SINGLE AUDIT REPORT 2018-19

Gavin Newsom, Governor
State of California

Single Audit Report 2018-19

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State of California

October 30, 2020

Joanne Chiedi, Acting Inspector General
U.S. Department of Health and Human Services
Room 5541, Cohen Building
330 Independence Avenue, SW
Washington, D.C. 20201

As the Governor's fiscal representative, I hereby submit the State of California's Single Audit Report for the fiscal year ended June 30, 2019. The report herein satisfies the requirements of the Single Audit Act and the provisions of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance").

The completion of the Single Audit Report is a coordinated effort among the California Department of Finance, California State Controller's Office, and the Independent Auditor. In recognition of the COVID-19 pandemic, the Office of Management and Budget issued memorandum M-20-26, *Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) Due to Loss of Operations*, extending the Single Audit filing date. This allowed the State of California to extend the Single Audit Report submission to the Federal Audit Clearinghouse to September 30, 2020.

In addition to the COVID-19 pandemic, California was in the midst of finalizing its transition to the Financial Information System for California (FI$Cal), California's statewide accounting, budgeting, cash management, and procurement system. FI$Cal combines several separate processes into one statewide system, enhancing the transparency of statewide data, increasing efficiencies in processes, and strengthening internal controls. Extraordinary efforts have been undertaken by state entities to transition and implement a new system, although several entities experienced delays with closing their financial records for fiscal year 2018-19. Finance partnered with these entities to assist with closing the financial records and producing accurate year-end certified financial statements.

Unfortunately, the COVID-19 pandemic and the FI$Cal implementation difficulties postponed the issuance of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, and the 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 (Report on Internal Control). The CAFR and Report on Internal Control were both issued on October 30, 2020; 30 days after the extended submission date of September 30, 2020.

Overseeing the financial and business policies of California, which alone represents the fifth largest economy in the world, is an important aspect of Finance's leadership. Finance supports state entities by providing technical accounting assistance and training; establishing written guidance through various state manuals; offering consulting services; and providing audit services. Finance has also focused resources to assist state entities with the implementation of FI$Cal.

Additionally, Finance facilitates the implementation of the California State Leadership Accountability Act (Leadership Accountability), which specifies that the responsibility of management is to establish and maintain systems of internal control applicable to administrative, operational, and programmatic activities within their organization. All levels of state management must be involved in assessing and strengthening their systems of internal control to minimize fraud, errors, abuse, and waste of government funds. Leadership Accountability requires each state entity to conduct an internal review of its controls and report the results. Finance continues to provide education and guidance to assist state entities in meeting the Leadership Accountability requirements.

Although California was delayed in issuing its Single Audit Report, the State received an unmodified opinion on the CAFR and a decrease in statewide internal control findings from the prior year. Individual state entities separately responded to the Single Audit Report findings and recommendations. Accordingly, their viewpoints and corrective action plans are incorporated herein. The combined results of the Single Audit Report will be disseminated to all state entities, and Finance will remind them of their responsibility for implementing corrective actions.

Finance is committed to ensuring proper accounting, reporting, and operational practices of the State, as well as ensuring internal controls safeguard assets and support the effective use of resources. The findings reported in the Single Audit Report will be considered during the course of our work.

If you have any questions concerning this letter, please contact Cheryl L. McCormick, Chief, Office of State Audits and Evaluations, at (916) 322-2985.

Sincerely,

KEELY MARTIN BOSLER
Director

Enclosure

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State of California Financial Report for the Year Ended June 30, 2019

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Elaine M. Howle *State Auditor*

Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent less than two percent of the assets and deferred outflows, and less than one percent of the revenues of the governmental activities.

- Certain enterprise funds that, in the aggregate, represent 74 percent of the assets and deferred outflows, and 51 percent of the revenues of the business-type activities.

- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.

- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving, the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 85 percent of the assets and deferred outflows, and 49 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.

- The discretely presented component units noted above.

