



# **CLEAN WATER STATE REVOLVING FUND ANNUAL REPORT**

FOR STATE FISCAL YEAR 2006/2007  
(July 1, 2006 through June 30, 2007)



Division of Financial Assistance  
1001 I Street, 16<sup>th</sup> Floor  
Sacramento, CA 95814

 California Environmental Protection Agency  
**STATE WATER RESOURCES CONTROL BOARD**



## **OUR VISION**

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

## **OUR MISSION**

*To preserve, enhance, and restore the quality of California's water resources, and ensure their proper allocation and efficient use for the benefit of present and future generations*



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

The State Water Resources Control Board (State Water Board) was created in 1967. The mission of the State Water Board is to ensure the quality of the state's water while balancing beneficial uses. The joint authority of water allocation and water quality protection enables the State Water Board to provide comprehensive protection of California's waters.

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 mission of the Regional Water Boards is to 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 nine, 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.

# BOARD MEMBERS AND EXECUTIVE DIRECTOR

## Tam M. Doduc Chair



**Tam Doduc** serves for Governor Schwarzenegger as the Chair and fills the position of civil engineer on the State Water Resources Control Board. Ms. Doduc most recently 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 in 1989 as an environmental consultant with McLaren-Hart, Inc. She then joined the staff of the State Water Resources Control Board and, later, the California Air Resources Board. From 1998 to 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 to 2004, Ms. Doduc served as Cal/EPA's Assistant Secretary for Agriculture, Air and Chemical Programs.

A licensed civil engineer, Ms. Doduc earned a Bachelor of Science in BioEngineering from the University of California at Berkeley, and a Master of Science in Civil Engineering from the California State University in Sacramento. She also earned a Master of Business Administration from the University of California at Berkeley.

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## Gary Wolff, P.E., Ph.D. Vice Chair



**Gary Wolff**, P.E., Ph.D., of Castro Valley serves on the State Water Resources Control Board in the position of Professional Engineer. Prior to his appointment to the State Water Board, he served as one of two Water Quality appointments to the nine-member San Francisco Bay Water Board. Since 2001, he has served as principal economist and engineer for the Pacific Institute for Studies in Environment, Development and Security. Dr. Wolff is an expert in the economics and engineering of resource use, including water quality; water, energy, and materials end-use efficiency; and incentive policies. His professional career has included solar energy construction contracting, water quality regulation for the State of California, design engineer at a wastewater treatment plant, founder and president of an engineering consulting firm, a post-doctoral fellowship at the Center for Conservation Biology at Stanford University, and a visiting professorship at the Graduate School of International Policy Studies at the Monterey Institute of International Studies. His community service includes chair of the Castro Valley Sanitary District Community Advisory Committee, past president of the Alameda County Recycling Board, past chair of the East Bay Municipal Utility District Demand Management Advisory Committee, and past chair of the Board of WaterKeepers of Northern California (now Baykeeper). Dr. Wolff received his Doctoral degree in Resource Economics from the University of California at Berkeley, his Masters Degree in Civil and Environmental Engineering from Stanford University and his Bachelors Degree in Renewable Energy Engineering Technology from Jordan College.

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**Arthur G. Baggett, Jr.**  
**Board Member**



**Arthur G. Baggett, Jr.**, fills the position of the attorney with the five-member State Water Resources Control Board, which is responsible for protecting all water quality and water supplies in California. The Board is also responsible for the allocation of surface water supplies for agricultural, public trust, and urban purposes throughout the State. As an attorney from El Portal, California, Mr. Baggett has had several law practices primarily in the areas of water, environmental, business and family law. He holds a Master's Degree in Environmental Studies from Antioch College and a law degree from San Joaquin College of Law. He currently serves on the Adjunct Faculty at San Joaquin College of Law, and the President of the Association of State and Interstate Water Pollution Control Administrators. He previously served two terms on the Mariposa County Board of Supervisors from 1987 to 1995, and is the former Chair of the Mariposa County Water Agency. Mr. Baggett is also a former Board Member of the Mountain Counties Water Association, and a past President of the Mariposa County Bar Association. As a scientist and teacher, Mr. Baggett served as a faculty member for the Yosemite Institute, the Sierra Institute of UC Santa Cruz, the Yosemite Association, and served on the Adjunct Faculty at Fresno State University in the Department of Chemistry.

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**Charles "Charlie" R. Hoppin**  
**Board Member**

No Picture  
Available

Charlie Hoppin of Yuba City serves on the State Water Resources Control Board in the position of water quality expert. He is a partner in a family operated diversified farming operation in Yolo and Sutter counties. The crop base includes, fresh market melons, rice, walnuts, and a variety of small grains and oil seed.

Mr. Hoppin serves on the California State University Advisory Committee, and on the Board of Directors of Farmers Rice Cooperative where he is currently audit and finance Chairman and Vice Chairman of its Board.

Prior to his appointment to the State Water Resources Control Board, Mr. Hoppin served as advisor to then Governor Pete Wilson during the 1997 California Flood Recovery Effort, a Board Member of Sutter Mutual Water Company and a Member of the State Board of Food and Agriculture. He is the immediate past Chairman of the California Rice Industry Association. During his tenure at the Rice Industry Association, Hoppin played a key role in the implementation of many of the industry's well-recognized environmental stewardship efforts.

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## **Frances Spivy-Weber**

### **Board Member**



Frances Spivy-Weber of Redondo Beach has been appointed to the State Water Resources Control Board. She has served as the executive director of the Mono Lake Committee since 1997. From 1983 to 1992, Ms. Weber served as the director of international programs for the National Audubon Society. She previously was a legislative assistant for the Animal Welfare Institute from 1978 to 1982. Ms. Weber was a member of the Bay-Delta Public Advisory Committee and co-chair of its Water Use Efficiency Committee. She also served as co-chair of the Southern California Water Dialogue and convener of the California Urban Water Conservation Council. She has served on many boards, including the Water Education Foundation, California Council of Land Trusts, and Clean Water Action/Clean Water Fund.

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## **Dorothy R. Rice**

### **Executive Director**



Prior to her appointment as Executive Director, Ms. Rice served as Deputy Director for the Department of Toxic Substances Control's (DTSC) Site Mitigation and Brownfields Reuse Program. She was responsible for DTSC's site cleanup programs, including State Superfund sites, military facilities, school properties and brownfields throughout California. Her staff also provided emergency response to hazardous substances releases and cleaned up illegal drug lab sites. Ms. Rice served in this position from 1999 until March 2007.

Throughout her 25 year state service career, Ms. Rice has focused on developing strong, motivated teams, striving for continual program improvements and increased efficiencies, and on developing collaborative relationships and partnerships within state government and with external stakeholders.

In addition to her management and communication skills, Ms. Rice has over 25 years of experience working with California environmental protection programs. Prior to her tenure at DTSC, she held a number of executive positions at the California Integrated Waste Management Board, including Chief Deputy Director, and Deputy Director of the Permitting and Enforcement and Government and Regulatory Affairs Programs. Ms. Rice also worked in the State Capitol as a Senior Committee Consultant with the Assembly Committee on Environmental Protection and Toxic Materials from 1984 to 1991. In that capacity she drafted, negotiated and analyzed legislation concerning environmental protection issues.

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## I. INTRODUCTION.

This report is the State Water Board's comprehensive Annual Report for its Clean Water State Revolving Fund (CWSRF) program for the period July 1, 2006 through June 30, 2007. This period corresponds with State Fiscal Year (SFY) 2006/2007. This report describes how the State Water Board met the objectives identified in the SFY 2006/2007 Intended Use Plan (IUP) and reflects the actual use of the funds available to the CWSRF.

## II. PROGRAM SUMMARY.

The Federal Clean Water Act (CWA) provides states the opportunity to establish a CWSRF loan program to help each state achieve the goal of clean water. The CWSRF is capitalized with federal and state funds. The CWSRF provides low-interest loans for construction of publicly owned wastewater treatment facilities, local sewers, sewer interceptors, and water reclamation facilities. It also provides loans to address non-point sources (NPS) of pollution and develop and implement estuary conservation and management plans.

The CWSRF has protected and promoted the health, safety, and welfare of the inhabitants of California since 1989. Many of the recipients of CWSRF loans have wastewater discharge requirement violations resulting in enforcement actions or pending enforcement orders by the Regional Water Boards. Every project is directly related to improving water quality and public health.

The revolving nature of the CWSRF loan program has allowed it to continue to grow. Program activity from inception to fiscal year ending June 30, 2007 is shown in the following table. The activity below includes the match that local entities provide.

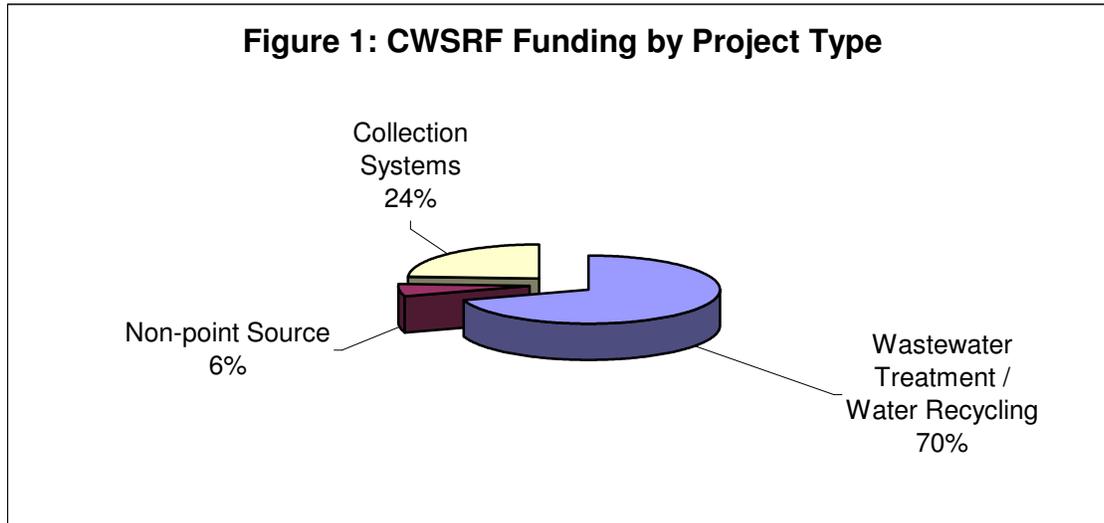
Activity	Life of Program
Number of Binding Loan Commitments	351
Dollar Value of Binding Loan Commitments	\$3,869,007,011
Loan Disbursements Processed	\$3,403,438,502
Outstanding Binding Commitments	\$465,568,509

The total funds available to the CWSRF as of June 30, 2007, is \$4.085 billion. Of the total funds available, \$3.869 billion has been committed to projects (about 95 percent of available funds are committed). Of these funds, \$3.402 billion, or about 83 percent of all available funds, have been disbursed. Approximately \$466 million is currently committed to projects, but has not been disbursed. These funds will be disbursed over the next one to three years. The CWSRF program will use the "Current Assets" of the CWSRF Program that are not restricted for other purposes as seen in the "Statement of Net Assets" as well as additional funds that are expected in future years. These funds will include a conservative projection for federal grants, state Proposition 84 funds, and future revenue bond sales.

The State Water Board operates the CWSRF Program on a cash flow basis. Division staff are continually developing, reviewing, and approving new projects for the remaining uncommitted funds, as well as new funds being contributed to the Program. State Water Board staff are

currently working with numerous applicants to make additional commitments in SFY 2007/2008. The estimated value of these projects is about \$900 million.

The CWSRF is used for a broad range of projects. Figure 1 illustrates the percentage of funding that has gone to the three main categories of projects: wastewater treatment and recycling facilities, wastewater collections systems, and non-point source pollution prevention and reduction projects.



As seen in Figure 1, the majority of funds have gone to construct and improve wastewater treatment and recycling facilities. Since inception of the program, this has amounted to a little over \$2.7 billion. Funding for wastewater collection systems is the second largest use of CWSRF funds, and has received approximately \$934 million. The State Water Board is also a leader in using CWSRF funds for non-point source (NPS) projects (currently the smallest overall use of the CWSRF). The State Water Board will vigorously pursue NPS financing because these types of projects are critical to water quality solutions.

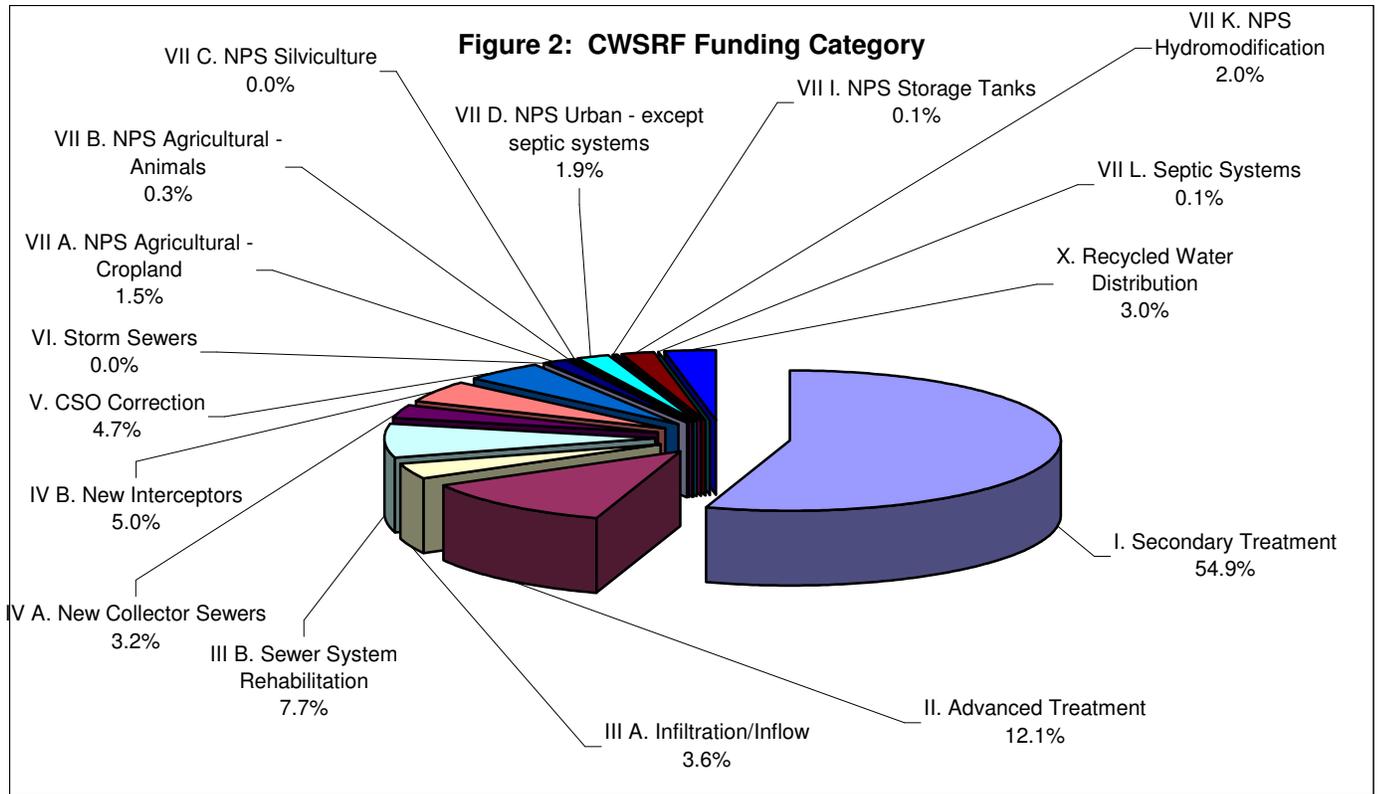


Figure 2 provides a further breakdown of the three main categories of projects. The top six categories, accounting for just over 88 percent of the funds used, are all infrastructure categories. This demonstrates the CWSRF’s importance in maintaining California’s water quality infrastructure. Please note that Figure 2 shows both categories funded by the State Water Board and two not funded. Categories VI (Storm Sewers) and VII C (NPS Silviculture) are fundable but no projects have been funded in these two categories.

### III. GOALS AND ACCOMPLISHMENTS.

#### A. Short-Term Goals

The State Water Board established the following short-term goals in the IUP for SFY 2006/2007:

**1. Apply for and receive the Federal Fiscal Year (FFY) 2007 Capitalization Grant within the first year of the allotment period.**

The EPA awarded the FFY 2007 CWSRF Capitalization Grant for California in the amount of \$92,791,710 on July 9, 2007. The award was within the first year of the two-year allotment period making California eligible for any re-allotment of Title VI funds.

**2. To fund projects in SFY 2006/2007 that will enable local agencies to abate public health and water pollution problems, and that will reduce or abate non-point source pollution.**

The State Water Board continued funding projects to abate water quality and public health problems (Public Health Hazards). These projects are classified as Priority Class "A" on the California CWSRF 2006/2007 Priority List. The State Water Board also continued funding projects to reduce or abate non-point source pollution.

