$ 1,573,577</u>	<u>\$ 1,410,061</u>

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**NOTE 5 - LONG-TERM DEBT**

On March 13, 2024, the Fund issued \$272,950 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2024, dated February 1, 2024 with coupon rates of 4 to 5 percent at a yield of 3.05%. 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, 2034 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after October 1, 2033. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

On January 31, 2023, the Fund issued \$545,320 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2023, dated January 1, 2023 with coupon rates of 4 to 5 percent at a yield of 2.98%. These serial bonds are due annually in varying amounts through 2047. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2033 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after October 1, 2032. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

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

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

after April 1, 2026. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

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

On May 9, 2019, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund (DWSRF) issued 2019 Revenue Bond Series in the amount of \$83,920 dated April 1, 2019, for the purpose of financing a portion of the DWSRF program to provide financial assistance to local governments for safe drinking water projects. The payments of principal, premium, if any, and interest on the Series 2019 Revenue Bond are secured by payments made under the April 1, 2019 Amended and Restated Master Payment and Pledge Agreement. The master pledge agreement includes pledges for outstanding loans from both the CWSRF and DWSRF outstanding loans as security for the bonds. CWSRF would only be obligated in the event that DWSRF would not be able to make their bond payments.

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

**Series 2016**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 23,190	\$ 8,490	\$ 31,680
2027	21,515	7,381	28,896
2028	21,530	6,310	27,840
2029	21,965	5,222	27,187
2030	16,285	4,266	20,551
2031-2035	67,180	10,014	77,194
2036-2040	10,000	250	10,250
	<u>\$ 181,665</u>	<u>\$ 41,933</u>	<u>\$ 223,598</u>

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

**Series 2017**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 27,395	\$ 10,381	\$ 37,776
2027	25,145	9,073	34,218
2028	28,425	7,737	36,162
2029	26,130	6,373	32,503
2030	21,795	5,175	26,970
2031-2035	71,005	13,070	84,075
2036-2040	21,600	1,176	22,776
	<u>\$ 221,495</u>	<u>\$ 52,985</u>	<u>\$ 274,480</u>

**Series 2018**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 26,775	\$ 15,063	\$ 41,838
2027	28,395	13,684	42,079
2028	25,040	12,348	37,388
2029	28,825	11,001	39,826
2030	25,050	9,654	34,704
2031-2035	89,740	33,353	123,093
2036-2040	44,305	15,930	60,235
2041-2045	27,765	8,188	35,953
2046-2050	18,750	1,502	20,252
	<u>\$ 314,645</u>	<u>\$ 120,723</u>	<u>\$ 435,368</u>

**Series 2023**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 13,475	\$ 23,437	\$ 36,912
2027	14,145	22,746	36,891
2028	14,855	22,021	36,876
2029	15,595	21,260	36,855
2030	16,375	20,461	36,836
2031-2035	95,010	88,845	183,855
2036-2040	120,510	63,083	183,593
2041-2045	147,410	35,875	183,285
2046-2050	103,360	6,310	109,670
	<u>\$ 540,735</u>	<u>\$ 304,038</u>	<u>\$ 844,773</u>

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

**Series 2024**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 6,215	\$ 11,848	\$ 18,063
2027	6,530	11,529	18,059
2028	6,855	11,195	18,050
2029	7,195	10,843	18,038
2030	7,555	10,475	18,030
2031-2035	43,840	46,162	90,002
2036-2040	55,960	33,808	89,768
2041-2045	69,335	20,378	89,713
2046-2050	66,135	5,420	71,555
	<u>\$ 269,620</u>	<u>\$ 161,658</u>	<u>\$ 431,278</u>

**Combined**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 97,050	\$ 69,219	\$ 166,269
2027	95,730	64,413	160,143
2028	96,705	59,611	156,316
2029	99,710	54,699	154,409
2030	87,060	50,031	137,091
2031-2035	366,775	191,444	558,219
2036-2040	252,375	114,247	366,622
2041-2045	244,510	64,441	308,951
2046-2050	188,245	13,232	201,477
	<u>\$ 1,528,160</u>	<u>\$ 681,337</u>	<u>\$ 2,209,497</u>