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The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction fund, the State Lottery fund, the 1943 Veterans Farm and Home Building fund, and the Campus Foundations of the University of California, which represent 12 percent of the university's total assets and deferred outflows of resources and 4 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of California's basic financial statements. The introductory section, combining financial statements and schedules of nonmajor and other funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules of nonmajor and other funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining financial statements and schedules of nonmajor and other funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

MICHAEL S. TILDEN, CPA
Deputy State Auditor

October 23, 2020

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

California's revenues continued to increase during the fiscal year ended June 30, 2019, capping a decade of economic expansion for the State. Although the State experienced an increase in general revenues of $11.2 billion (6.9%) for fiscal year 2018-19, the growth rate decreased from the 9.7% growth experienced in fiscal year 2017-18. In response to signs of slowing growth, the administration maintained its focus on paying down liabilities and building reserves. Expenses and transfers for the State's governmental activities increased by $16.8 billion (6.1%) and were less than total revenues received, resulting in a $14.4 billion increase in the governmental activities' net position, as restated. Total revenues and transfers for the State's business-type activities also surpassed expenses by $681 million in fiscal year 2018-19.

Net Position – The primary government ended fiscal year 2018-19 with a net deficit position of $56.0 billion, an improvement of $15.1 billion (21.2%) over the previous year, as restated. The total net deficit position is reduced by $114.8 billion for net investment in capital assets and by $54.3 billion for restricted net position, yielding a negative unrestricted net position of $225.1 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 79.1%, or $178.1 billion, of the negative $225.1 billion consists of unfunded, employee-related, long-term liabilities (net pension liability, net OPEB liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of $64.6 billion to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

Fund Highlights

Governmental Funds – As of June 30, 2019, the primary government's governmental funds reported a combined ending fund balance of $54.9 billion, an increase of $9.6 billion over the prior fiscal year, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was $12.5 billion, an increase of $2.8 billion from the prior fiscal year's balance of $9.7 billion. The nonspendable and restricted fund balances were $1.2 billion and $41.2 billion, respectively.

Proprietary Funds – As of June 30, 2019, the primary government's proprietary funds reported a combined ending net deficit position of $3.4 billion, an increase of $560 million over the prior fiscal year, as restated. The total net position is reduced by $3.1 billion for net investment in capital assets, expendable restrictions of $13.1 billion, and nonexpendable restrictions of $2 million, yielding a negative unrestricted net position of $19.6 billion.

Noncurrent Assets and Liabilities

As of June 30, 2019, the primary government's noncurrent assets totaled $172.3 billion, of which $148.3 billion is related to capital assets. State highway infrastructure assets of $78.4 billion represent the largest portion of the State's capital assets.

The primary government's noncurrent liabilities totaled $293.4 billion, which consists of $178.1 billion in unfunded employee-related future obligations, $75.6 billion in general obligation bonds, $28.2 billion in revenue bonds, and $11.5 billion in other noncurrent liabilities. During fiscal year 2018-19, the primary government's noncurrent liabilities decreased by $14.1 billion (4.6%) over the previously reported noncurrent liabilities. The most significant changes were decreases of $8.1 billion in net pension liability and $5.1 billion in net OPEB liability, and a decrease of $1.7 billion in bonded debt.

Overview of the Financial Statements

This discussion and analysis is an introduction to the section presenting the State's basic financial statements, which includes four components: (1) government-wide financial statements, (2) fund financial statements, (3) discretely presented component units financial statements, and (4) notes to the financial statements. This report also contains required supplementary information, and combining financial statements and schedules intended to furnish additional detail that supports the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the State's finances. The government-wide financial statements do not include fiduciary programs and activities of the primary government and component units because fiduciary resources are not available to support state programs.

The statements provide both short-term and long-term information about the State's financial position to help readers assess the State's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to methods used by most businesses. These statements take into account all revenues and expenses connected with the fiscal year, regardless of when the State received or paid the cash. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

- The *Statement of Net Position* presents all of the State's financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.

- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The government-wide financial statements separate into different columns the three types of state programs and activities—governmental activities, business-type activities, and component units.