**3. The State Water Board agrees to complete the one-page worksheet for all binding commitments per EPA Order 5700.7 and agrees to include a summary of the environmental benefits worksheets in the Annual Report.**

In an effort to reduce paper, the State Water Board contracted with Northridge Environmental Company (Northridge) on March 1, 2007, to expand LGTS to include the Environmental Benefits Evaluation Tool (EBET). EBET will capture the same information as in USEPA's CWSRF Benefits Reporting database and will upload this information directly to USEPA instead of manually entering the information online as being done now. Data for SFY 2006/2007 has been uploaded. The summary of the worksheets can be found in USEPA's database.

**4. To utilize the CWSRF Program in conjunction with the State Water Board's Small Community Wastewater Grant (SCWG) program to fully leverage available grant funds.**

The State Water Board directed that projects that receive SCWG funds from Propositions 40 and 50 be eligible for the fundable portion of the SFY 2006/2007 Priority List. This will ensure that SCWG Projects will be able to use CWSRF funds in conjunction with their grants. The process of funding projects with SCWG and CWSRF funds is ongoing.

In SFY 2006/2007, 13 agencies received SCWG grant funds for approximately \$8 million. Of these 13 agencies, it is estimated that 3 of the agencies will receive CWSRF loans totaling \$10 million, total in addition to their SCWG funds.

**5. Prepare for the issuance of a second series of revenue bonds to further leverage the CWSRF program and continue a higher rate of loan commitments.**

The State Water Board approved the sale of up to \$300 million in revenue bonds at its regularly scheduled meeting on September 22, 2005. The State Water Board continues to work with its financial advisors on the timing of additional revenue bonds sales to meet new loan obligations.

**6. To further expand the new Loans and Grants Tracking System (LGTS) to include tracking of environmental benefits.**

The State Water Board received a \$90,000 grant from USEPA on January 27, 2006, to expand the LGTS to track environmental benefits derived from loan-funded projects. State Water Board staff hired a contractor in March 1, 2007, to perform this work. The project is at 90% completion, and will be operational in September 2007.

**7. Complete closeout of previous Capitalization Grants.**

All grants prior to the FFY 1997 grant were closed out prior to the beginning of SFY 2005/2006. Division staff submitted closeout requests to US EPA for the FFY 1997 to 2002 Capitalization Grants on December 14, 2005. The State Water Board received confirmation from US EPA dated February 10, 2006 that the FFY 1997 to 2000 Capitalization Grants have been closed. The State Water Board also received confirmation from US EPA dated September 13, 2006 that the FFY 2001 and 2002 Capitalization Grants have been closed. The State Water Board will be submitting closeout requests to US EPA for FFY 2003 and 2004 in SFY 2007/2008.

## **B. Long Term Goals**

In its SFY 2006/2007 IUP, California identified the following long-term goals:

**1. To achieve statewide compliance with water quality objectives and maximize the environmental benefits resulting from CWSRF funded projects.**

The State Water Board continued its efforts to set and enforce water quality objectives. The State Water Board provided loan assistance to correct both point and non-point source pollution problems to help meet these objectives.

**2. To bring Publicly Owned Treatment Works (POTWs) into compliance with federal requirements.**

The State Water Board continued to provide loan funds to municipalities to help them achieve compliance with federal and state waste discharge requirements.

**3. To perpetuate and expand the CWSRF.**

California's CWSRF continues to grow. Net assets for the program increased by \$249 million or 10.8 percent, from approximately \$2,295 million on June 30, 2006, to \$2,544 million a year later.

Binding loan commitments increased by \$332 million or 9.4 percent to \$3,869 million on June 30, 2007. The increase in net assets and amount of binding loan commitments assure perpetuation of California's CWSRF.

California completed its first \$300 million revenue bond sale in August 2002 and has the ability for a second revenue bond sale (see A.5). All available revenue bond sale proceeds were disbursed to projects as of June 26, 2007. The disbursement of revenue bond funds increases the repayment stream into the CWSRF program, and will further help to expand the program's ability to fund additional loans in the future.

The State Water Board also continues to evaluate additional revenue bond sales. The introduction of additional revenue bonds into the program will also expand and perpetuate the CWSRF.

**4. To maximize the ability of the CWSRF to assist local government in constructing needed water quality control facilities.**

The State Water Board converted to a cash flow accounting system in SFY 1998/1999 for approving and awarding CWSRF loans. The cash flow system is designed to minimize (1) the cash reserves in the Repayment Account, and (2) idle cash from the Capitalization Grants, by balancing income with projected disbursements. The cash flow model has greatly accelerated the disbursement of program cash reserves.

**5. To provide assistance for implementation of the Water Board's Non-point Source Management Plan.**

The State Water Board's CWSRF program has funded over \$225 million in non-point source projects. This amounts to approximately six percent of the CWSRF funds expended to date. The State Water Board is committed to increasing this amount as the need for non-point source projects continues to increase.

**6. To maintain at least an 80 percent rate of loan issuance in SFY 2006/2007 to comply with USEPA directives.**

For the fiscal year ending June 30, 2007, the State Water Board issued binding loan commitments (contracts) equaling 95 percent of the total funds available to the State Water Board. This exceeds EPA's goal of 80 percent. The State Water Board continues to have success at meeting this goal using the current project selection system. The State Water Board generally adopts its project priority list yearly in June. Projects that appear on the list are eligible to compete for binding loan commitments based on their readiness to proceed to construction. If projects do not proceed to the binding loan commitment stage due to delays in starting construction or because the applicant found an alternative funding source, other projects on the list that are ready to proceed are given binding loan commitments instead.

The State Water Board identified 24 projects with an estimated total commitment of approximately \$652 million in its SFY 2006/2007 IUP that appeared likely to receive a binding loan commitment during SFY 2006/2007. Even though a number of these projects did not receive binding loan commitments during SFY 2006/2007 due to

changes in their readiness to proceed or use of alternative funding, the State Water Board was still able to maintain a high loan issuance rate due to the high demand for CWSRF loan funds and its ability to fund other projects on the priority list (see page 12 for listing of funded projects in SFY 2006/2007).

**7. To establish a fee supported program that is self-funding.**

The State Water Board in SFY 2006/2007 continued its efforts to establish a service charge on its loans so that the program does not need to rely solely on federal Capitalization Grants to fund administration costs. This is especially important with the recent reductions in Capitalization Grant amounts. Legislation, AB 1742, was introduced on March 22, 2006 and would allow the State Water Board to charge for its services.

## **IV. ENVIRONMENTAL BENEFITS**

The contributions of the CWSRF to water quality are diverse and hard to quantify. This is not a weakness of the program, but instead indicates its strength and versatility in addressing a wide range of water quality issues. The data and graphics below summarize the environmental benefits derived from the CWSRF loan funding approved during SFY 2006/2007. The data supporting this summary has been transmitted to EPA via the National Benefits Database. The data indicate that CWSRF loan funds were used to protect or restore a wide range of beneficial water uses.

### **A. Projects in 2006/2007 Will Help to Achieve and Maintain CWA Goals**

- Funded projects will provide approximately 132 million gallons per day (mgd) of treated wastewater
- Funded projects will serve 2.1 million people statewide
- Recipients received more than \$87 million in CWSRF interest rate subsidy (the interest rate subsidy is the amount of funds saved by loan recipients due to the reduced interest rate on CWSRF loans.)

### **B. CWSRF Projects Achieve Multiple Benefits**

Each CWSRF project quantifiably benefits water quality in more than one way. Each project was evaluated to determine how it benefits water quality. The funding provided for each water quality area in SFY 2006/2007 is shown below.

- Improve water quality: \$314.3 million
- Recycle wastewater: \$230.8 million
- Protect groundwater: \$76.1 million
- Protect municipal and domestic supply: \$98.5 million
- Achieve compliance: \$155.5 million
- Protect and restore drinking water sources: \$34.8 million
- Protect and restore cold freshwater, estuarine and wildlife habitat: \$86.6 million

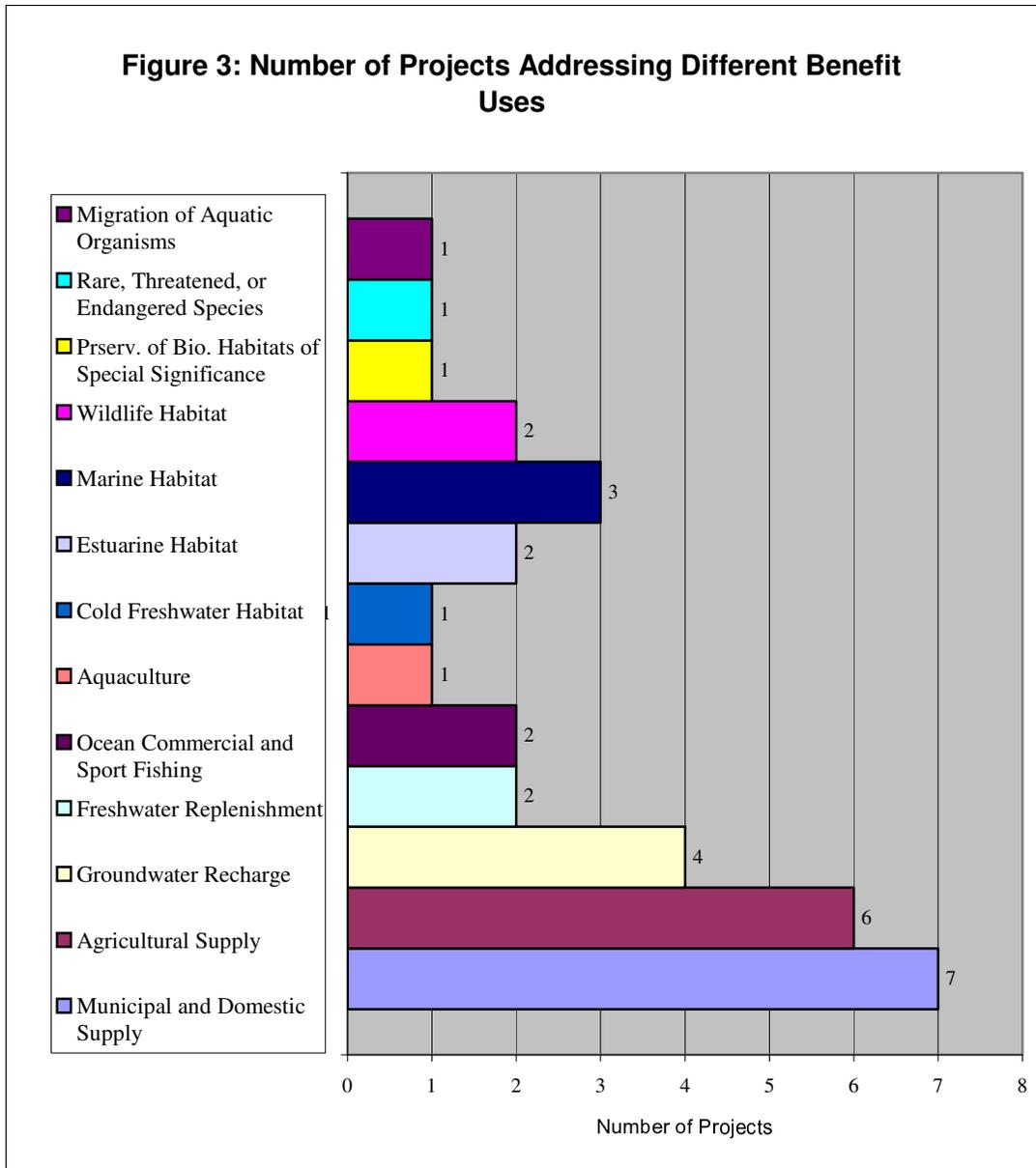
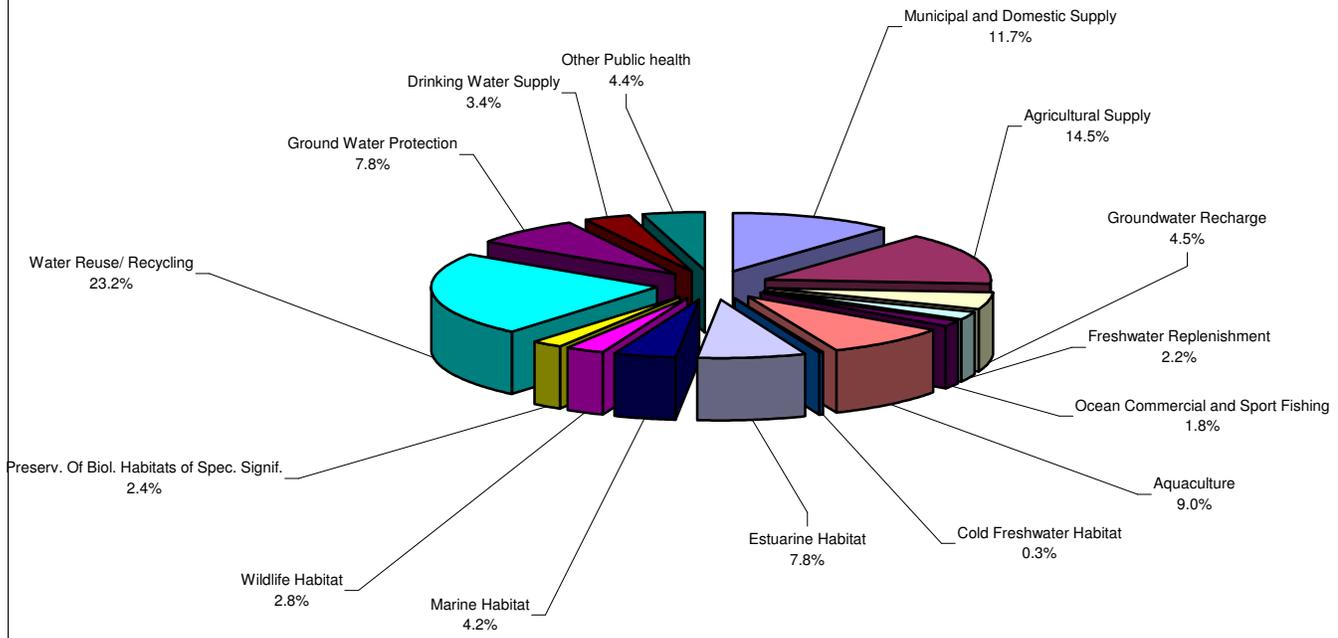
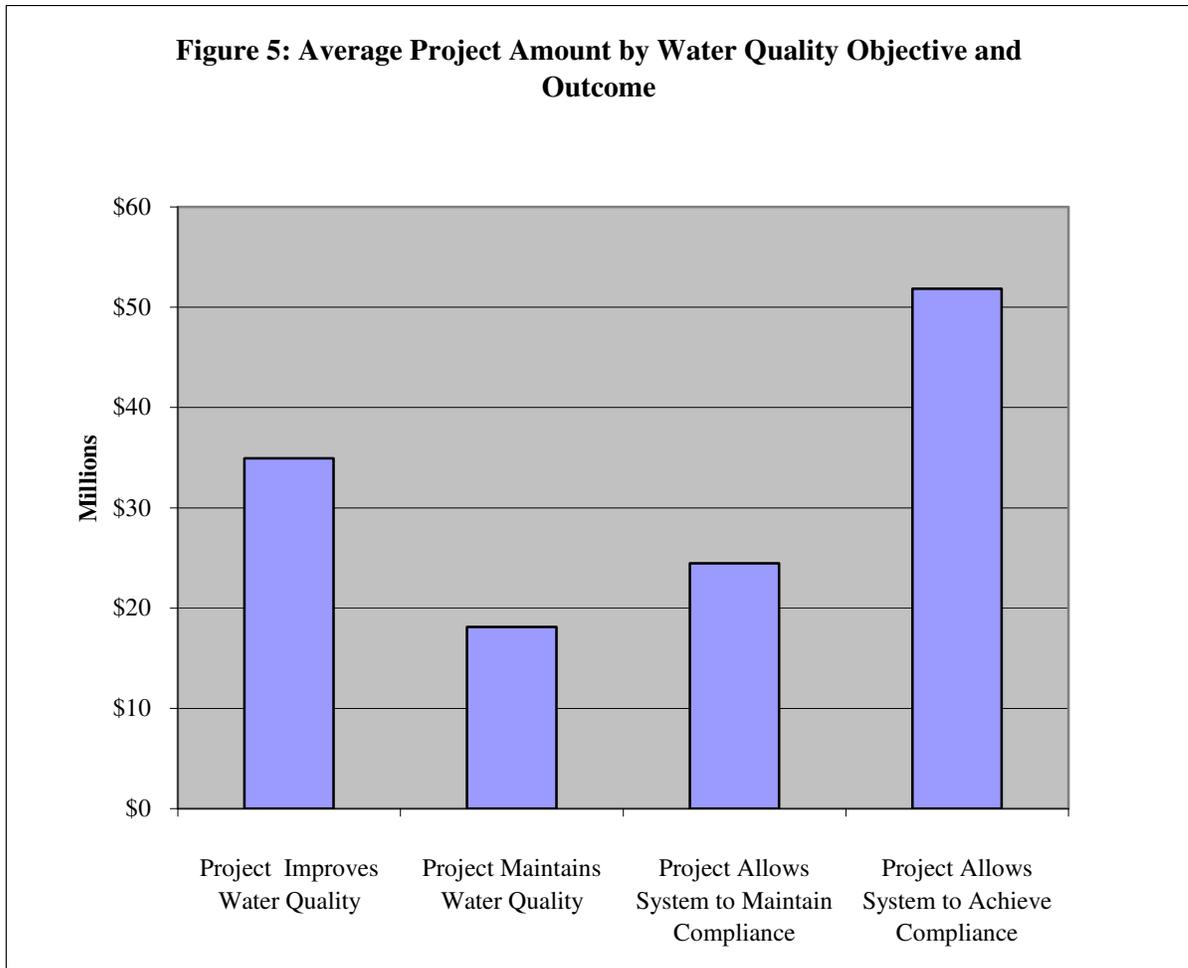


Figure 3 provides a different view of the benefits provided by the CWSRF projects funded in SFY 2006/2007. Figure 3 shows how many projects addressed designated beneficial uses identified in state water quality control plans.