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

The detail of the Fund's long-term debt for the year ended June 30, 2025 and 2024, respectively, is as follows:

	<b>Balance June 30, 2024</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Balance June 30, 2025</b>	<b>Due Within One Year</b>
Bond principal	\$ 1,624,805	\$ -	\$ 96,645	\$ 1,528,160	\$ 97,050
Bond premium	169,949	-	20,191	149,757	18,388
	<u>\$ 1,794,754</u>	<u>\$ -</u>	<u>\$ 116,836</u>	<u>\$ 1,677,917</u>	<u>\$ 115,438</u>
	<b>Balance June 30, 2023</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Balance June 30, 2024</b>	<b>Due Within One Year</b>
Bond principal	\$ 1,446,105	\$ 272,950	\$ 94,250	\$ 1,624,805	\$ 96,645
Bond premium	161,957	28,594	20,602	169,949	20,191
	<u>\$ 1,608,062</u>	<u>\$ 301,544</u>	<u>\$ 114,852</u>	<u>\$ 1,794,754</u>	<u>\$ 116,836</u>

**NOTE 6 – CAPITAL CONTRIBUTIONS**

The Fund is capitalized by annual grants from the EPA. These grants include the original grants (Base Cap Grants), American Recovery and Reinvestment Act grants (ARRA), and Bipartisan Infrastructure Law grants (BIL) {also known as the Infrastructure, Investment and Jobs Act grant (IIJA)}. The State must also contribute between 0 and 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, 2025, cumulative capitalization grant funding awarded by EPA, including in-kind, to the State was \$3,680,519 at a 20 percent match requirement, \$276,365 at a 10 percent match requirement, and \$280,286 at a 0 percent match requirement. As of June 30, 2024, cumulative capitalization grant funding awarded by EPA including in-kind, to the State was \$3,459,486 at a 20 percent match requirement, \$276,365 at a 10 percent match requirement, and \$280,285 at a 0 percent match requirement.

As of June 30, 2025 and 2024, the State has cumulatively drawn, including in-kind, \$4,209,252 and \$3,831,849, respectively, for loans and administrative expenses.

Table 1 summarizes the EPA capitalization grants awarded, the amounts drawn and the balances available for future loans and administrative expenses for each grant

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

**TABLE 1**

<b>Year</b>	<b>Grant Award</b>	<b>Funds Drawn As of June 30, 2023</b>	<b>Funds Drawn During Year Ended June 30, 2024</b>	<b>Funds Drawn As of June 30, 2024</b>	<b>Funds Drawn During Year Ended June 30, 2025</b>	<b>Funds Drawn As of June 30, 2025</b>	<b>Available for Loans as of June 30, 2025</b>
Capitalization grants with 20% match requirements							
1989-2019	\$ 3,094,726	\$ 3,094,726	\$ -	\$ 3,094,726	\$ -	\$ 3,094,726	\$ -
2020	113,653	80,776	32,877	113,653	-	113,653	-
2021	113,637	459	113,178	113,637	-	113,637	-
2022	82,753	1,085	80,365	81,450	1,303	82,753	-
2023	53,649	-	37,105	37,105	15,767	52,872	777
2024	58,386	-	-	-	44,992	44,992	13,394
2024-BIL AE	162,647	-	-	-	151,183	151,183	11,464
	<u>\$ 3,679,451</u>	<u>\$ 3,177,046</u>	<u>\$ 263,525</u>	<u>\$ 3,440,571</u>	<u>\$ 213,245</u>	<u>\$ 3,653,816</u>	<u>\$ 25,635</u>
In-kind (Direct Payment)							
Made by EPA	1,068	1,068	353	1,421	(353)	1,068	-
Subtotal	<u>\$ 3,680,519</u>	<u>\$ 3,178,114</u>	<u>\$ 263,878</u>	<u>\$ 3,441,992</u>	<u>\$ 212,892</u>	<u>\$ 3,654,884</u>	<u>\$ 25,635</u>
Capitalization grants with 10% match requirements							
2022-BIL AE	127,290	6,937	101,441	108,378	18,912	127,290	-
2023-BIL AE	149,075	-	1,193	1,193	145,599	146,792	2,283
Subtotal	<u>\$ 276,365</u>	<u>\$ 6,937</u>	<u>\$ 102,634</u>	<u>\$ 109,571</u>	<u>\$ 164,511</u>	<u>\$ 274,082</u>	<u>\$ 2,283</u>
Capitalization grants with 0% match requirements							
2008-ARRA	280,286	280,286	-	280,286	-	280,286	-
Subtotal	<u>\$ 280,286</u>	<u>\$ 280,286</u>	<u>\$ -</u>	<u>\$ 280,286</u>	<u>\$ -</u>	<u>\$ 280,286</u>	<u>\$ -</u>
Grand Total	<u>\$ 4,237,170</u>	<u>\$ 3,465,337</u>	<u>\$ 366,512</u>	<u>\$ 3,831,849</u>	<u>\$ 377,403</u>	<u>\$ 4,209,252</u>	<u>\$ 27,918</u>