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public K–12 schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.

- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, and selling electric power. These activities are conducted with minimal financial assistance from the governmental activities or general revenues of the State.

- *Component units* are organizations that are legally separate from the State, but for which the State is financially accountable, or whose relationship with the State is so significant that their exclusion would cause the State's financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State's operations. Fiduciary component units are primarily the resources and operations of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

Most component units prepare their own separately issued financial statements. For information regarding obtaining the financial statements of the individual component units, refer to Note 1A, Reporting Entity.

Fund Financial Statements

The State of California, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the State may be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. This approach is known as the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting*. These governmental fund statements provide a detailed short-term view of the State's finances, enabling readers to determine whether adequate financial resources exist to meet the State's current needs.

Because governmental fund financial statements provide a narrower focus than do government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities. Primary differences between the government-wide and fund-based statements relate to noncurrent assets, such as land and buildings, and noncurrent liabilities, such as bonded debt and amounts owed for net pension liability, compensated absences, and capital lease obligations. These amounts are reported in the government-wide statements but not in the fund-based statements.

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.

  - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.

  - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.

- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

Discretely Presented Component Units Financial Statements

The State has financial accountability for discretely presented component units, which have certain independent qualities and operate in a similar manner to private sector businesses. The activities of the discretely presented component units are classified as enterprise activities.

Notes to the Financial Statements

The notes to the financial statements in this publication provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements, which describe particular accounts in more detail, immediately follow the discretely presented component units financial statements.

Required Supplementary Information

A section of required supplementary information follows the notes to the basic financial statements in this publication. This section includes several schedules of information for the State's pension and OPEB plans and the State's contributions to those plans; information on infrastructure assets based on the modified approach; a budgetary comparison schedule; and a reconciliation of the budgetary basis and the GAAP basis fund balances for the major governmental funds presented in the governmental fund financial statements.

Combining Financial Statements and Schedules

The Combining Financial Statements and Schedules – Nonmajor and Other Funds section presents combining statements that provide separate financial statements for nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor component units as supplementary information. The basic financial statements present only summary information for these activities.

Government-wide Financial Analysis

Net Position

The primary government's combined net deficit position (governmental and business-type activities) improved by $15.1 billion (21.2%) from a negative $71.1 billion, as restated, to a negative $56.0 billion at June 30, 2019.

The primary government's $114.8 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

Another $54.3 billion of the primary government's net position represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. The internally-imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2019, the primary government's combined unrestricted net deficit position was $225.1 billion—$208.4 billion for governmental activities and $16.7 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation occurs, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2019, the primary government recognized $178.1 billion (79.1% of the $225.1 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized $64.6 billion in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as net investment in capital assets. Instead, the bonded debt is reported as a noncurrent liability that increases the State's unrestricted net deficit position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

Table 1 presents condensed financial information derived from the Statement of Net Position for the primary government.

Table 1

Net Position – Primary Government – Two-year Comparison

June 30, 2019 and 2018
(amounts in millions)