Figure 4: Percentage of Funding Supporting all Uses and Benefits



Another way to display the large breadth of environmental benefits from CWSRF projects is shown in Figure 4. Here the percentages of funding supporting the different designated beneficial uses and other water quality benefits are shown in comparison to each other. As can be seen, the CWSRF in SFY 2006/2007 contributed broadly to support and protect many different environmental benefits.



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

## V. DETAILS OF ACCOMPLISHMENTS.

### A. Fund Financial Status

#### 1. Sources of Funds

The four main sources of funds for the State Water Board's CWSRF and their contributions to the account for the period of this report are (Exhibit A):

- EPA's capitalization grant contributions of \$179.018 million
- State and Local match revenue of \$36.972 million
- Loan interest income of \$55.045 million
- Net investment income and other contributions of \$23.519 million

As of June 30, 2007, total federal funds awarded from the EPA amounted to \$1,838 million (Page 14 of Exhibit A).

#### 2. Binding Commitments

The State Water Board executed a cumulative total of 351 binding loan commitments as of June 30, 2007 for a cumulative total of \$3,869 million (Note 4, page 9 of Exhibit A). A list of all active and completed CWSRF loans is provided in Exhibit B.

#### 3. Disbursements and Guarantees

Total disbursements are based on the Financial Statements and does not include state match provided by local entities. Disbursements for SFY 2006/2007 were \$375 million. Disbursements were made as follows (Page 3 of Exhibit A):

- Loan disbursements - \$337.829 million
- Interest paid on revenue bonds - \$10.589 million
- Principal paid on revenue bonds - \$22.850 million
- Cash paid to employees and vendors - \$3.562 million

#### 4. Financial Statements

Audited Financial Statements for the period ending June 30, 2007 are displayed in Exhibit A. Included in the exhibit are the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows, accompanying notes to the financial statements, and reports required by the Single Audit Act Amendments of 1996.

#### 5. Credit Risk of the CWSRF

Each loan recipient must pledge one or more dedicated sources of revenue toward repayment of its CWSRF loan. Dedicated sources of revenue can be sewer rate revenue pledges, general tax pledges, or other contractual income.

As of June 30, 2007, the CWSRF had no defaults, but had one loan agreement termination. The termination was necessary because the applicant, the Los Osos

Community Services District (District), stopped its project in late 2005. The State Board officially terminated the loan agreement on December 13, 2005. The State Water Board intends to vigorously pursue all legal means to recover the disbursed funds.

## **B. Assistance Activity.**

In SFY 2006/07 18 of the 24 projects listed in SFY 2006/2007 IUP were funded as scheduled (see Exhibit D for funding by needs category). The remainder of the projects on the list will be funded in SFY 2007/08 or future years. High demand for water quality improvement funding in California requires the State Water Board to fund projects on a ready-to-proceed basis and substitute projects as needed. The reason that projects in the IUP do not get funded typically relates to one or more of the following reasons:

1. Changes of needs or scope,
2. Environmental process requires additional studies, more documents, and/or more hearings,
3. Changes of design, and/or
4. Delays in the bidding process.

Highlights of the projects funded by CWSRF in SFY 2006/2007 are as follows:

The **Los Angeles County Sanitation District** received three loans totaling \$31,319,657 for the Rosamond Outfall and Trunk "F" sewers project. The project will consist of three phases: Trunk "F" Replacement Sewer, Phase 1, Rosamond Outfall Replacement Trunk Sewer, Phase 2, and Rosamond Outfall Relief Trunk Sewer, Phase 3. Phase 1 will consist of construction of a new 54-inch diameter replacement sewer with an approximate length of 8,900 feet. Phase 2 will consist of constructing a new 78-inch diameter replacement sewer with an approximate length of 12,200 feet. Phase 3 will consist of constructing a new 66-inch diameter relief sewer with an approximate length of 12,500 feet. The downstream end of the relief sewer will be connected to the Lancaster Water Reclamation Plant Influent Pump Station. Construction of the Project was completed in October 2006.

The **City of Redding** received a \$4,360,035 loan to upgrade and expand treatment capacity for the existing Wastewater Treatment Plant. The proposed Project, when all Phases are constructed, will expand the average dry weather influent flow treatment capacity to 9.4 Million Gallons per Day (MGD) and peak wet weather flows to 60 MGD. The plant effluent will continue to be discharged to the Sacramento River. Construction of all Project Phases is projected to complete in April 2012.

The **Nevada County Sanitation District** received a \$18,964,071 loan for the Lake of the Pines community. District's current secondary treatment plant was constructed in 1973, and upgraded in 1987, with a current design treatment capacity of 0.72 million gallons per day (MGD). The plant is located in the community of Lake of the Pines, and provides wastewater treatment for the Lake of the Pines residential subdivision, adjacent elementary, intermediate, and high schools, and two adjacent commercial areas. The current average dry weather influent flow to the plant is 0.41 MGD. The project will include influent

pumping and screening, secondary treatment system and filtration, conversion to UV disinfection, solids handling, sludge digestion, and plant operation facilities.

The **Nevada County Sanitation District** received a \$12,122,824 loan to improve the existing facility at Lake Wildwood. The facility is located in the County of Nevada and provides secondary wastewater treatment for 2,850 equivalent dwelling units, with approximately 717 equivalent dwellings units for potential population growth. The new plant will provide tertiary treatment. Effluent is discharged to Deer Creek. The current average dry weather influent flow to the plant is 0.46 million gallons per day (MGD). The plant is projected to treat an average dry weather flow of 0.65 MGD when all dwelling units are in full use. The proposed project will include headworks modifications, new equalization basin and return pumping facility, new anoxic denitrification basins, new filter cell and filtration facilities, emergency storage improvements, and various plant building facilities to improve effluent treatment, plant coordination and control.

The **Sonoma Valley County Sanitation District** received a \$6,996,831 loan to upgrade the existing wastewater treatment plant. This project is to construct the filtration system; the chemical feed system, and two chemical storage tanks at the existing plant that produces secondary treated effluent. Upon completion of the project, the plant will be able to produce 3 million gallons per day (mgd) of tertiary treated effluent. The District needs to make these improvements primarily to comply with its waste discharge requirements, and secondarily to meet its long-term goals of maximizing reclamation capabilities and eliminating waste discharge to Schell Slough.

The **City of Petaluma** received a \$125,964,254 SRF loan to construct a new wastewater treatment plant to replace the existing, deteriorated wastewater treatment plant. The existing plant must be replaced because all of the structures and many of the mechanical facilities are near the end of their useful life. Many of the concrete structures have visible cracks and corrosion, and were not built to current seismic standards. This project will construct administration/operations/maintenance/laboratory buildings, headworks facilities, secondary treatment system, tertiary treatment system, ultraviolet disinfection system, sludge thickeners, 7 sludge digestors, odor control equipment, effluent storage facilities, dewatering system, and emergency power generation equipment. It will have a treatment capacity of 6.7 mgd in the summer and 16 mgd in the winter. Upon completion, it will allow the City to reliably meet the waste discharge requirements.

The **City of Lompoc** received a \$91,787,186 loan to upgrade the existing wastewater treatment plant from 5.0 mgd of secondary treatment to 5.5 mgd of tertiary treatment capacity. This project will construct new headworks, oxidation ditches, secondary clarifiers, flocculators/clarifiers, tertiary filters, dissolved air flotation thickeners, and an ultraviolet disinfection system. Upon completion of this project, the upgraded plant will be able to comply with waste discharge requirements.

The **North Marin Water District** received a \$4,264,545 SRF loan to construct a water recycling facility, which will provide approximately 260 acre-feet per year of recycled water for irrigation. This project will construct an influent pump station, a chemical facility, coagulation tanks, tertiary filters, a disinfection system, a recycling water pump station, and a recycled water pipeline. The treated effluent will comply with the

requirements of Title 22 of the California Code of Regulations and the waste discharge requirements.

The **City of San Diego** received a \$13,281,530 loan to upgrade the existing Digesters S1 and S2 located at the City's Point Loma wastewater treatment plant (PLWTP). The PLWTP is being upgraded and expanded to meet its waste discharge requirements and future capacity needs. The purpose of the project is to complete the Digester Upgrade and Expansion projects needed to meet Code of Federal Regulations, Title 40, Part 503, *Standards for the Use or Disposal of Sewage Sludge*. The regulations specify requirements for pathogen reduction of Class B sludge. The project replaced the roofs of S1 and S2 digesters, replaced their gas mixing system, installed a sludge gravity feed system, installed a sludge withdrawal system and constructed a gas compressor building. The sludge withdrawal system will allow all of the eight digesters at PLWTP to operate more efficiently in transferring sludge. The project will facilitate sludge mixing and removal of methane gas for use in the Gas Utilization Facility, which produces electricity for PLWTP.

The **City of San Diego** received a \$4,629,927 SRF loan to install a fourth sludge pump at the City's Point Loma wastewater treatment plant (PLWTP). The PLWTP is being upgraded and expanded to meet its waste discharge requirements and future capacity needs. The project installed a fourth sludge pump to provide flexibility and reliability for the sludge pump system. Other associated modifications at the pump station were also performed as part of the project. A sixth sludge screen, variable frequency drives and control panels, redundant discharge piping, and individual sludge pump flow meters were installed. The pumps are vital to the efficient operation of the PLWTP. The PLWTP utilizes two pumps to meet the daily sludge flows. Routine maintenance on one pump leaves no standby pump.

The **Yucaipa Valley Water District** (District) received a \$44,748,356 SRF loan to upgrade the existing Henry N. Wolchholz Wastewater Treatment Plant (WWTP). The WWTP is being upgraded and expanded to meet its waste discharge requirements and future capacity needs. The proposed project, when constructed, will expand the treatment capacity to 8 MGD. The WWTP will provide treatment utilizing an Integrated Fixed-Film Activated Sludge (IFAS) and tertiary micro filtration process followed by disinfection of the effluent. The proposed project includes construction or upgrades to the administration, operations, maintenance, laboratory buildings, instrumentation and control system, power supply and distribution facilities, headworks, grit removal facilities, influent pumping station, primary clarifiers, anoxic basins, anoxic splitter boxes, aeration basins, IFAS equipment/media, secondary clarifiers, methanol feed system, return activated sludge (RAS) pump station/building, flow equalization pump station, mixed liquor suspended solids (MLSS)/RAS splitter boxes, primary/tertiary equalization basins, aerobic/anaerobic digesters, micro filtration/tertiary filters, nitrification and denitrification facilities, ultraviolet/chlorination/dechlorination disinfection facilities, septage receiving station, ferric chloride feed system, effluent storage/reclaimed water capacity additions, reclaimed water pump station, and sludge handling facilities.

The **City of La Mesa** (City) received a \$14,500,000 loan to upgrade the existing sanitary sewer conveyance system. The City owns, operates, and maintains approximately 156 miles of sanitary sewer mains of various sizes. The City currently collects and delivers

wastewater to the City of San Diego's Point Loma WWTP. The City is currently allocated a maximum capacity of 6.5 million gallons per day at the Point Loma WWTP, and has had ongoing sewer overflows due to wet weather inflow and infiltration (I&I) into the sewer system. In 1998, the San Diego Regional Water Quality Control Board (San Diego Regional Water Board) issued a Cleanup and Abatement Order (No. 98-70) instructing the City to take the necessary remedial action to cease the discharge of raw sewage overflows. The City contracted with ADS Environmental Services to conduct an I&I study of the City's sewer collection system. As a result of the I&I study, the City proposes to replace a total of 50,000 linear feet of sanitary sewer pipeline over the next five years. The pipelines identified for replacement are exceeding their capacity during wet weather events due to I&I, causing sanitary sewer overflows and increased discharge to the Point Loma WWTP. The project will reduce the I&I, thus allowing the sanitary sewer collection system flows to remain within design capacity.

The **Inland Empire Utilities Agency** (Agency) received a \$14,752,206 loan to expand its Regional Recycled Water Distribution System. The purpose of the project is to provide approximately 9,184 acre-feet per year (AFY) of recycled water to customers within the Agency's service area. The project will serve 68 recycled water users that have an existing demand of approximately 4,184 AFY for irrigation, and provide 5,000 AFY for ground water recharge. Converting these customers to recycled water will augment the state water supply. The project consists of the San Antonio Channel Regional Recycled pipeline and the RP-1 South (Zone 800/900) Recycled Water Pump Station project.

The **Santa Margarita Water District** received a \$6,170,000 loan for expansion of the recycled water program. This project is the third and last phase of the District's ongoing recycled water program expansion. It provides a beneficial use for treated wastewater. The project will involve constructing two recycled water storage reservoirs, two pressure reducing stations, a booster pump station and approximately 7.9 miles of recycled water distribution pipelines ranging in size from four to twelve inches in diameter. Upon completion of the project, the District will be able to deliver an additional 870 acre-feet per year of recycled water, replacing an equivalent amount of potable water that otherwise would have been used to irrigate landscape. The project is located in southeastern Orange County, north of the city of San Clemente.

The **City of Hayward** received a \$54,550,018 loan for upgrading and improvements. The proposed project will convert the failed innovative and alternative (I/A) facility to a trickling filter/solids contact process that will provide greater flexibility and reliability in the major treatment system components. The improvements include building an additional trickling filter, two new final clarifiers and a solids contact tank system.

**The Conservation Fund** (CF), non-profit corporation, received a \$25,000,000 loan for a non-point source project. The purpose of this project is to acquire 11,600 acres of forestland in the Big River watershed (Big River Tract) and 4,345 acres of forestland in the Salmon Creek watershed (Salmon Creek Tract) to help protect and restore water quality, aquatic and terrestrial habitat, and other forest resources. The CF will acquire the two properties with the commitment that they will reduce harvest rates by about 40 percent from those levels allowed under current Forest Practices Rules, prepare new timber harvest plans (THPs), and implement, in cooperation with the North Coast Regional Water Board

and other groups in the area, restoration activities and appropriate management practices consistent with the NPS Plan to address the total maximum daily load (TMDL) in the Big River watershed and prevent further deterioration of the Salmon Creek watershed. Acquiring the properties will also result in permanently protecting them from subdivision, mining, water diversion, and conversion to non-forest uses such as vineyard development.

### **C. Provisions of the Operating Agreement/Conditions of the Grant.**

The State Water Board has agreed to a number of conditions in the Operating Agreement and Grant Agreement. The Conditions in the Operating Agreement and Grant Agreement have been met.

#### **1. Provide a State Match**

The State Water Board has met its State Match requirement by identifying state funds equal to at least 20 percent of the Capitalization Grant amount as detailed in Note 6, Pages 13 - 15 of Exhibit A. As of the end of SFY 2006/2007, the state has been awarded \$1,838,707,000 of which \$550,083 is included for "in-kind" contractor costs. The required match for the federal grants awarded to the State Water Board was \$367,741,375. As of June 30, the State Water Board has drawn \$1,772,132,000 in federal grants. The required match for the federal grants drawn by the State Water Board was \$354,426,4000.

The state uses a combination of state general obligation bonds repaid outside the SRF and funds contributed by local match applicants to the CWSRF to meet the State Match requirement. A total of \$467,555,000 in matching funds has been contributed to the CWSRF as seen in Table 2 of Note 6 of Exhibit A. Note: The NIMS Report includes all available state match contributed.