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

As of June 30, 2025 and 2024, the State has provided \$579,788 and \$579,762, respectively, of match funds. 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, 2025 and 2024, the borrowers had contributed \$290,250, which qualifies as meeting the State's matching requirement, respectively.

As of June 30, 2025, the state match required for capitalization grants awarded was \$763,740, therefore the match available for potential future capitalization awards was \$106,298. As of June 30, 2024, the state match required for capitalization grants awarded was \$719,534, therefore the match available for potential future capitalization awards was \$150,479.

Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2025 and 2024.

**TABLE 2**

	<b>State Match Paid</b>		<b>State Match Paid</b>		
	<b>State Match Paid As of June 30, 2023</b>	<b>During Year Ended June 30, 2024</b>	<b>State Match Paid As of June 30, 2024</b>	<b>During Year Ended June 30, 2025</b>	<b>State Match Paid As of June 30, 2025</b>
State Disbursed	\$ 423,270	\$ 156,492	\$ 579,762	\$ 26	\$ 579,788
Local Disbursed	290,066	184	290,250	-	290,250
	<u>\$ 713,336</u>	<u>\$ 156,676</u>	<u>\$ 870,012</u>	<u>\$ 26</u>	<u>\$ 870,038</u>

**Restricted Funds**

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

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

**Administrative Fund**

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

	<b>June 30, 2025</b>	<b>June 30, 2024</b>
Administrative fee collected	<u>\$ 13,522</u>	<u>\$ 14,302</u>
Operating expenses incurred	<u>\$ 5,208</u>	<u>\$ 3,391</u>

**Small Community Grant Fund**

In September 2008, legislation in the State of California became effective which allows CWSRF to collect an annual charge on loans which will be used to assist Small Disadvantaged 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:

	<b>June 30, 2025</b>	<b>June 30, 2024</b>
Grant fee collected	<u>\$ 8,843</u>	<u>\$ 9,526</u>
Grants disbursed	<u>\$ 7,212</u>	<u>\$ 3,293</u>

**NOTE 7 - RISK MANAGEMENT**

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2025 and 2024, Annual Comprehensive Financial Reports.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
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**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, 2025 and 2024, 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, 2025 and 2024, the Fund had restricted net position of \$293,570 and \$399,410, respectively, representing amounts received from borrower loan repayments on pledged loans. As of June 30, 2025 and 2024, the security for revenue bonds was \$3,518,061 and \$3,218,553, respectively, representing loans receivable pledged as security for the revenue bonds less the revenue bond liability outstanding at year end. (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.

**NOTE 9 - RESTATEMENTS**

As a result of the implementation of GASB 101 for Compensated Absences, noncurrent liabilities and net position as of June 30, 2023, were understated by \$252. As shown in the table below, the effect of the implementation required a restatement of Net Position as of June 30, 2023.

Net Position, June 30, 2023, as previously reported	\$ 4,636,242
Cumulative affect of application of GASB 101, Compensated Absences	<u>(252)</u>
Net Position, June 30, 2023, as Restated	<u><u>\$ 4,635,990</u></u>

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