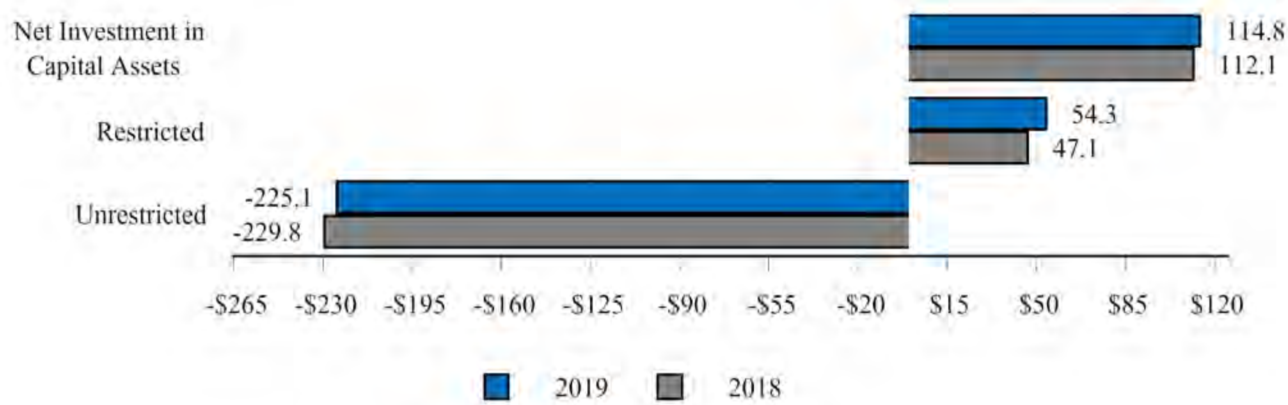
	Governmental Activities		Business-type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
ASSETS						
Current and other assets	$ 121,013	$ 97,941	$ 31,812	$ 30,553	$ 152,825	$ 128,494
Capital assets	134,898	132,708	13,377	11,927	148,275	144,635
Total assets	**255,911**	**230,649**	**45,189**	**42,480**	**301,100**	**273,129**
DEFERRED OUTFLOWS OF RESOURCES	24,865	32,296	3,001	4,471	27,866	36,767
Total assets and deferred outflows of resources	**$ 280,776**	**$ 262,945**	**$ 48,190**	**$ 46,951**	**$ 328,966**	**$ 309,896**
LIABILITIES						
Noncurrent liabilities	$ 253,581	$ 265,780	$ 39,824	$ 41,708	$ 293,405	$ 307,488
Other liabilities	64,452	54,863	5,016	4,230	69,468	59,093
Total liabilities	**318,033**	**320,643**	**44,840**	**45,938**	**362,873**	**366,581**
DEFERRED INFLOWS OF RESOURCES	17,468	10,951	4,588	2,922	22,056	13,873
Total liabilities and deferred inflows of resources	**335,501**	**331,594**	**49,428**	**48,860**	**384,929**	**380,454**
NET POSITION						
Net investment in capital assets	112,280	109,614	2,534	2,470	114,814	112,084
Restricted	41,372	35,053	12,946	12,085	54,318	47,138
Unrestricted	(208,377)	(213,316)	(16,718)	(16,464)	(225,095)	(229,780)
Total net position (deficit)	**(54,725)**	**(68,649)**	**(1,238)**	**(1,909)**	**(55,963)**	**(70,558)**
Total liabilities, deferred inflows of resources, and net position	**$ 280,776**	**$ 262,945**	**$ 48,190**	**$ 46,951**	**$ 328,966**	**$ 309,896**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Chart 1 presents a two-year comparison of the State's net position.

Chart 1

Net Position – Primary Government – Two-year Comparison
June 30, 2019 and 2018
(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled $319.3 billion for the fiscal year ended June 30, 2019. Of this amount, $160.2 billion (50.2%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving $159.1 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of $174.2 billion exceeded net unfunded expenses by $15.1 billion, resulting in a 21.2% increase in net position, as restated.

Table 2 presents condensed financial information derived from the Statement of Activities for the primary government.