#### **2. Binding Commitment Within One Year**

The state will make binding loan commitments, in the form of signed contracts, to provide assistance in an amount equal to 120 percent of each federal quarterly payment within one year of that payment. By the end of SFY 2006/2007, executed binding loan commitments totaled \$3,869 million (Note 4, Page 9 of Exhibit A) or 212 percent of the \$1,822 million in federal payments received as of SFY 2006/2007.

#### **3. Expedient and Timely Expenditure**

Expenditure (disbursement) of CWSRF loan funds occurs quickly after a binding loan commitment is made. Applicants request disbursement of funds as costs accrue during the construction of their projects; applicants can request disbursements as frequently as monthly. Disbursement requests are processed on a strict timeframe to ensure timely payment. Division staff review and approve disbursement requests within seven calendar days after submittal. The Division then transmits the request to the State Water Board's accounting department. The accounting department processes the request within seven calendar days after it receives it and transmits the request to the SCO. The SCO then has 10 calendar days to issue the warrant to the applicant.

The State Water Board initiates requests for federal funds via the Automated Standard Application for Payments (ASAP) system. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the US Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board is able to draw funds from the EPA for expenditures incurred by the CWSRF in an expeditious and timely manner.

Federal draws are requested on a monthly basis for administration costs. Draws for loan disbursements are made as warrants are issued by the SCO to pay the loan recipient. Loan disbursement draw requests are made within one business day of a warrant being issued. Requested funds are deposited electronically the next business day to the account(s) specified by the State Water Board.

Another way to measure the expeditious and timely expenditure of funds is to compare the amount of federal grant funds with the federal outlays to the State Water Board. A total of \$1,838 million in federal funds has been granted to the State Water Board. As of June 30, 2007, \$1,772 million, or 96% of the total federal awards, has been transferred to the State Water Board through the ASAP system (Note 6, Page 13, of Exhibit A).

#### **4. First Use of Funds for Enforceable Requirements**

California has met the first-use requirement by providing financial assistance to those projects on its National Municipal Policy (NMP) list that do not meet any of the criteria under part III.B.5. (pp 11-12 of EPA's "Initial Guidance for State Revolving Funds"). The state has ensured that all listed projects are on enforceable schedules. California's program has now been expanded to other water quality needs.

#### **5. Eligible Activities**

California monitors each project to ensure that USEPA's eligibility requirements are followed. All activities financed were eligible under Section 212, Section 319, or Section 320 of the CWA.

#### **6. Minority Business Enterprise/Woman Business Enterprise (MBE/WBE) Objective**

The State Water Board negotiated a total fair share MBE/WBE objective with USEPA beginning FFY 2007 for the CWSRF Program. This objective was 24.0 percent for MBE and 6.0 percent for WBE participation for a combined 30.0 percent goal.

The data presented in Exhibit C covers MBE/WBE participation from July 1, 2006 to June 30, 2007. The participation for CWSRF contracts reported by local agencies in SFY 2006/2007 was 6.85 percent for MBE and 8.90 percent for WBE. The overall MBE/WBE participation was 15.15 percent. The State Water Board will continue to monitor participation to assure that the positive effort process is enforced by all local agencies.

#### **7. Administration of the Revolving Loan Fund**

The federal funding allowable for administration of the program is four percent of the total capitalization grants awarded. Total capitalization funds granted to date amount to \$1,838,707,000. The administration costs (administrative expenses) incurred during SFY 2006/2007 were \$3,423,000, which includes Personnel Services of \$1,918,000, Operating Expenses of \$1,469,000, and a Bond Fee of \$36,000 (Pages VII and 2 of Exhibit A (Basic Financial Statements)).

The cumulative total for administration cost is \$68,994,716. Therefore, 3.75 percent of the capitalization grants awarded to date have been incurred in administering the program leaving a balance of \$4,553,559. The administrative expenses for SFY 1999/2000 through SFY 2006/07 are shown in Table 1 below.

FFY Grant Year	Capitalization Grant Amount	4% Admin. Allowance	Actual Admin. Costs	Difference between Allowance and Expenses	Admin. Surplus	Cumulative Grant Amount including in kind	Cumulative Admin. Costs	Percent of Grant
2000	\$ 95,987,727	\$ 3,839,509	\$ 4,099,786	\$ (260,277)	\$ 10,259,772	\$ 1,329,586,055	\$ 42,923,670	3.23%
2001	\$ 95,134,446	\$ 3,805,378	\$ 4,851,968	\$ (1,046,590)	\$ 9,213,182	\$ 1,424,720,501	\$ 47,775,638	3.35%
2002	\$ 95,346,405	\$ 3,813,856	\$ 5,251,394	\$ (1,437,538)	\$ 7,775,644	\$ 1,520,066,906	\$ 53,027,032	3.49%
2003	\$ 94,726,665	\$ 3,789,067	\$ 4,168,440	\$ (379,373)	\$ 7,396,271	\$ 1,614,793,571	\$ 57,195,472	3.54%
2004	\$ 94,783,887	\$ 3,791,355	\$ 4,274,162	\$ (482,807)	\$ 6,913,464	\$ 1,709,577,458	\$ 61,469,634	3.60%
2005	\$ 82,745,541	\$ 3,309,822	\$ 4,102,135	\$ (792,313)	\$ 6,121,151	\$ 1,792,322,999	\$ 65,571,769	3.66%
2006	\$ 46,383,876	\$ 1,855,355	\$ 3,422,947	\$ (1,567,592)	\$ 4,553,559	\$ 1,838,706,875	\$ 68,994,716	3.75%

## VI. PROGRAM CHANGES.

LGTS allows the CWSRF program to manage and track all programmatic and financial data for the CWSRF program. The State Water Board has been working since 2003/2004 to implement the system fully. However, staff continues to make improvements and expand its capability. In SFY 2006/2007:

1. The State Water Board contracted with Northbridge Environmental Management Consultants (Northbridge) to provide technical support and perform maintenance on the LGTS through June 2007. The State Water Board's Division of Information Technology assigned staff in SFY 2006/2007 to start transitioning technical support and maintenance responsibilities from Northbridge Environmental Company to State Water Board staff.
2. In the technical support contract with Northbridge as stated above, an automated component was added to LGTS to automate the data reported to the USEPA for the National Information Management System (NIMS). In previous SFY's, the State Water Board was not completely successful in reconciling the past data related to project construction starts and initiation of operations. The data was transmitted to NIMS for SFY 2006/2007 and the discrepancies were greatly reduced. Over the next year the State Water Board will resolve and correct the remaining discrepancies before the next reporting deadline in 2008.
3. In addition, on March 1, 2007, the State Water Board contracted with Northbridge to expand LGTS to include the Environmental Benefits Evaluation Tool (EBET). EBET will capture the same information as in USEPA's CWSRF Benefits Reporting database and will upload this information directly to USEPA instead of manually entering the information online as being done now. This project will be completed in September 2007.

On November 7, 2006, the voters of California approved Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006. Proposition 84 will provide an additional \$73 million in state matching funds for future capitalization grants and \$4 million in administration funds.

In May 2007, a new administrative position was added to California's CWSRF. This position was created to provide the level of services needed for three programs, which are the State Revolving Fund, Water Recycling and Small Community Grants. This position will act as the Revolving Fund Manager to have responsibility and authority over all accounting and administrative managerial aspects of the program.

## VII. PROPOSED IMPROVEMENTS.

The State Water Board is evaluating the availability of funds to administer the CWSRF program. Thus far, the State Water Board relied on the four percent administrative allowance from USEPA Capitalization Grants to administer the CWSRF (see Table 1, Page 18 for administrative expense for SFY 1999/2000 through SFY 2006/2007). The ability of USEPA, however, to continue to provide these funds is a concern. Furthermore, USEPA indicates that grants will continue to decrease in the future, and possibly be eliminated by 2011. The State Water Board explored a change in state law during SFY 2006/2007 to allow a portion of the annual loan payments to be used to cover administrative costs. Legislation, AB 1742, was introduced on March 22, 2006 and would allow the State Water Board to charge for its services, this bill is currently on the Governor's desk for signature. If the bill is signed, it will become law on January 1, 2009. The State Water Board will then begin the phasing in of the service charge.

The State Water Board approved the sale of an additional \$300 million in revenue bonds at its September 22, 2005, meeting. The State Water Board continues to work with its financial advisors on the timing of additional revenue bonds sales to meet new loan obligations.

A Performance Plan was approved for SFY 2007/2008 which describes the strategic Vision and Mission for California's CWSRF and the means to achieve and track the program's performance. The plan identifies key projects that will support our efforts to effectively implement the CWSRF in California and support the State Water Board's overall Mission and Vision.

In the fall of 2007, the Division of Financial Assistance will create an CWSRF Advisory Workgroup. This workgroup will advise the CWSRF program staff on operational improvements or changes to the program; provide advice on financial forecasting, business development, and marketing; advise program staff on development of regulations; help program staff in setting funding priorities.

In September 2007, Division staff plans to present an agenda item to the State Water Board. In addition to adopting the CWSRF Loan Program Priority List, the item will also propose to raise the annual funding cap and give discretion to the Division Deputy Director to provide an applicant funding in excess of the annual cap so long as it does not unduly limit other applicants' ability to receive funding commitments during that State Fiscal Year. In 1999, the State Water Board established a \$25 million cap on funding per loan recipient per year. However, in light of rising construction and project implementation costs, the Division will recommend that the State Water Board raise the cap to \$50 million per loan recipient per year.

In the fall of 2007, The State Water Board will begin to look at marketing the program and will be working with USEPA to develop a new marketing strategy to ensure the best use of available assets.

## **VIII. EXHIBITS.**

Exhibit A – Audited Financial Statements and Notes

Exhibit B – Projects Approval Status Report

Exhibit C – MBE/WBE Report for State Fiscal Year 2006/2007

Exhibit D – Projects Funded by Needs Category

**Exhibit A – Audited Financial Statements and Notes**

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

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

**June 30, 2007 and 2006**

## Independent Auditor's Report

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

We have audited the accompanying basic financial statements of California State Water Resources Control Board, Water Pollution Control Revolving Fund as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of California State Water Resources Control Board, Water Pollution Control Revolving Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2007 and 2006, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State Water Resources Control Board, Water Pollution Control Revolving Fund as of June 30, 2007 and 2006, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2007 on our consideration of California State Water Resources Control Board, Water Pollution Control Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages III through IX is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California Water Resources Control Board, Water Pollution Control Revolving Fund's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Greenwood Village, Colorado  
October 11, 2007

**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 (State Revolving Fund program) (SRF) financial statements. It describes and analyzes the financial position of the SRF providing an overview of the SRF's activities for the years ended June 30, 2007 and 2006. 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**

- In 2007, net assets increased by \$249 million to a total of \$2.5 billion as compared to an increase of \$101 million in 2006. The \$249 million increase in net assets is due primarily to an increase in loan receivables, which is a direct result of the increase in capital contributions.
- Total capital contributions were \$183 million as compared to \$57 million in 2006. The increase of \$126 million is due to increased utilization of U.S. Environmental Protection Agency (EPA) capitalization grants.
- Restricted portion of net assets decreased by \$76 million in 2007 to \$591 million as compared to a decrease of \$79 million in 2006. This was due to decreases in notes receivable for loans pledged to the Series 2002 Revenue Bonds as a result of repayments received during 2006 and 2007, and the related debt service payments made on the Series 2002 Revenue bonds.
- As a result of the repayment of pledged loans and disbursement of the unspent revenue bond proceeds, there is a decrease in restricted cash and cash equivalents of \$36 million for 2007 as compared to a decrease of \$21 million in 2006 for the same purpose.
- Notes receivable increased by \$209 million to \$2.33 billion in 2007 as compared to a decrease of \$12 million in 2006. Notes receivable increases when loan funds are disbursed and decreases when loan principal payments are received. The increase in 2007 is the result of a large distribution of EPA capitalization grant funds and remaining revenue bond proceeds when compared to 2006.

**Using this Annual Financial Report**

The financial statements included in this annual financial report are those of the SRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the SRF 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 Board that is attributable to the transactions of the SRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2007 and 2006 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 SRF financial statements and accompanying notes to financial statements. This report also contains required supplementary information and other supplementary information.

The financial statements of the SRF 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 SRF's financial position, which assists the reader in assessing the SRF'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 Assets* present information on all of the SRF's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets are expected to serve as a useful indicator of whether the financial position of the SRF is improving or deteriorating.
- The *Statements of Revenues, Expenses, and Changes in Net Assets* present information which reflects how the SRF's net assets changed during the past year. All changes in the net assets 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 SRF's cash flows from operating activities, non-capital 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 Assets

The SRF's net assets increased by \$249 million or 10.8 %, to \$2.54 billion at June 30, 2007, as compared to an increase of \$101 million or 4.6% the previous year indicating a continued strong financial position. The \$249 million increase in net assets is due primarily to an increase in loan receivables.

The current portion of the SRF's liabilities was \$27.8 million in 2007 and \$27.6 million in 2006. Current liabilities primarily reflect continuing principal payments for the Series 2002 Revenue Bonds. Noncurrent liabilities reflect decreases of \$24.8 million in 2007 and \$24.2 million in 2006, which corresponds to those same bond principal payments.

A segment of the SRF's net assets are subject to external restriction on how they may be used. The amounts of net assets that are restricted have decreased in 2007 by \$76 million to \$591 million or 11.4%, as compared to a decrease in 2006 of \$79 million to \$667 million or 10.6%.

Of the total restricted net assets, \$568 million in 2007 and \$627 million in 2006 represent the balance of outstanding loans that were pledged as security to Series 2002 Revenue Bonds 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 restricted portion of net assets will continue to decline as the pledged loans are repaid, and the corresponding debt service payments are made on the Series 2002 Revenue Bonds. In 2007, the SRF received a total of \$77.1 million (\$59.2 of principal and \$17.9 million of interest) on these loans; the debt service payment was \$33.4 million (\$22.9 million of principal and \$10.5 million of interest). In 2006, the SRF received a total of \$82.2 million (\$62.7 million of principal and \$19.5 million of interest); the debt service payment was \$33.5 million (\$22.2 million of principal and \$11.3 million of interest).

The remaining \$23 million of restricted net assets in 2007 and \$40 million in 2006 represent pledged loan repayments, which are restricted for future debt service payments. Any excess of principal and interest received over the required debt service will be released from restriction as debt service payments are issued.

**Table 1**

**Net Assets**

(in thousands)

	June 30,		
	2007	2006	2005
<b>ASSETS</b>			
Cash and cash equivalents	\$ 418,538	\$ 404,883	\$ 318,323
Loans receivable	2,329,330	2,120,398	2,132,450
All other assets	39,319	37,652	34,946
<b>Total assets</b>	<b>2,787,187</b>	<b>2,562,933</b>	<b>2,485,719</b>
<b>LIABILITIES</b>			
Current liabilities	27,800	27,573	27,413
Noncurrent liabilities	215,727	240,551	264,752
<b>Total liabilities</b>	<b>243,527</b>	<b>268,124</b>	<b>292,165</b>
<b>NET ASSETS</b>			
Restricted			
Debt service	23,076	39,978	56,475
Security for revenue bonds	568,138	627,303	690,022
Subtotal restricted assets	<b>591,214</b>	<b>667,281</b>	<b>746,497</b>
Unrestricted	1,952,446	1,627,528	1,447,057
<b>Total net assets</b>	<b>\$ 2,543,660</b>	<b>\$ 2,294,809</b>	<b>\$ 2,193,554</b>

### **Changes in Net Assets**

SRF's program revenue was \$55 million, which is an increase of \$4.7 million or 9.2% in 2007, of which \$17 million was restricted for debt service. In 2006, SRF's program revenue was \$50.4 million, an increase of \$2.5 million or 5.2%, of which \$18.7 million was restricted for debt service. The continued increase in loan interest revenue is a result of an increase in loan repayments and is a general indication of the continued growth of the SRF.

General revenue increased by \$9 million or 64% in 2007 and by \$7 million or 96% in 2006. The fluctuation in investment income is the product of various factors such as changes in the Surplus Money Investment Fund (SMIF) interest rate from year to year, and interest earned from the restricted portion of the Series 2002 revenue bonds and undistributed loan repayments.

Total expenses decreased \$7.7 million in 2007 and increased by \$5.8 million in 2006. The increase in 2006 was primarily due to recording an allowance for bad debt. Expenses decreased in 2007 because the allowance for bad debt was not increased.

The total capital contributions to the SRF increased by \$126 million or 221% in 2007, while contributions in 2006 decreased by \$16.2 million or 22.2%. The increase in capital contributions is due primarily to an increased utilization of U.S. Environmental Protection Agency (EPA) capitalization grants. The SRF program receives federal capital contributions from the EPA to fund loans and the State is required to match 20% of this contribution. The state match contribution decreased from \$10 million in 2006 to \$4 million in 2007 because the State is currently using surplus state match provided by the local entities and so receives 100% federal capital contributions. The Local Match Program requires that the local agency provides the State's matching funds. The Local Match Program is offered to federally funded and non-federally funded projects. Over the years, the local entities have provided more match than required, leading to a surplus condition.