Table 2

Changes in Net Position – Primary Government – Two-year Comparison
Years ended June 30, 2019 and 2018
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
REVENUES						
Program Revenues:						
Charges for services	$ 34,663	$ 32,103	$ 27,415	$ 28,380	$ 62,078	$ 60,483
Operating grants and contributions	94,502	87,813	2,125	2,133	96,627	89,946
Capital grants and contributions	1,561	1,882	—	—	1,561	1,882
General Revenues:						
Taxes	173,011	162,260	—	—	173,011	162,260
Investment and interest	707	298	—	—	707	298
Miscellaneous	447	378	—	—	447	378
Total revenues	**304,891**	**284,734**	**29,540**	**30,513**	**334,431**	**315,247**
EXPENSES						
Program Expenses:						
General government	17,901	18,378	—	—	17,901	18,378
Education	75,644	70,280	—	—	75,644	70,280
Health and human services	144,937	137,829	—	—	144,937	137,829
Natural resources and environmental protection	9,774	8,304	—	—	9,774	8,304
Business, consumer services, and housing	2,133	1,258	—	—	2,133	1,258
Transportation	17,022	14,260	—	—	17,022	14,260
Corrections and rehabilitation	15,153	14,921	—	—	15,153	14,921
Interest on long-term debt	3,996	4,155	—	—	3,996	4,155
Electric Power	—	—	913	952	913	952
Water Resources	—	—	1,200	1,222	1,200	1,222
State Lottery	—	—	7,436	7,007	7,436	7,007
Unemployment Programs	—	—	13,229	12,134	13,229	12,134
California State University	—	—	9,779	9,806	9,779	9,806
Other enterprise programs	—	—	233	207	233	207
Total expenses	**286,560**	**269,385**	**32,790**	**31,328**	**319,350**	**300,713**
Excess (deficiency) before transfers	**18,331**	**15,349**	**(3,250)**	**(815)**	**15,081**	**14,534**
Gain on early extinguishment of debt	—	—	0	0	—	—
Transfers	(3,931)	(4,340)	3,931	4,340	0	0
Change in net position	14,400	11,009	681	3,525	15,081	14,534
Net position (deficit), beginning	**(69,125)** *	**(79,658)** *	**(1,919)** *	**(5,434)** *	**(71,044)**	**(85,092)**
Net position (deficit), ending	**$ (54,725)**	**$ (68,649)**	**$ (1,238)**	**$ (1,909)**	**$ (55,963)**	**$ (70,558)**

*Restated

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

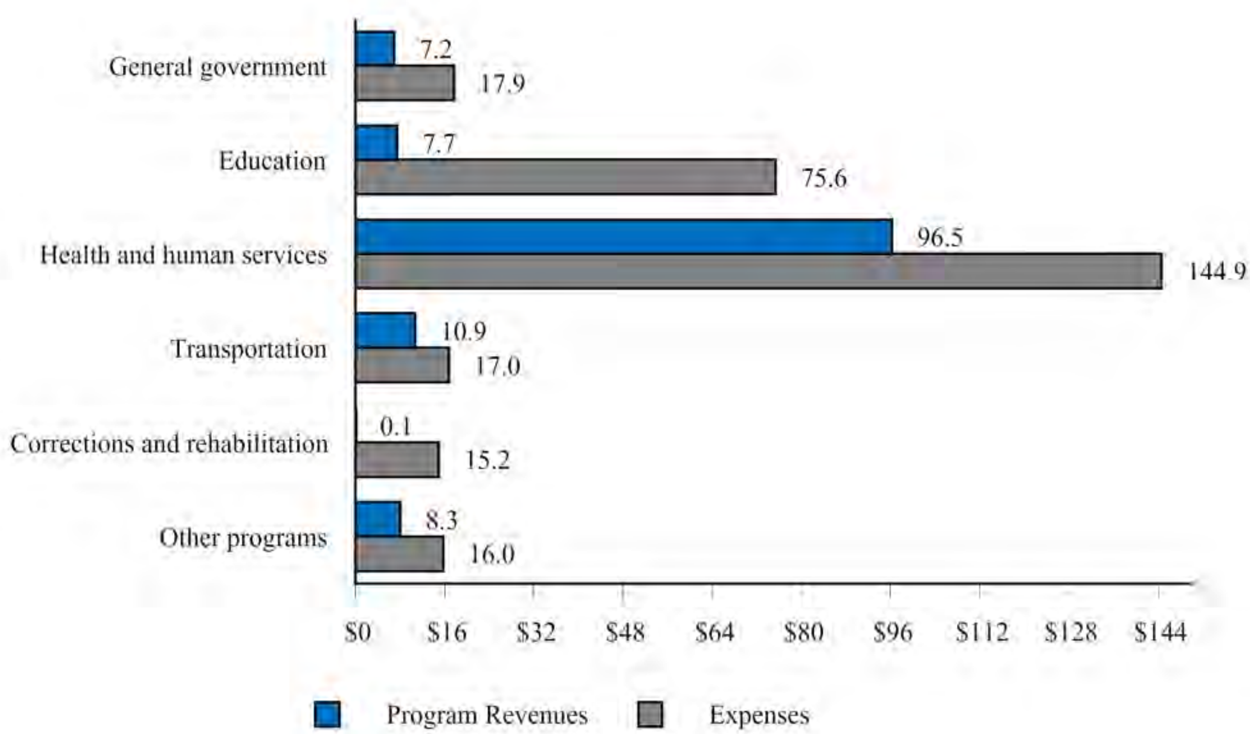
Governmental Activities

During fiscal year 2018-19, governmental activities' expenses and transfers totaled $290.5 billion. Program revenues totaling $130.7 billion, including $96.1 billion received in federal grants and contributions, funded 45.0% of expenses and transfers, leaving $159.8 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities ($174.2 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of $54.7 billion, after restatement, for the fiscal year ended June 30, 2019, an improvement of $14.4 billion (20.8%) over the prior year's restated net deficit position of $69.1 billion.

Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities
Year ended June 30, 2019
(amounts in billions)



For the fiscal year ended June 30, 2019, total governmental activities' revenue was $304.9 billion, an increase of 7.1% over the prior year. General revenues increased by $11.2 billion (6.9%), to $174.2 billion, and program revenues increased by $8.9 billion (7.3%), to $130.7 billion. Personal income taxes increased by $6.2 billion over the prior year due to continued job growth and increased capital gains from a strong stock market, representing a 6.6% increase compared to the fiscal year 2017-18 increase of 10.2%. Motor vehicle excise taxes increased by $952 million (14.2%) in the first full year of revenue generated under the Road Repair and Accountability Act of 2017 (Senate Bill 1), which increased existing fuel excise taxes and created two new vehicle charges. Corporation taxes increased by $2.0 billion (16.0%) over the prior year.

Overall expenses for governmental activities increased by $17.2 billion (6.4%) over the prior year. The largest increase in expenditures, $7.1 billion (5.2%), occurred in health and human services programs; the majority of the increase is attributable to the Department of Health Care Services, which administers the California Medical Assistance (Medi-Cal) program. Another significant increase, $5.4 billion (7.6%), occurred in education as a result of the Proposition 98 minimum funding guarantee; the increased spending was triggered by higher General Fund revenue.

Chart 3 presents the percentage of total expenses for each governmental activities program.

Chart 3

Expenses by Program
Year ended June 30, 2019
(as a percent)