During 2007, administrative expenses were \$3.4 million, a decrease of \$0.6 million compared to administrative expenses of \$4.02 million in 2006. In the past, the SRF has relied solely on the four percent administrative allowance from EPA capitalization grants to fund program administration. To preserve the EPA administrative allowance for future use, should legislation not pass that would allow the SRF to collect a service charge to be used for administrative costs, the SRF plans to charge some administrative expenses to other SRF related funds.

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

	Year Ended June 30,		
	2007	2006	2005
<b>Revenues</b>			
Program revenues:			
Loan interest income	\$ 55,045	\$ 50,390	\$ 47,907
General revenues:			
Investment income	23,519	14,350	7,311
<b>Total revenues</b>	<b>78,564</b>	<b>64,740</b>	<b>55,218</b>
<b>Expenses</b>			
Program expenses:			
Administrative expenses	3,423	4,022	4,100
Bad debt allowance expense	-	6,486	-
Revenue bond interest expense	9,178	9,812	10,424
Amortization of revenue bond issuance costs	101	107	114
<b>Total expenses</b>	<b>12,702</b>	<b>20,427</b>	<b>14,638</b>
<b>Increase in net assets before contributions</b>	<b>65,862</b>	<b>44,313</b>	<b>40,580</b>
<b>Capital contributions:</b>			
EPA capitalization grant	179,018	43,910	64,450
State and other contributions	3,971	13,032	8,732
<b>Subtotal capital contributions</b>	<b>182,989</b>	<b>56,942</b>	<b>73,182</b>
<b>Change in net assets</b>	<b>248,851</b>	<b>101,255</b>	<b>113,762</b>
<b>Net assets - beginning of year</b>	<b>2,294,809</b>	<b>2,193,554</b>	<b>2,079,792</b>
<b>Net assets - end of year</b>	<b>\$ 2,543,660</b>	<b>\$ 2,294,809</b>	<b>\$ 2,193,554</b>

**Budgetary Information**

Under the California constitution, money may only be drawn from the treasury by a legal appropriation. The State Legislature authorized the SRF to operate under a continuous appropriation. Continuous appropriation authority means that no further appropriations are necessary to expend all funds deposited into the SRF. This has the effect of allowing funds to be expended as soon as they are deposited into the SRF rather than waiting for appropriation authority. Since the funds in the SRF 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 SRF program. The State Water Board maintains a high bond rating from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on its Revenue Bonds, Series 2002. Outstanding bonds at June 30, 2007 total \$240 million, a decrease of \$24 million, compared to \$264 million last year as shown in Table 3. Continued decreases are due to amortization of the bond premium and the payment of the scheduled bond principal repayments. Those bonds were issued in August 2002 for the purpose of financing a portion of the SRF loans administered by the State Water Board by providing financial assistance to local governments for water pollution control projects. Proceeds from the bonds provide funding for the issuance of additional revolving fund loans by the SRF. Those revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

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

**Table 3**


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

	<b>June 30,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Revenue bonds</b>			
Bond principal	\$ 233,540	\$ 256,390	\$ 278,575
Bond premium	6,335	7,562	8,873
<b>Total revenue bonds</b>	<b>\$ 239,875</b>	<b>\$ 263,952</b>	<b>\$ 287,448</b>

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### **Economic Conditions and Outlook**

The SRF program activity remained stable, with revenues continuing to sufficiently support expenses. Because each SRF loan recipient must pledge one or more dedicated sources of revenue toward repayment of its SRF loan, timely repayment of all loans is expected. These dedicated sources of revenue can be sewer rate revenue pledges, general tax pledges or other contractual income.

The SRF financial statements for 2006 included an allowance for bad debt. This allowance recognized that a loan recipient has sought protection under the federal bankruptcy laws, but has not yet presented a plan to the federal bankruptcy court. The State Water Board is vigorously pursuing all legal means to recover the funds disbursed to the recipient and is exploring options to facilitate full recovery.

For the grant year 2007, the EPA has allocated \$93 million to the State. The 2006 grant allocation for 2007 increased by \$46.6 million as compared to the 2006 grant allocation of \$46.4 million. The Fund has already applied for this 2007 capitalization grant and was awarded the grant on July 9, 2007. The 2007 grant included \$18.4 million in funds that were available to the State Water Board in 2006, but not included in the State Water Board's grant application. Although the grant funds available to the State Water Board in 2007 did not decrease from 2006, EPA continues to indicate that grants will continue to decrease in the future, and possibly be eliminated by 2011. The President's 2008 Budget Request to Congress indicates a grant to California of about \$48 million, a decrease of approximately 25% from the 2006 and 2007 level.

Due to the potential for reductions of future capitalization grants and the need for an additional funding source for administration fund, the Legislature is in the process of passing legislation that will allow SRF to collect a service charge on loans to be used for administrative costs, ensuring sufficient funds are available to administer the SRF program.

The voters of California approved Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006. Proposition 84 will provide an additional \$76 million in state matching funds for future capitalization grants and \$4 million in administration funds.

The State Water Board is working to develop a new marketing strategy including stakeholder focus groups to ensure the best use of available assets. The State Water Board approved the sale of an additional \$300 million in revenue bonds at its September 22, 2005, meeting. The State Water Board continues to work with its financial advisors on the timing of additional revenue bonds sales to meet new loan obligations.

### **Requests for Information**

This financial report is designed to provide interested parties with a general overview of the SRF finances. Questions concerning the information provided in this report or requests for additional information should be addressed to Mr. Jerrel Bolds, Manager, Accounting Division, Division of Administrative Services, P.O. Box 100, Sacramento, California 95812

**BASIC FINANCIAL STATEMENTS**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
STATEMENTS OF NET ASSETS**

**June 30, 2007 and 2006**

(in thousands)

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 378,491	\$ 328,541
Cash and cash equivalents - Restricted	40,047	76,342
Receivables:		
Loan interest	29,262	28,254
Investment interest	6,491	4,560
Due from other funds and other governments	3,047	4,218
Loans receivable:		
Current portion	83,536	72,268
Current portion - Restricted	55,965	58,300
Unamortized revenue bond issuance costs	92	101
Total current assets	596,931	572,584
<b>OTHER ASSETS</b>		
Noncurrent unamortized revenue bond issuance costs	427	519
Loans receivable:		
Noncurrent (net of allowance for bad debt)	1,677,656	1,420,827
Noncurrent - Restricted	512,173	569,003
Total other assets	2,190,256	1,990,349
<b>TOTAL ASSETS</b>	<b>2,787,187</b>	<b>2,562,933</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Revenue bond interest payable	2,555	2,739
Deferred revenue	78	126
Due to other funds	456	631
Revenue bonds payable	24,711	24,077
Total current liabilities	27,800	27,573
<b>NONCURRENT LIABILITIES</b>		
Deferred revenue	563	676
Revenue bonds payable	215,164	239,875
Total noncurrent liabilities	215,727	240,551
Total liabilities	243,527	268,124
<b>NET ASSETS</b>		
Restricted for:		
Debt service	23,076	39,978
Security for revenue bonds	568,138	627,303
Unrestricted	1,952,446	1,627,528
Total net assets	\$ 2,543,660	\$ 2,294,809

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended June 30, 2007 and 2006**  
(in thousands)

	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUE</b>		
Loan interest income	\$ 55,045	\$ 50,390
Total operating revenue	55,045	50,390
<b>OPERATING EXPENSES</b>		
Personnel services	1,918	2,503
Other expenses	1,469	1,498
Bad debt allowance expense	-	6,486
Total operating expenses	3,387	10,487
<b>INCOME FROM OPERATIONS</b>	51,658	39,903
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Net investment income	23,519	14,350
Revenue bond interest expense	(9,178)	(9,812)
Bond fees	(36)	(21)
Amortization of revenue bond issuance costs	(101)	(107)
Total nonoperating revenue (expense)	14,204	4,410
<b>INCOME BEFORE CONTRIBUTIONS</b>	65,862	44,313
<b>CONTRIBUTIONS</b>		
EPA capitalization grant	179,018	43,910
State match revenue	3,971	10,049
Other State contributions	-	2,983
<b>CHANGE IN NET ASSETS</b>	248,851	101,255
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,294,809	2,193,554
<b>NET ASSETS - END OF YEAR</b>	\$2,543,660	\$2,294,809

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2007 and 2006**  
(in thousands)

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from interest on loans	\$ 49,412	\$ 46,584
Loans disbursed	(337,829)	(118,568)
Principal received on loans receivable	133,361	129,100
Cash paid to employees and vendors	(3,562)	(4,245)
Cash flows provided (required) from operating activities	(158,618)	52,871
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Funds received from EPA capitalization grant	180,154	45,095
Funds received from the State of California	4,006	10,084
Bond fees paid	(36)	(21)
Principal paid on revenue bonds	(22,850)	(22,185)
Interest paid on revenue bonds	(10,589)	(11,290)
Cash flows provided by noncapital financing activities	150,685	21,683
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment income received	21,588	12,006
Net cash provided by investing activities	21,588	12,006
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	13,655	86,560
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	404,883	318,323
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 418,538	\$ 404,883
 <b>Reconciliation of operating income to net cash provided (required) by operating activities</b>		
Income from operations	\$ 51,658	\$ 39,903
Adjustments to reconcile income from operations to net cash provided (required) by operating activities		
Construction period interest	(4,471)	(1,983)
Amortization of deferred revenue	(163)	(135)
Effect of changes in operating assets and liabilities:		
Loans receivable	(204,458)	17,013
Loan interest receivable	(1,008)	(1,685)
Due to other funds	(176)	(242)
Total adjustments	(210,276)	12,968
Net cash provided (required) by operating activities	\$ (158,618)	\$ 52,871
 <b>NONCASH TRANSACTIONS</b>		
Loans receivable contributed	\$ -	\$ 2,983

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(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 (SRF) program to replace the construction grants program 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 SRF provides for low interest loans to finance the entire cost of qualifying projects. The SRF 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 20 years and 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, 2007 and 2006, the EPA has awarded cumulative capitalization grant funding of \$1,838,157 and \$1,791,773, respectively to the State of California (State), for which the State is required to provide \$367,631 and \$358,355, respectively, of cumulative matching funding to the Fund.

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 Services (Program). The Board's primary responsibilities with the SRF include obtaining capitalization grants from the EPA, soliciting potential interested parties, negotiating loan agreements with local communities, reviewing and approving payment 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 SRF program by charging the Fund for time spent on SRF 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.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

**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 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 assets 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 Assets.

The Fund has elected to follow Governmental Accounting Standards Board pronouncements as well as statements issued by the Financial Accounting Standards Board on or before November 30, 1989, unless the pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

**Operating Revenues and Expenses**

The Fund distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Assets. 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 direct salary costs and benefits expenses, allocated indirect costs and an allowance for bad debt. 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.

**Budgets**

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

**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.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

**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 20 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 basis.

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

Revenue bond issue costs and original issue premium are being amortized over the term of the bonds using the interest method.

**Reclassifications**

For comparability, certain 2006 amounts have been reclassified where appropriate to conform to the 2007 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

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

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

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, 2007 and 2006, the Fund's cash deposits had a carrying balance of \$153 and \$6, respectively.

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

<u>Investments</u>	<u>2007</u>	<u>2006</u>
Treasury/Trust Portfolio	<u>\$ 418,385</u>	<u>\$ 404,877</u>
Total cash deposits and investments	<u>\$ 418,538</u>	<u>\$ 404,883</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, 2007 and 2006, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

Cash deposits and investments are reflected on the June 30, 2007 and 2006 statement of net assets as follows:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 378,491	\$ 328,541
Cash and cash equivalents - Restricted	<u>40,047</u>	<u>76,342</u>
Total cash deposits and investments	<u>\$ 418,538</u>	<u>\$ 404,883</u>

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

As of June 30, 2007, all revenue bond proceeds have been disbursed. Cash and investments in the amount of \$19,460, representing unspent revenue bonds proceeds and investment earnings, at June 30, 2006, were restricted for future loan disbursements. Additionally, cash and investments in the amount of \$40,047 and \$56,882, representing various reserve accounts required by the revenue bonds, at June 30, 2007 and 2006, respectively, were restricted for 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. Loans are financed with capitalization grants, state match, local contributions, revenue bond proceeds and revolving loan funds. Interest rates vary between 1.8 and 4.0 percent and are generally repaid over 20 years starting one year after the project is completed. Interest rates are established in the original loan agreements and are 50 percent of the State's General Obligation Bond Rate at the time the loan commitment is made, except for the local match loans. Interest earned during the construction period is calculated from the date funds are disbursed until the project is completed.

As of June 30, 2007 and 2006, the Fund had total binding loan commitments of \$3,869,007 and \$3,536,707, respectively, since inception of the Fund. The remaining commitment on these loans as of June 30, 2007 and 2006 amounted to \$419,682, of which \$71,067 is federal funds, and \$468,271, of which \$184,193 is federal funds, respectively.

At June 30, 2007 and 2006 the unpaid balance on all loans receivable outstanding amounted to \$2,329,330 and \$2,120,398, respectively.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

Estimated maturities of the loans receivable, and interest payments thereon, at June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	\$ 50,140	\$ 139,501	\$ 189,641
2009	47,356	144,009	191,365
2010	43,761	146,042	189,803
2011	40,089	149,414	189,503
2012	36,327	144,469	180,796
2013-2017	130,268	672,088	802,356
2018-2022	57,691	540,769	598,460
2023-2027	9,875	206,574	216,449
Total	<u>\$ 415,507</u>	<u>2,142,866</u>	<u>\$ 2,558,373</u>
Loans not yet in repayment		192,950	
Allowance for bad debt		(6,486)	
Total loans receivable		<u>\$ 2,329,330</u>	

**Restricted Loans Receivable**

At June 30, 2007 and 2006, \$568,138 and \$627,303, 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, 2007 the Fund received \$59,164 and \$17,935 of principal and interest, respectively, on these loans, and during the year ended June 30, 2006, the Fund received \$62,719 and \$19,478 of principal and interest, respectively, on these loans. Any excess of the principal and interest received over the debt service payments required and the required debt service reserve accounts may be released from restriction upon request of the Fund in the event certain requirements are met.

**Local Match Loans**

The Fund offers the option of obtaining reduced interest rate loans. In order to obtain one of these loans, the local agency must provide the State's matching share of the loan, generally one-sixth or 16.7 percent of the total loan amount. The borrower then repays 100 percent of the loan, including the amount reflected as State matching funds, over a period of twenty years. Borrowers also have the option of remitting the State share of the loan to the Fund when the loan is awarded or paying the State share as the project progresses.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

For loans where the borrower elects to remit the State's match to the Fund at the time the loan is awarded, the amounts remitted are recorded as deferred revenue and are amortized over the life of the loan. For the loans in which the borrowers repay the Fund over 20 years, the Fund considers a portion of such loans to be a loan origination fee. Such fees are amortized over the life of the loan as an adjustment to the stated interest rate. The imputed interest rate on these loans is approximately 1.8 percent.

As of June 30, 2007 and 2006, the Fund had authorized a total of \$1,456,104 and \$1,243,206, respectively, of reduced interest rate loans. 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, 2007 and 2006. The remaining borrowers elected to repay the State match over a period of 20 years, in the amount of \$194,507 and \$161,506 as of June 30, 2007 and 2006, respectively. As of June 30, 2007 and 2006, total local match loans outstanding amounted to \$830,233 and \$702,951, respectively, and the remaining State match to be repaid amounted to \$140,071 and \$120,206, respectively.