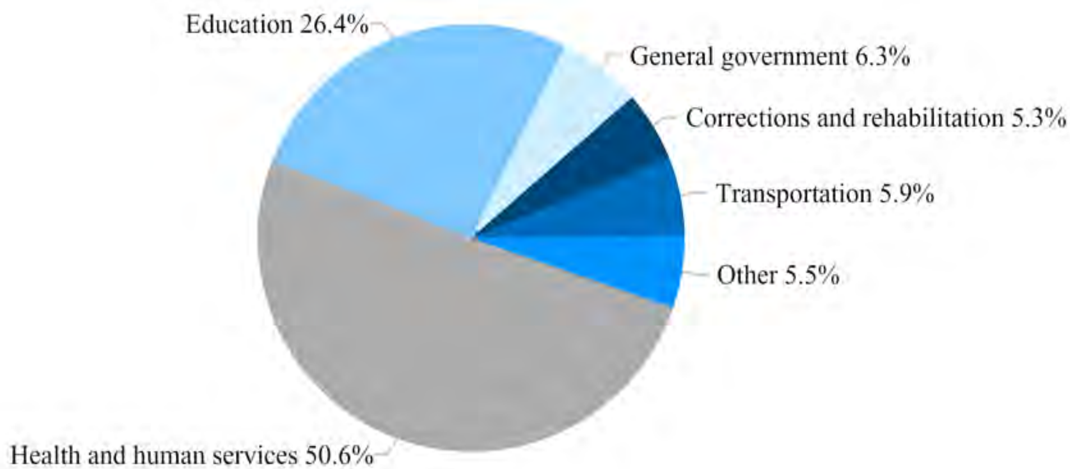
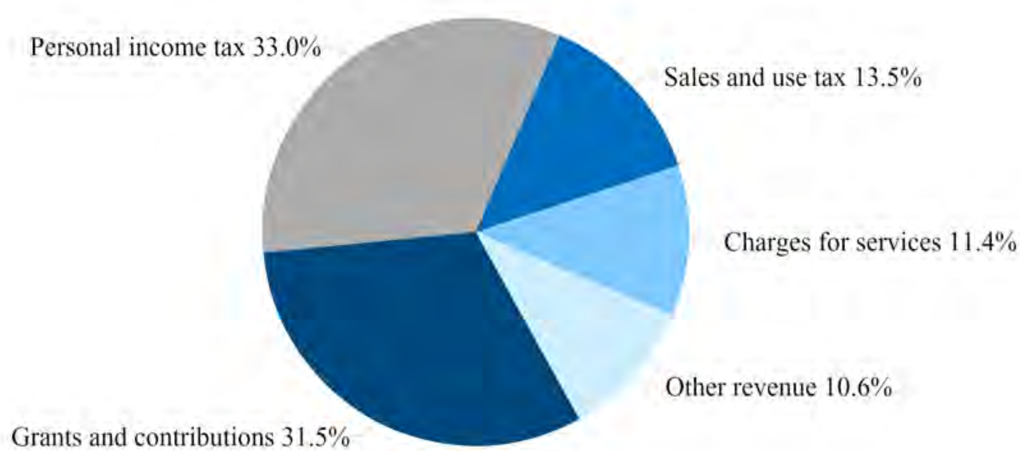


Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source
Year ended June 30, 2019
(as a percent)