**Loans to Major Local Agencies**

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceeds 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2007 and 2006 of these major local agencies represent approximately 28 percent of the total loans receivable and are as follows:

<u>Borrower</u>	<u>2007</u>		<u>2006</u>
	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District	\$ 448,837	\$ 319,135	\$ 322,652
City of Los Angeles	262,899	206,377	143,704
City of Santa Rosa	158,597	125,677	132,647
	<u>\$ 870,333</u>	<u>\$ 651,189</u>	<u>\$ 599,003</u>

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT**

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

	<u>Balance June 30, 2006</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Series 2002 Revenue Bonds:					
Bond principal	\$ 256,390	\$ -	\$ 22,850	\$ 233,540	\$ 23,585
Bond premium	7,562	-	1,227	6,335	1,126
	<u>263,952</u>	<u>\$ -</u>	<u>\$ 24,077</u>	<u>239,875</u>	<u>\$ 24,711</u>
Less current portion:					
Bond principal	(22,850)			(23,585)	
Bond premium amortization	(1,227)			(1,126)	
Long-term portion	<u>\$ 239,875</u>			<u>\$ 215,164</u>	

	<u>Balance June 30, 2005</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Series 2002 Revenue Bonds:					
Bond principal	\$ 278,575	\$ -	\$ 22,185	\$ 256,390	\$ 22,850
Bond premium	8,873	-	1,311	7,562	1,227
	<u>287,448</u>	<u>\$ -</u>	<u>\$ 23,496</u>	<u>263,952</u>	<u>\$ 24,077</u>
Less current portion:					
Bond principal	(22,185)			(22,850)	
Bond premium amortization	(1,312)			(1,227)	
Long-term portion	<u>\$ 263,951</u>			<u>\$ 239,875</u>	

On August 7, 2002, the Fund issued \$300,000 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2002, dated August 1, 2002, with interest of 3% to 5%. 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 bonds maturing on or after October 1, 2013 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after October 1, 2012 without call premium. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

At the time of issuance of the revenue bonds by the Fund, the Fund pledged in excess of \$850,000 of outstanding loans receivable of the Fund as security for the bonds (see Note 4). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. Any excess of the principal and interest received over the debt service payments required and the required debt service reserve accounts may be released from restriction upon request of the Fund in the event certain requirements are met.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 23,585	\$ 9,773	\$ 33,358
2009	22,930	8,963	31,893
2010	23,655	8,103	31,758
2011	24,390	7,066	31,456
2012	24,285	5,943	30,228
2013-2017	92,845	15,426	108,271
2018-2019	21,850	1,001	22,851
	<u>\$ 233,540</u>	<u>\$ 56,275</u>	<u>\$ 289,815</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. All funds drawn are recorded as non-operating revenue from the EPA and the State. As of June 30, 2007 and 2006, the EPA has awarded cumulative capitalization grants of \$1,838,157 and \$1,791,773, respectively, to the State, of which \$1,772,132 and \$1,593,114, respectively, has been drawn, cumulatively, for loans and administrative expenses. The State has provided matching funds of \$270,752 and \$266,781, respectively.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

As discussed in Note 4, certain borrowers have contributed a portion of the State's required 20 percent match 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, 2007 and 2006, the borrowers had contributed \$196,803 and \$163,802, respectively, which qualify as meeting the State's matching requirement.

Table I summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2007 and 2006, and balances available for future loans as of June 30, 2007. Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2007 and 2006. As of June 30, 2007 and 2006, the state match required is \$354,426 and \$318,623, respectively. As of June 30, 2007 and 2006, the state match available for potential future state match is \$113,129 and \$111,960, respectively.

**TABLE 1**

Year	Grant Award	Funds Drawn		Funds Drawn		Funds Drawn As of June 30, 2007	Available for Loans as of June 30, 2007
		Funds Drawn As of June 30, 2005	Funds Drawn During Year Ended June 30, 2006	Funds Drawn As of June 30, 2006	Funds Drawn During Year Ended June 30, 2007		
1989-2001	\$ 1,424,721	\$ 1,424,721	\$ -	\$ 1,424,721	\$ -	\$ 1,424,721	\$ -
2002	95,126	95,106	20	95,126	-	95,126	-
2003	94,647	29,377	43,090	72,467	22,180	94,647	-
2004	94,613	-	800	800	93,813	94,613	-
2005	82,666	-	-	-	63,025	63,025	19,641
2006	46,384	-	-	-	-	-	46,384
	<u>\$ 1,838,157</u>	<u>\$ 1,549,204</u>	<u>\$ 43,910</u>	<u>\$ 1,593,114</u>	<u>\$ 179,018</u>	<u>\$ 1,772,132</u>	<u>\$ 66,025</u>

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

**TABLE 2**

	State Match Paid As of June 30, 2005	State Match Paid During Year Ended June 30, 2006	State Match Paid As of June 30, 2006	State Match Paid During Year Ended June 30, 2007	State Match Paid As of June 30, 2007
State Disbursed	\$ 253,749	\$ 13,032	\$ 266,781	\$ 3,971	\$ 270,752
Local Disbursed	156,327	7,475	163,802	33,001	196,803
	<u>\$ 410,076</u>	<u>\$ 20,507</u>	<u>\$ 430,583</u>	<u>\$ 36,972</u>	<u>\$ 467,555</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 SRF program.

**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, 2007 and 2006, Comprehensive Annual Financial Reports.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

**NOTE 8 - RETIREMENT PLAN**

**Plan Description**

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

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

**Funding Policy**

The Fund is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERF Board of Administration. The required contribution rates for the years ended June 30, 2007 and 2006, were 16.997% and 15.942%, respectively, for State Miscellaneous First Tier and 16.778% and 15.890%, respectively, for State Miscellaneous Second Tier. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Contributions, annual pension costs and trend information attributable to employees of the Fund for the fiscal year ended June 30, 2007 and 2006, are not determinable at the Fund level. However, this information is reported at a statewide level in the State of California's Comprehensive Annual Financial Report.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD**  
**WATER POLLUTION CONTROL REVOLVING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**  
(Dollar Amounts Expressed in Thousands)

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

**Post-Employment Benefits Other than Pension**

In addition to the pension benefits provided by the State, the State also provides post-retirement health care benefits, in accordance with Section 22754(g) of the State Government Code, to all employees who retire from the State on or after attaining certain age and length of service requirements. The post-retirement health care benefits are funded by the State's General Fund on a pay-as-you-go basis.

**NOTE 9 - NET ASSETS**

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted.

As of June 30, 2007 and 2006, the Fund had no net assets invested in capital assets, net of related debt.

Restricted net assets include net assets that are 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, 2007 and 2006, the Fund had restricted net assets of \$23,076 and \$39,978, respectively, representing amounts received from borrower loan repayments on pledged loans, which are restricted for future bond debt service payments and \$568,138 and \$627,303, respectively, representing loans receivable pledged as security for the revenue bonds (see Note 5).

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

**NOTE 10 - LITIGATION**

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

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

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

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
 WATER POLLUTION CONTROL REVOLVING FUND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2007**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Environmental Protection Agency</u></b>		
Direct Programs:		
Capitalization Grants for State Revolving Funds	66.458	<u>\$179,017,941 (*)</u>

(\*) Tested as a Major Program

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007**

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - LOANS TO SUBRECIPIENTS**

Capitalization Grants for Clean Water State Revolving Fund CFDA# 66.458 include \$176,147,728 of expenditures that were disbursed as loan awards to qualifying subrecipients.

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with *Government Auditing Standards***

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

We have audited the basic financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund) as of and for the year ended June 30, 2007 and have issued our report thereon dated October 11, 2007. We conducted our audit 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Water Pollution Control Revolving Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Water Pollution Control Revolving Fund's financial statements are free of 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*.

This report is intended solely for the information and use of the Water Pollution Control Revolving Fund's management and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Greenwood Village, Colorado  
October 11, 2007

**Independent Auditor's Report on Compliance with Requirements  
Applicable to the Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund) with the types of compliance requirements described in *the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Water Pollution Control Revolving Fund's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Water Pollution Control Revolving Fund's management. Our responsibility is to express an opinion on Water Pollution Control Revolving Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Water Pollution Control Revolving Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Water Pollution Control Revolving Fund's compliance with those requirements.

In our opinion, Water Pollution Control Revolving Fund complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of Water Pollution Control Revolving Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Water Pollution Control Revolving Fund's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Water Pollution Control Revolving Fund's management, the California State Water Resources Control Board, and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Greenwood Village, Colorado  
October 11, 2007

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007**

**PART I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified  
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: Unqualified  
Any audit findings disclosed that are required  
to be reported in accordance with section 510 (a)  
of OMB Circular A-133?  yes  no

Identification of major programs:

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

Dollar threshold used to distinguish between  
Type A and Type B programs: \$3,000,000  
Auditee qualified as low-risk auditee?  yes  no

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

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

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

There were no findings required to be reported under *OMB Circular A-133*.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
PRIOR AUDIT FINDINGS  
Year Ended June 30, 2007**

Reference Number: 2006-01  
Federal Catalog Number: 66.458  
Federal Program Title: Capitalization Grants for Clean Water State Revolving  
Funds  
Category of Finding: Subrecipient Monitoring  
State Administering Subdivision: California State Water Resources Control Board

**CRITERIA**

Section .400 (d) of OMB Circular A-133 requires a pass-through entity to perform the following for the federal awards it makes:

- (1) Identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, award year, if the award is research and development, and name of the federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the federal award.
- (2) Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely correction action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records of financial statements as necessary for the pass-through entity to comply with OMB Circular A-133.

**CONDITION**

Subrecipients were not notified of all required federal award information pertaining to the federal award as noted in (1) above. Additionally, single audits were not completed or not properly completed by certain subrecipients in accordance with (4) above.

**EFFECT**

California State Water Resources Control Board, Water Pollution Control Revolving Fund (Fund) is not in compliance with certain pass-through entity responsibilities.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD  
WATER POLLUTION CONTROL REVOLVING FUND  
PRIOR AUDIT FINDINGS  
Year Ended June 30, 2007**

**QUESTIONED COSTS**

\$26,061,094

**CONTEXT**

Generally, the subrecipients of the federal awards have June 30 year ends, and as a result due to the fiscal year ends and the completion of audits by subrecipients, testing was limited to single audits submitted for the fiscal year ended June 30, 2005. Six of ten subrecipients required to have single audits completed in accordance with OMB Circular A-133 either did not have them completed or the audits were not properly completed. Four of the six did not have a single audit completed and two of the six had single audits completed, however the Capitalization Grant for Clean Water State Revolving Funds (CFDA No. 66.458) was not listed on the Schedule of Expenditures of Federal Awards. Neither the California State Controller's Office or the Fund followed up with the entities regarding the lack of completed single audits or improperly completed single audits for the year ended June 30, 2005. The total federal funds disbursed to the six subrecipients by the Fund for the year ended June 30, 2005 for which no single audit was completed or was improperly completed was \$26,061,094. The total reported expenditures of federal awards reported by the Fund on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005 was \$64,450,038, of which \$61,005,181 was passed through to subrecipients.

**CAUSE**

Required federal award information was not included in the loan contracts with subrecipients or otherwise communicated to subrecipients. Additionally, the Water Pollution Control Revolving Fund and the California State Controller's Office have not developed an effective process to ensure that subrecipients receiving federal awards in excess of \$500,000 are having single audits completed and submitted when required. Additionally there is not timely follow-up in instances where single audits are required to be submitted but are not received.

**STATUS**

Corrective action was taken by the entity during the year ended June 30, 2007. No instances of non compliance related subrecipient monitoring were noted in the current year's testing. This finding is considered corrected.

## **Exhibit B – Projects Approval Status Report**

# California CWSRF Project Approval Status

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
<b>Commitment Status:</b>		<b>Complete</b>	<b>Loan Status:</b>		<b>Executed Contract</b>			
2/22/1996	3/9/1998	Complete	4001-220	97-804	Los Angeles County Sanitation District	Been, Robert	1,176,608.00	0.00
2/22/1996	6/10/1999	Complete	4001-230	97-830	Los Angeles County Sanitation District	Been, Robert	95,964,903.00	0.00
2/22/1996	2/14/2001	Complete	4001-240	99-822	Los Angeles County Sanitation District	Been, Robert	44,310,017.00	0.00
2/22/1996	11/1/1999	Complete	4001-250	98-818	Los Angeles County Sanitation District	Been, Robert	34,353,276.00	0.00
2/22/1996	7/2/1999	Complete	4001-260	98-817	Los Angeles County Sanitation District	Been, Robert	3,608,121.00	0.00
2/22/1996	7/7/2000	Complete	4001-270	99-801	Los Angeles County Sanitation District	Been, Robert	19,798,224.00	0.00
2/22/1996	2/20/2002	Complete	4001-280	00-807	Los Angeles County Sanitation District	Been, Robert	8,998,871.00	177,801.00
2/22/1996	7/22/2003	Complete	4001-290	00-821	Los Angeles County Sanitation District	Been, Robert	9,720,121.00	0.00
2/22/1996	1/29/2001	Complete	4001-410	99-821	Los Angeles County Sanitation District	Been, Robert	9,825,312.00	0.00
2/22/1996	7/22/2003	Complete	4001-420	99-832	Los Angeles County Sanitation District	Been, Robert	3,678,689.00	0.00
2/22/1996	7/22/2003	Complete	4001-430	00-830	Los Angeles County Sanitation District	Been, Robert	3,463,475.00	0.00
2/22/1996	7/22/2003	Complete	4001-450	00-803	Los Angeles County Sanitation District	Been, Robert	7,992,479.00	0.00
2/22/1996	12/12/2003	Complete	4001-460	02-812	Los Angeles County Sanitation District	Been, Robert	9,536,746.00	0.02
2/22/1996	7/28/2003	Complete	4001-470	99-828	Los Angeles County Sanitation District	Been, Robert	1,747,661.00	0.00
3/19/2004	7/22/2003	Complete	4001-490	01-806	Los Angeles County Sanitation District	Been, Robert	3,933,164.00	0.00
3/19/2004	12/12/2003	Complete	4001-500	01-822	Los Angeles County Sanitation District	Been, Robert	1,284,519.00	0.00
3/19/2004	7/21/2003	Complete	4001-510	01-808	Los Angeles County Sanitation District	Been, Robert	602,437.00	0.00
3/19/2004	7/22/2003	Complete	4001-530	01-807	Los Angeles County Sanitation District	Been, Robert	3,394,826.00	0.00
3/15/2000	9/26/2003	Complete	4062-210	02-805	Santa Rosa, City of	Lam, Pat	366,694.00	0.00
11/19/1998	2/16/2000	Complete	4064-110	98-832	South Coast WD	Kawada, Eva	6,371,052.00	0.00
3/21/1994	12/15/1995	Complete	4071-210	95-804	Monterey Regional WPCA	Mills, Rich	8,850,000.00	0.00
6/1/1993	11/13/1997	Complete	4082-110	95-816	Los Angeles County Sanitation District	Been, Robert	8,916,554.00	0.00
6/18/1998	5/20/2003	Complete	4082-120	00-820	Los Angeles County Sanitation District	Been, Robert	38,257,969.00	0.00
6/18/1998	5/20/2003	Complete	4082-170	00-832	Los Angeles County Sanitation District	Been, Robert	1,255,329.00	216,919.00
11/19/1998	10/20/1999	Complete	4085-130	98-821	Grass Valley, City of	Lee, Wing	9,027,724.00	0.00
11/16/2000	9/25/2001	Complete	4086-110	00-819	Lake County Sanitation District	Kawada, Eva	9,263,406.00	0.00
11/18/1997	2/26/2001	Complete	4119-410	98-839	San Diego, City of	Been, Robert	2,525,341.00	0.00
11/18/1997	12/27/2000	Complete	4119-510	98-838	San Diego, City of	Been, Robert	33,720,303.00	0.00
9/17/1998	12/1/2000	Complete	4150-120	99-810	Moulton Niguel Water District	Wong, Rich	19,743,169.00	0.00
1/15/1998	11/1/1999	Complete	4156-110	98-829	Escondido, City of	Pontureri, Robert	16,461,971.00	0.00
11/19/1998	5/20/1999	Complete	4156-210	98-815	Escondido, City of	Pontureri, Robert	8,149,807.00	0.00
1/18/2001	2/25/2000	Complete	4156-310	99-803	Escondido, City of	Pontureri, Robert	12,352,118.00	0.00
11/16/2000	2/26/2002	Complete	4161-110	00-829	Oceanside, City of	Willis, Jim	48,772,992.00	0.00
1/15/1998	6/4/1998	Complete	4220-110	96-822	San Jose, City of	Lam, Pat	7,523,850.00	0.00
2/20/1997	9/21/1998	Complete	4220-120	98-802	San Jose, City of	Lam, Pat	4,899,379.00	0.00
2/20/1997	7/8/1998	Complete	4220-130	97-821	San Jose, City of	Lam, Pat	5,250,994.00	0.00
2/20/1997	7/13/1998	Complete	4220-140	97-822	San Jose, City of	Lam, Pat	3,111,638.00	0.00
2/20/1997	7/6/1998	Complete	4220-150	97-823	San Jose, City of	Lam, Pat	12,630,523.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
11/18/1997	7/8/1998	Complete	4220-160	97-826	San Jose, City of	Lam, Pat	11,778,763.00	0.00
11/18/1997	7/6/1998	Complete	4220-170	97-824	San Jose, City of	Lam, Pat	8,732,841.00	0.00
2/20/1997	9/21/1998	Complete	4220-180	98-803	San Jose, City of	Lam, Pat	4,532,364.00	0.00
2/20/1997	9/2/1998	Complete	4220-190	98-804	San Jose, City of	Lam, Pat	3,009,808.00	0.00
11/18/1997	9/21/1998	Complete	4220-310	98-805	San Jose, City of	Lam, Pat	6,443,637.00	0.00
11/18/1997	9/21/1998	Complete	4220-320	98-806	San Jose, City of	Lam, Pat	5,652,221.00	0.00
9/6/2002	4/24/2003	Complete	4252-410	02-804	La Canada Flintridge, City of	Been, Robert	13,596,030.00	0.00
6/20/2002	3/4/2004	Complete	4307-110	02-818	San Luis Obispo, City of	Sarmiento, Leo	8,114,137.00	0.00
7/17/1997	12/31/1997	Complete	4321-110	97-806	Bakersfield, City of	Kawada, Eva	14,954,054.00	0.00
9/18/1997	11/17/1998	Complete	4357-110	98-807	Santa Ynez Community Services District	Marshall, James	410,106.00	0.00
11/18/1997	4/16/1999	Complete	4441-120	97-829	Sacramento, City of	Lee, Wing	37,015,548.00	0.00
4/29/1999	2/4/2000	Complete	4452-110	98-837	Santa Ana Watershed Project Authority	Zeichner, Glenn	3,373,815.00	160,523.00
4/29/1999	12/18/2000	Complete	4452-120	99-809	Santa Ana Watershed Project Authority	Zeichner, Glenn	5,089,798.00	0.00
4/29/1999	2/26/2001	Complete	4452-130	99-825	Santa Ana Watershed Project Authority	Zeichner, Glenn	4,187,933.00	0.00
4/29/1999	7/20/2001	Complete	4452-140	99-830	Santa Ana Watershed Project Authority	Zeichner, Glenn	4,455,792.00	0.00
2/20/1997	11/18/1997	Complete	4455-110	96-817	Irvine Ranch Water District	Lee, Wing	3,882,906.00	0.00
6/20/2002	5/11/2006	Complete	4462-110	02-814	Orange County Water District	Pontureri, Robert	7,216,196.00	0.00
6/20/2002	5/11/2006	Complete	4462-120	03-813	Orange County Water District	Pontureri, Robert	3,429,338.00	0.00
6/20/2002	5/11/2006	Complete	4462-130	03-814	Orange County Water District	Pontureri, Robert	2,877,115.00	0.00
6/20/2002	5/11/2006	Complete	4462-140	03-815	Orange County Water District	Pontureri, Robert	4,425,725.00	0.00
6/20/2002	5/11/2006	Complete	4462-160	03-817	Orange County Water District	Pontureri, Robert	3,479,837.00	0.00
9/21/2000	6/17/2003	Complete	4493-110	00-817	Los Angeles, City of	Been, Robert	219,081,360.00	0.00
3/20/1997	5/21/1998	Complete	4504-110	97-812	Chico, City of	Kawada, Eva	33,613,142.00	0.00
5/18/2000	11/14/2002	Complete	4521-110	00-808	Riverbank, City of	Albrecht, Jeff	766,563.00	0.00
5/18/2000	2/19/2003	Complete	4521-120	00-823	Riverbank, City of	Albrecht, Jeff	233,502.00	0.00
6/20/2003	11/19/2004	Complete	4528-210	03-806	Benicia, City of	Lee, Wing	11,196,432.00	0.00
1/17/2003	4/18/2007	Complete	4540-110	06-804	San Diego, City of	Pontureri, Robert	11,067,897.00	0.00
3/7/2001	3/27/2001	Complete	4596-110	00-805	Hilmar County Water District	Zeichner, Glenn	2,492,800.00	0.00
5/20/1999	12/4/2001	Complete	4616-110	99-829	Calistoga, City of	Lam, Pat	5,450,364.00	0.00
1/22/1998	6/23/1998	Complete	4648-110	97-814	Rialto, City of	Been, Robert	21,348,731.00	0.00
9/16/1999	3/16/2001	Complete	4650-110	99-827	San Diego, City of	Been, Robert	7,741,583.00	0.00
11/16/2000	9/29/2004	Complete	4655-130	03-811	Piedmont, City of	Zeichner, Glenn	2,512,708.00	0.00
3/17/2006	6/28/2006	Complete	4665-210	05-809	Stege Sanitary District	Lee, Wing	706,004.00	0.00
9/21/2000	6/25/2001	Complete	4685-110	00-806	Sacramento, City of	Lee, Wing	2,603,365.00	0.00
8/19/2004	3/23/2005	Complete	4695-110	03-801	Escondido, City of	Pontureri, Robert	1,572,306.00	0.00
9/21/2000	10/1/2001	Complete	4708-110	00-809	Redding, City of	Been, Robert	16,792,600.00	0.00
12/20/2002	5/4/2004	Complete	4728-110	02-824	South San Francisco, City of	Lam, Pat	21,138,033.00	120,496.00
11/29/2005	8/31/2006	Complete	4729-110	05-811	La Mesa, City of	Pontureri, Robert	3,324,500.00	11,175,500.00
4/18/2003	3/11/2004	Complete	4738-110	02-822	West Sacramento, City of	Zeichner, Glenn	1,515,935.00	0.00
3/19/2004	12/4/2006	Complete	4783-210	03-847	Los Angeles County Sanitation District	Been, Robert	12,488,575.00	73,635.00
1/17/2003	11/29/2006	Complete	4786-110	02-806	San Diego, City of	Pontureri, Robert	3,858,257.00	0.00
6/20/2002	9/1/2004	Complete	4790-110	01-825	Vallejo Sanitation & Flood Dist.	Zeichner, Glenn	13,798,201.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
7/16/2003	8/3/2004	Complete	4793-110	03-810	Pismo Beach, City of	Zeichner, Glenn	10,154,284.00	0.00
7/16/2003	2/10/2006	Complete	4793-120	04-805	Pismo Beach, City of	Zeichner, Glenn	231,904.00	0.00
12/20/2002	11/26/2003	Complete	4801-110	02-816	North San Mateo County Sanitation District	Zeichner, Glenn	4,450,128.00	0.00
9/6/2002	2/20/2004	Complete	4812-110	02-821	Napa Sanitation District	Lam, Pat	901,376.00	0.00
6/20/2003	5/4/2004	Complete	4821-110	03-807	Russian River County Sanitation Dist.	Lam, Pat	3,800,969.00	0.00
12/7/2005	8/3/2006	Complete	4844-110	05-808	North Marin Water District	Lam, Pat	4,215,332.00	49,213.00
4/16/2004	4/11/2006	Complete	4845-110	02-826	Santa Margarita Water District	Johnston, Paul	5,980,444.00	1,219,556.00
3/21/2003	2/7/2005	Complete	4846-140	03-808	Inland Empire Utilities Agency	Pontureri, Robert	5,406,715.00	0.00
3/21/2003	12/20/2004	Complete	4846-150	03-809	Inland Empire Utilities Agency	Pontureri, Robert	1,862,960.00	0.00
3/21/2003	3/26/2004	Complete	4846-160	03-803	Inland Empire Utilities Agency	Pontureri, Robert	1,370,504.00	0.00
1/1/1995	11/7/1991	Complete	6000-110	91-810	Fresno Metropolitan Flood Control District	Magtoto, Mark	20,236,450.00	0.00
1/1/1995	8/25/1997	Complete	6000-120	96-813	Fresno Metropolitan Flood Control District	Kawada, Eva	10,000,000.00	0.00
1/1/1995	9/27/1991	Complete	6001-110	91-811	San Francisco, City and County of	Kawada, Eva	1,935,867.00	0.00
1/1/1995	5/26/2000	Complete	6011-110	98-842	Metropolitan Water District of So. California	Kawada, Eva	20,000,000.00	0.00
1/1/1995	1/29/1999	Complete	6020-110	98-824	Santa Monica, City of	Kawada, Eva	5,000,000.00	0.00
1/1/1995	12/22/1997	Complete	6021-110	96-818	Wasco, City of	Kawada, Eva	668,100.00	0.00
1/1/1995	6/27/1994	Complete	6022-110	93-810	Pacheco Water District	Kawada, Eva	1,869,814.10	0.00
1/1/1995	11/7/1996	Complete	6025-110	96-804	South Lake Tahoe, City of	Kawada, Eva	1,023,515.31	0.00
1/1/1995	1/19/1999	Complete	6026-110	98-826	South Lake Tahoe, City of	Kawada, Eva	1,998,000.00	0.00
1/1/1995	1/31/2002	Complete	6026-120	01-801	South Lake Tahoe, City of	Magtoto, Mark	190,936.49	0.00
1/1/1995	1/5/1996	Complete	6027-110	95-806	Westlands Water District	Kawada, Eva	1,000,000.00	0.00
1/1/1995	6/19/1998	Complete	6031-110	97-813	Mammoth Lakes, Town of	Kawada, Eva	1,182,000.00	0.00
1/1/1995	8/25/1997	Complete	6041-110	96-816	Pacheco Water District	Kawada, Eva	737,437.48	0.00
1/1/1995	5/16/1997	Complete	6043-110	96-808	Napa Resource Conservation District	Kawada, Eva	138,847.44	0.00
1/1/1995	1/22/1998	Complete	6044-110	97-805	Panoche Water District	Kawada, Eva	4,227,644.13	0.00
1/1/1995	10/22/1998	Complete	6045-110	98-823	Lost Hills Water District	Kawada, Eva	1,819,907.37	0.00
1/1/1995	11/30/1998	Complete	6046-110	98-825	Westlands Water District	Kawada, Eva	5,000,000.00	0.00
1/1/1995	11/18/1998	Complete	6047-110	98-822	Del Puerto Water District	Kashkoli, Ahmad	4,000,000.00	0.00
1/1/1995	3/22/1999	Complete	6050-110	98-811	Merced, County of	Kawada, Eva	9,989,422.27	10,577.73
1/1/1995	4/6/1998	Complete	6053-110	97-810	Charleston Drainage District	Kawada, Eva	400,000.00	0.00
1/1/1995	3/22/2000	Complete	6061-110	98-828	Napa, County Of, Flood Control and Water	Kashkoli, Ahmad	34,000,000.00	0.00
1/1/1995	10/23/2003	Complete	6061-120	02-811	Napa, County Of, Flood Control and Water	Kashkoli, Ahmad	16,000,000.00	0.00
7/20/2000	11/14/2000	Complete	6065-110	00-812	California State Coastal Conservancy	Kawada, Eva	9,000,000.00	0.00
1/1/1995	6/22/2001	Complete	6075-110	00-813	Valley Small Business Development Corporation	Kawada, Eva	720,000.00	0.00
10/15/2003	9/15/2004	Complete	6085-110	04-802	The Nature Conservancy	Magtoto, Mark	9,000,000.00	0.00
7/19/2006	10/25/2006	Complete	6090-110	06-802	The Conservation Fund	Magtoto, Mark	25,000,000.00	0.00
1/1/1995	9/29/1987	Complete	740 1246-420	8802	East Bay Municipal Utility District	Kawada, Eva	2,495,443.00	0.00
1/1/1995	4/12/1985	Complete	740 1695-110	6801	South East Regional Reclamation Authority	Kawada, Eva	532,164.00	0.00
1/1/1995	3/30/1987	Complete	740 2965-110	8801	Alameda, City of	Kawada, Eva	400,431.00	0.00
2/17/2000	11/22/2002	Complete	740 3902-110	2709	Santa Margarita Water District	Johnston, Paul	6,908,740.00	319,383.00
1/23/2002	7/22/2005	Complete	740 3903-110	4812	Carlsbad, City of, DPW	Wong, Rich	9,694,504.00	0.00
1/1/1995	8/23/1990	Complete	740-271	0804	Irvine Ranch Water District	Kawada, Eva	2,000,000.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
1/1/1995	12/1/1990	Complete	740-272	0810	Otay Water District	Kawada, Eva	5,000,000.00	0.00
1/1/1995	5/1/1991	Complete	740-273	0822	East Bay Municipal Utility District	Kawada, Eva	1,359,000.00	0.00
1/1/1995	4/1/1993	Complete	740-274	2818	Leucadia County Water District	Kawada, Eva	835,000.00	0.00
1/1/1995	4/1/1994	Complete	740-277	3820	Burbank, City of	Kawada, Eva	3,133,741.00	0.00
1/1/1995	12/22/1986	Complete	740-279	6803	Moulton Niguel Water District	Kawada, Eva	1,020,700.00	0.00
1/1/1995	12/22/1986	Complete	740-281	6805	Lakewood, City of	Kawada, Eva	864,831.00	0.00
1/1/1995	1/22/1987	Complete	740-283	6807	Santa Clara, City of	Kawada, Eva	934,003.87	0.00
1/1/1995	1/22/1987	Complete	740-284	6810	Long Beach Water Dept	Kawada, Eva	2,000,000.00	0.00
1/1/1995	2/1/1988	Complete	740-287	7804	Santa Margarita Water District	Unassigned	1,960,000.00	0.00
1/1/1995	2/1/1988	Complete	740-288	7805	Irvine Ranch Water District	Kawada, Eva	2,000,000.00	0.00
1/1/1995	2/1/1988	Complete	740-289	7806	Los Angeles County Sanitation District	Kawada, Eva	1,755,000.00	0.00
1/1/1995	3/1/1988	Complete	740-290	7807	East Bay Municipal Utility District	Kawada, Eva	121,875.00	0.00
1/1/1995	6/1/1988	Complete	740-291	7808	Santa Barbara, City of	Kawada, Eva	2,000,000.00	0.00
1/1/1995	2/1/1989	Complete	740-294	9805	Orange County Water District	Kawada, Eva	2,000,000.00	0.00
9/6/2006	5/8/2007	Not Started	4845-210	06-805	Santa Margarita Water District	Johnston, Paul	0.00	6,170,000.00
12/20/2002	4/13/2004	Ongoing	4007-610	02-823	Alameda, City of	Zeichner, Glenn	1,530,442.00	309,850.00
3/17/2006	9/12/2006	Ongoing	4200-110	05-810	Yucaipa Valley Water District	Pontureri, Robert	27,717,745.00	17,030,611.00
11/16/2005	6/28/2006	Ongoing	4252-510	04-815	La Canada Flintridge, City of	Been, Robert	18,971,721.00	7,956,824.00
3/6/2003	9/26/2005	Ongoing	4450-110	04-814	Coachella, City of	Ochendusko, Kyle	20,424,321.00	3,234,195.00
6/20/2002	6/14/2006	Ongoing	4462-150	03-816	Orange County Water District	Pontureri, Robert	0.00	114,001,371.00
9/16/1999	1/5/2001	Ongoing	4610-120	00-801	Vacaville, City of	Lee, Wing	66,040,402.00	1,745,999.00
9/6/2002	10/7/2003	Ongoing	4633-110	98-843	Tomales Village Community Services District	Lam, Pat	75,330.00	0.00
7/11/2003	2/24/2004	Ongoing	4657-110	03-804	Tahoe-Truckee Sanitation Agency	Lee, Wing	45,335,709.00	7,819,245.00
12/15/1999	2/9/2001	Ongoing	4666-110	99-819	American Canyon, City of	Lee, Wing	9,773,523.00	1,085,947.00
1/26/2006	8/25/2006	Ongoing	4693-110	05-803	Petaluma, City of	Lam, Pat	66,791,369.00	59,172,885.00
7/11/2003	11/13/2003	Ongoing	4753-110	02-819	Susanville Consolidated Sanitary District	Zeichner, Glenn	4,057,700.00	942,280.00
6/20/2002	7/22/2003	Ongoing	4772-110	02-810	Burlingame, City of	Lee, Wing	10,669,475.00	74,313.00
3/19/2004	12/4/2006	Ongoing	4783-110	03-846	Los Angeles County Sanitation District	Been, Robert	6,494,740.00	681,254.00
3/19/2004	12/4/2006	Ongoing	4783-310	03-848	Los Angeles County Sanitation District	Been, Robert	10,322,217.00	1,259,236.00
6/20/2002	9/18/2003	Ongoing	4800-110	01-821	Redlands, City of	Pontureri, Robert	7,851,084.00	1,148,916.00
5/2/2003	10/28/2004	Ongoing	4802-110	02-827	Corona, City of	Sarmiento, Leo	28,983,485.00	956,515.00
9/6/2006	4/26/2007	Ongoing	4823-110	06-801	Sonoma Valley County Sanitation District	Lam, Pat	0.00	6,996,831.00
11/29/2005	7/27/2006	Ongoing	4825-110	05-807	Hayward, City of	Lee, Wing	33,226,039.00	12,232,127.00
11/15/2006	5/3/2007	Ongoing	4829-110	06-811	Lompoc, City of	Lam, Pat	9,017,320.00	67,471,696.00
2/9/2006	6/11/2007	Ongoing	4899-110	06-810	Inland Empire Utilities Agency	Pontureri, Robert	6,773,584.00	7,978,622.00
1/25/2006	6/23/2006	Ongoing	4955-110	05-802	Placerville, City of	Bare, Kathy	19,884,649.00	15,870,597.00
6/20/2006	1/16/2007	Ongoing	4968-110	06-807	Nevada County Sanitation District #1	Zeichner, Glenn	4,077,669.00	11,725,660.00
6/20/2006	1/26/2007	Ongoing	4969-110	06-806	Nevada County Sanitation District #1	Zeichner, Glenn	9,045,180.00	3,077,644.00
10/11/2006	4/11/2007	Ongoing	4971-110	06-803	Redding, City of	Been, Robert	2,426,802.00	1,933,233.00
9/21/1995	6/16/1997	Ongoing	6036-110	01-813	Santa Cruz, County of	Magtoto, Mark	132,000.00	2,068,000.00
1/23/2002	7/1/2005	Ongoing	740 3205-110	5701	Dublin San Ramon Services District	Sarmiento, Leo	9,345,430.00	654,570.00

Commitment Status: Complete

Loan Status: No Contract

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
3/19/2004		Not Started	4001-480		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
3/19/2004		Not Started	4001-540		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
3/19/2004		Not Started	4001-550		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
3/19/2004		Not Started	4001-600		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
3/19/2004		Not Started	4001-610		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
5/22/2007		Not Started	4132-110	07-814	Palo Alto, City of	Pontureri, Robert	0.00	0.00
11/15/2006		Not Started	4148-110		Rosamond Community Services Dist	Zeichner, Glenn	0.00	0.00
6/20/2002		Not Started	4303-110		East Bay Municipal Utility District	Sarmiento, Leo	0.00	0.00
6/5/2007		Not Started	4470-110		Colfax, City of	Siebal, Danielle	0.00	0.00
6/20/2007		Not Started	4632-110	07-815	Alturus, City of	Albrecht, Jeff	0.00	0.00
5/22/2007		Not Started	4699-110		Crescent City, City of	Ochenduszko, Kyle	0.00	0.00
9/6/2006		Not Started	4701-110	07-800	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-120	07-801	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-210	07-802	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-220	07-803	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-310	07-804	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-320	07-805	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-330	07-806	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-340	07-807	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-410		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-420		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-510	07-808	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
9/6/2006		Not Started	4701-520	07-809	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
6/20/2007		Not Started	4728-120	07-816	South San Francisco, City of	Lam, Pat	0.00	0.00
11/29/2005		Not Started	4729-120		La Mesa, City of	Pontureri, Robert	0.00	0.00
11/29/2005		Not Started	4729-130		La Mesa, City of	Pontureri, Robert	0.00	0.00
11/29/2005		Not Started	4729-140		La Mesa, City of	Pontureri, Robert	0.00	0.00
6/20/2002		Not Started	4790-120	06-809	Vallejo Sanitation & Flood Dist.	Zeichner, Glenn	0.00	0.00
5/22/2007		Not Started	4897-110	07-811	Fontana, City of	Been, Robert	0.00	0.00
5/22/2007		Not Started	4897-210		Fontana, City of	Been, Robert	0.00	0.00
5/22/2007		Not Started	4897-220		Fontana, City of	Been, Robert	0.00	0.00
4/18/2007		Not Started	4903-110		Novato Sanitary District	Lee, Wing	0.00	0.00
5/22/2007		Not Started	4916-110		Los Angeles County Sanitation District	Siebal, Danielle	0.00	0.00
8/3/2007		Not Started	4946-110		Ventura County Waterworks Dist 16	Lam, Pat	0.00	0.00
9/8/2006		Not Started	4967-110		Nevada County Sanitation District #1	Zeichner, Glenn	0.00	0.00
8/24/2007		Not Started	4971-210		Redding, City of	Been, Robert	0.00	0.00
8/24/2007		Not Started	4971-220		Redding, City of	Been, Robert	0.00	0.00
5/22/2007		Not Started	5051-110	07-810	Reedley, City of	Lee, Wing	0.00	0.00
3/5/2007		Not Started	5053-110	07-813	Union Sanitary District	Lee, Wing	0.00	0.00
<b>Commitment Status:</b>		<b>Incomplete</b>		<b>Loan Status:</b>		<b>No Contract</b>		
		Not Started	4959-110		Malibu, City of	Holmes, Kari	0.00	0.00
		Not Started	5139-110		Hughson, City of	Wooldridge, Kyle	0.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
		Not Started	6092-110		Sacramento, City of	Magtoto, Mark	0.00	0.00
<b>Commitment Status:</b>		<b>Inconsistent Entry</b>		<b>Loan Status:</b>		<b>No Contract</b>		
9/7/2007		Not Started	4438-110		Colusa, City of	Brown, Meghan	0.00	0.00
9/5/2007		Not Started	4680-110		Ventura, County of	Lam, Pat	0.00	0.00
9/1/2007		Not Started	4779-110		Tahoe City Public Utility District	Wooldridge, Kyle	0.00	0.00
7/17/2007		Not Started	6093-110		St Helena, City of	Kashkoli, Ahmad	0.00	0.00
<b>Commitment Status:</b>		<b>Scheduled</b>		<b>Loan Status:</b>		<b>No Contract</b>		
11/20/2007		Not Started	4001-560		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
11/15/2007		Not Started	4001-630		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
4/8/2008		Not Started	4049-110		Williams, City of	Zeichner, Glenn	0.00	0.00
12/30/2007		Not Started	4111-220		Chico Urban Area Joint Powers Financing Authori	Sarmiento, Leo	0.00	0.00
2/29/2008		Not Started	4167-110		South Orange County WW Auth.	Pontureri, Robert	0.00	0.00
1/31/2008		Not Started	4188-110		Yucaipa Valley Water District	Pontureri, Robert	0.00	0.00
2/22/2008		Not Started	4199-110		Sanger, City of	Zeichner, Glenn	0.00	0.00
12/22/2007		Not Started	4242-110		Delano, City of	Zeichner, Glenn	0.00	0.00
10/15/2007		Not Started	4352-110		Lake Arrowhead Community Services Dist.	Garcia, James	0.00	0.00
11/1/2007		Not Started	4593-110		Kelseyville CWW #3	Wooldridge, Kyle	0.00	0.00
11/6/2007		Not Started	4597-110		Planada CSD	Wooldridge, Kyle	0.00	0.00
3/14/2008		Not Started	4613-110		Beaumont-Cherry Valley WD	Wong, Rich	0.00	0.00
1/15/2008		Not Started	4655-140		Piedmont, City of	Zeichner, Glenn	0.00	0.00
12/31/2008		Not Started	4682-110		Merced, City of	Willis, Jim	0.00	0.00
3/28/2008		Not Started	4730-110		San Juan Capistrano, City of	Pontureri, Robert	0.00	0.00
10/9/2007		Not Started	4743-110		Soledad, City of	Ochendusko, Kyle	0.00	0.00
1/8/2008		Not Started	4746-110		Los Angeles County Sanitation District	Garcia, James	0.00	0.00
3/30/2008		Not Started	4831-110		Santa Cruz County Sanitation District	Toney, Jennifer	0.00	0.00
9/30/2007		Not Started	4900-110		Inland Empire Utilities Agency	Pontureri, Robert	0.00	0.00
3/2/2008		Not Started	4912-110		Barstow, City of	Zeichner, Glenn	0.00	0.00
5/6/2008		Not Started	4966-110		Amador Water Agency	Lee, Wing	0.00	0.00
5/22/2008		Not Started	4971-230		Redding, City of	Been, Robert	0.00	0.00
5/22/2008		Not Started	4971-240		Redding, City of	Been, Robert	0.00	0.00
5/22/2008		Not Started	4971-250		Redding, City of	Been, Robert	0.00	0.00
5/22/2008		Not Started	4971-260		Redding, City of	Been, Robert	0.00	0.00
5/22/2008		Not Started	4971-270		Redding, City of	Been, Robert	0.00	0.00
12/20/2007		Not Started	4997-110		Chico, City of	Sarmiento, Leo	0.00	0.00
11/6/2007		Not Started	4998-110		North Coast CWD	Lam, Pat	0.00	0.00
3/15/2008		Not Started	5004-110		Coalinga, City of	Zeichner, Glenn	0.00	0.00
12/4/2007		Not Started	5017-110		Millbrae, City of	Lee, Wing	0.00	0.00
12/7/2007		Not Started	5042-110		Live Oak, City of	Lam, Pat	0.00	0.00
4/15/2008		Not Started	5043-110		Galt, City of	Willis, Jim	0.00	0.00
2/15/2008		Not Started	5044-110		Palo Alto, City of	Pontureri, Robert	0.00	0.00
9/28/2007		Not Started	5045-110		Union Sanitary District	Lee, Wing	0.00	0.00
10/1/2007		Not Started	5046-110		Ironhouse Sanitary District	Ochendusko, Kyle	0.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Identifier	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
11/13/2007		Not Started	5047-110		Grass Valley, City of	Lee, Wing	0.00	0.00
10/9/2007		Not Started	5055-110		Patterson, City of	Ochendusko, Kyle	0.00	0.00
12/31/2007		Not Started	5061-110		Banning, City of	Pontureri, Robert	0.00	0.00
12/18/2007		Not Started	5063-110		Wasco, City of	Zeichner, Glenn	0.00	0.00
10/22/2007		Not Started	5085-110		Union Sanitary District	Lee, Wing	0.00	0.00
3/28/2008		Not Started	5098-110		Linda County Water District	Pontureri, Robert	0.00	0.00
5/30/2008		Not Started	5100-110		Eastern Municipal Water District	Garcia, James	0.00	0.00
3/4/2008		Not Started	5103-110		Arvin, City of	Zeichner, Glenn	0.00	0.00
9/25/2007		Not Started	5114-110		Napa Sanitation District	Ochendusko, Kyle	0.00	0.00
2/21/2008		Not Started	5115-110		Upper San Gabriel Valley Municipal Water District	Wong, Rich	0.00	0.00
10/30/2007		Not Started	5116-110		San Diego, City of	Pontureri, Robert	0.00	0.00
12/12/2007		Not Started	5156-110		Maxwell PUD	Ochendusko, Kyle	0.00	0.00
12/12/2007		Not Started	5157-110		Beaumont-Cherry Valley WD	Garcia, James	0.00	0.00
5/30/2008		Not Started	5159-110		Eastern Municipal Water District	Garcia, James	0.00	0.00
							<b>1,760,297,010.46</b>	<b>367,122,024.75</b>

**Exhibit C – MBE/WBE Report for State Fiscal Year 2006/2007**

NG OF ACTIVE PROJECTS WITH MBE/WBE SUBCONTRACTORS - JULY 1, 2006 THRU JUNE 30, 2007															
			COMPLETED	4th Quarter			1st Quarter			2nd Quarter			3rd Quarter		
New	Loan	Recipient	ACTIVE	July to Sept. 2006 (2006 FY)			Oct. to Dec. 2006 (2007 FY)			Jan-Mar (2007 FY)			Apr-June (2007 FY)		
ATA	No.		Bid Amount	Awarded	MBE	WBE	Awarded	MBE	WBE	Awarded	MBE	WBE	Awarded	MBE	WBE
		<b>2004 Cap Grant</b>													
161	4001-460	L.A. Co. CSD	\$9,751,450												
176A	4528-210	Benicia, City of	\$9,583,139												
77	4610-120	Vacaville, City of	\$60,929,181	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
132	4771-110	Union Sanitary District	\$13,306,800												
178	4793-110	Pismo Beach, City of	\$10,524,000	\$1,493,094	\$0	\$0									
		2004 Cap = \$82,745,541	\$104,094,570				\$0	\$0	\$0	\$0	\$0	\$0			
		<b>2005 Cap Grant</b>													
74	4652-110	Sacramento, City of	\$4,894,290												
91	4708-110	Redding, City of	\$15,477,000												
176	4728-110	So. San Francisco	\$18,255,033	\$522,596	\$246,616	\$0	\$234,886	\$234,886	\$0	\$0	\$0	\$0			
160	4846-130	Inland Empire Utilities	\$6,009,000												
184	4846-140	Inland Empire Util. Dist.	\$6,169,498												
		2005 Cap = \$46,383,876	\$50,804,821				\$234,886	\$234,886	\$0	\$0	\$0	\$0			
		<b>2006 Cap Grant</b>													
207	4729-110	La Mesa, City of	\$4,622,309.00				\$1,876,982	\$1,641,984	\$0	\$814,185	\$17,394	\$0	\$384,407	\$9,877	\$0
172	4846-160	Inland Empire Util. Dist.	\$1,513,291.00				\$1,925,872	\$1,598,338	\$10,968						
199	4825-110	Hayward, City of	\$48,770,000				\$22,205,780	\$20,477	\$3,791,193	\$7,639,589	\$28,154	\$606,798	\$5,219,221	\$97,007	\$737,169
174	4462-130	Orange Co. Water Dist.	\$16,084,005				\$16,624,606	\$156,274	\$110,199	\$60,195	\$0	\$0	\$77,632	\$0	\$0
		2006 Cap = \$64,801,235	\$70,989,605.00	\$2,015,690	\$246,616	\$0.00	\$42,633,240	\$3,417,073	\$3,912,360	\$8,513,969	\$45,548	\$606,798	\$5,681,260	\$106,884	\$737,169
		EPA Amount	State Share	\$2,015,690	\$246,616	\$0.00	\$42,868,126	\$3,651,959	\$3,912,360	\$8,513,969	\$45,548	\$606,798	\$5,681,260	\$106,884	\$737,169
		\$193,930,652	\$38,786,130												
		<b>2004,2005, &amp; 2006</b>													

## **Exhibit D – 2006/2007 Projects Funded by Needs Category**

**Exhibit D - 2006/2007 Intended Use Plan Projects  
List of Funded Projects by Needs Category**

Loan Reciepent Name	Project Number	IUP Projected Amount	Loan Date	Cat. I	Cat II	Cat IIIA	Cat IIIB	Cat IVB	Cat VIIA	Cat X	Total Loan Amount
San Diego, City of	4786-110	\$4,761,908	3/4/2007	\$4,629,927							\$4,629,927
The Conservation Fund	6090-110	\$25,000,000	10/25/2006						\$25,000,000		\$25,000,000
L.A. County Sanitation Dist.	4783-110	\$7,175,994	12/4/2006				\$7,175,994				\$7,175,994
L.A. County Sanitation Dist.	4783-210	\$12,562,210	12/4/2006				\$12,562,210				\$12,562,210
L.A. County Sanitation Dist.	4783-310	\$11,581,453	12/4/2006				\$11,581,453				\$11,581,453
Nevada County Sanitation Dist. #1	4968-110	\$18,964,071	1/16/2007		\$18,964,071						\$18,964,071
Nevada County Sanitation Dist. #1	4969-110	\$12,122,824	1/26/2007		\$12,122,824						\$12,122,824
Yucaipa Valley Water Dist.	4200-110	\$44,748,356	9/12/2006	\$33,561,267	\$11,187,089						\$44,748,356
Petaluma, City of	4693-110	\$125,964,254	8/25/2006	\$105,809,973	\$18,894,638			\$1,259,643			\$125,964,254
LaMesa, City of	4729-110	\$14,500,000	8/31/2006			\$14,500,000					\$14,500,000
Hayward, City of	4825-110	\$54,550,018	7/27/2006	\$54,550,018							\$54,550,018
North Marin Water Dist.	4844-110	\$4,264,545	8/3/2006		\$3,411,636					\$852,909	\$4,264,545
San Diego, City of	4540-110	\$13,281,530	4/18/2007	\$13,281,530							\$13,281,530
Sonoma Valley County Sanitation Dist.	4823-110	\$6,996,831	4/26/2007		\$6,996,831						\$6,996,831
Lompoc, City of	4829-110	\$91,787,186	5/3/2007	\$73,429,749	\$18,357,437						\$91,787,186
Santa Margarita Water Dist.	4845-210	\$6,170,000	5/8/2007							\$6,170,000	\$6,170,000
Inland Empire Utilities Agency	4899-110	\$14,752,206	6/11/2007							\$14,752,206	\$14,752,206
Redding, City of	4971-110	\$4,360,035	4/11/2007	\$3,488,028	\$872,007						<u>\$4,360,035</u>
<b>Total</b>		<b>\$473,543,421</b>		<b>\$288,750,492</b>	<b>\$90,806,533</b>	<b>\$14,500,000</b>	<b>\$31,319,657</b>	<b>\$1,259,643</b>	<b>\$25,000,000</b>	<b>\$21,775,115</b>	<b>\$473,411,440</b>

**Need Categories**

I - Secondary Treatment

II - Advance Treatment

IIIA - Infiltration/Inflow Correction

IIIB - Major Sewer System Rehabilitation

IVB - New Interceptors and Appurtenances

VIIA - Non-Point Source Control Projects - Agriculture Cropland Sources

X - Recycled Water Distribution

Note: In SFY 2006/2007 there were 18 binding loan commitments for a total of \$473,411,440. In addition to the above, there were \$4,763,907 disencumbered from previous binding commitments, therefore, total committed was \$468,647,533 and this was reported in NIMS