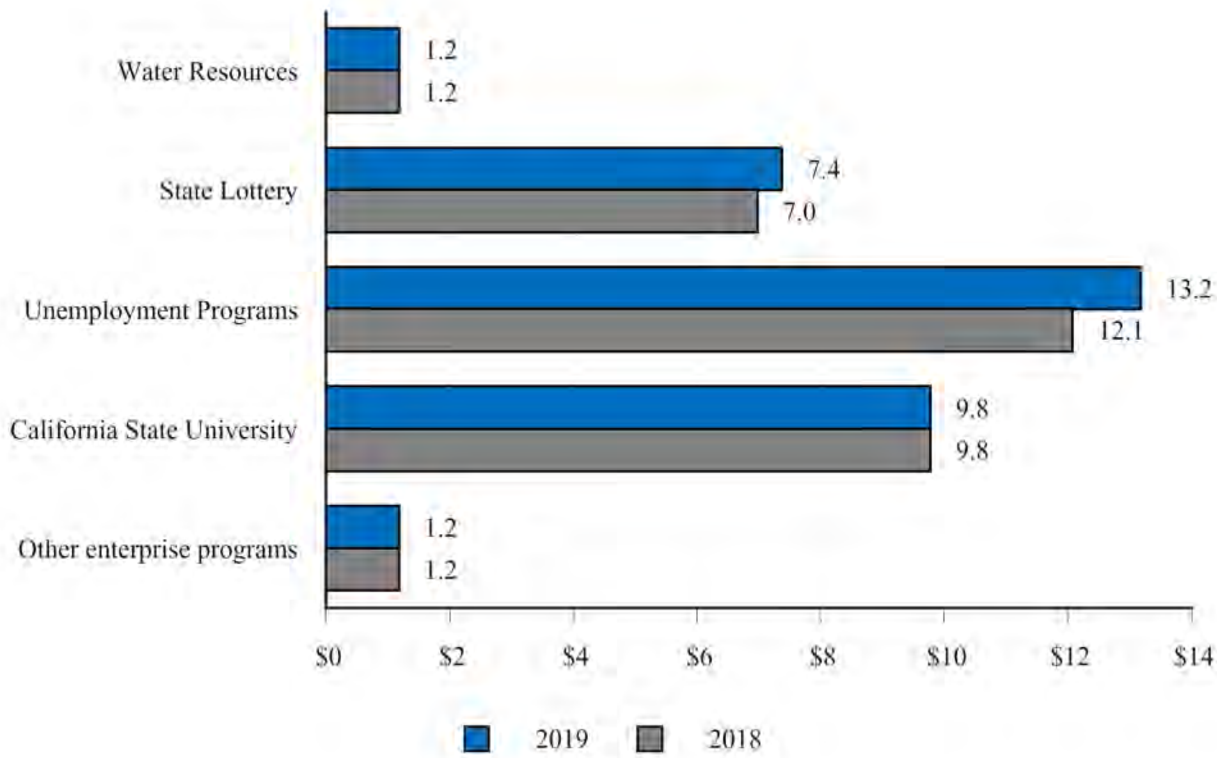
Business-type Activities

As of June 30, 2019, business-type activities' expenses totaled $32.8 billion. Program revenues of $29.5 billion, primarily generated from charges for services, and $3.9 billion in transfers, were sufficient to cover these expenses. As a result, the business-type activities' total net deficit position improved by $681 million (35.5%) over the prior year's restated net deficit position of $1.9 billion, to a net deficit of $1.2 billion at June 30, 2019.

Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison
Years ended June 30, 2019 and 2018
(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds continued to improve in fiscal year 2018-19, with a combined fund balance increase of $9.6 billion over the prior year's restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs. All of the State's "Big Three" taxes (personal income, sales and use, and corporation) increased during the fiscal year. Proprietary funds' total net position increased by $560 million during fiscal year 2018-19—with a $681 million increase in enterprise funds, offset by a $121 million decrease in net position of internal service funds. The majority of the increase in the enterprise funds' net position was in the Unemployment

Programs Fund, increasing its fund balance to $8.0 billion. This was a result of the State's continued low unemployment rate throughout fiscal year 2018-19, ending at a near record low of 4.2% in June 2019.

Governmental Funds

As of June 30, 2019, the governmental funds' Balance Sheet reported $130.2 billion in assets, $75.3 billion in liabilities and deferred inflows of resources, and $54.9 billion in fund balance. Total assets of governmental funds increased by 20.6%, while total liabilities and deferred inflows of resources increased by 20.0%, resulting in a total fund balance increase of $9.5 billion (21.1%) over the prior year's restated balance.

Within the governmental funds' total fund balance, $1.2 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, $41.2 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, of the total fund balance, $11.8 billion is classified as committed for specific purposes and $19 million is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is $766 million—a decrease of $883 million from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported $300.1 billion in revenues, $296.6 billion in expenditures, and a net $6.0 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2019, was $54.9 billion, a $9.5 billion increase over the prior year's restated ending fund balance of $45.4 billion.

Governmental funds' revenue consists primarily of taxes (56.2%) and intergovernmental revenue (33.3%). Personal income taxes accounted for 57.4% of tax revenues and increased by $2.3 billion over the prior fiscal year. Sales and use taxes accounted for 24.4% of tax revenues and increased by $1.3 billion over the prior fiscal year. Corporation taxes accounted for 8.3% of tax revenues and increased by $1.4 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by $7.0 billion (7.5%) over the prior fiscal year.

Governmental funds' expenditures increased by $15.5 billion (5.5%) over the prior fiscal year, primarily for health and human services, education, and natural resources and environmental protection. The increase in health and human services expenditures of $6.5 billion (4.7%) is due to increased spending on Medi-Cal. Education expenditures increased by $5.2 billion (7.4%) over the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in fiscal year 2018-19. Expenditures for natural resources and environmental protection increased by $1.1 billion (13.5%) due to the implementation of Proposition 68, passed by voters in June 2018, which provided funding for drought protection, the creation of parks, enhancement of river parkways, and the protection of coastal forests and wetlands.

Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison
Years ended June 30, 2019 and 2018
(amounts in billions)

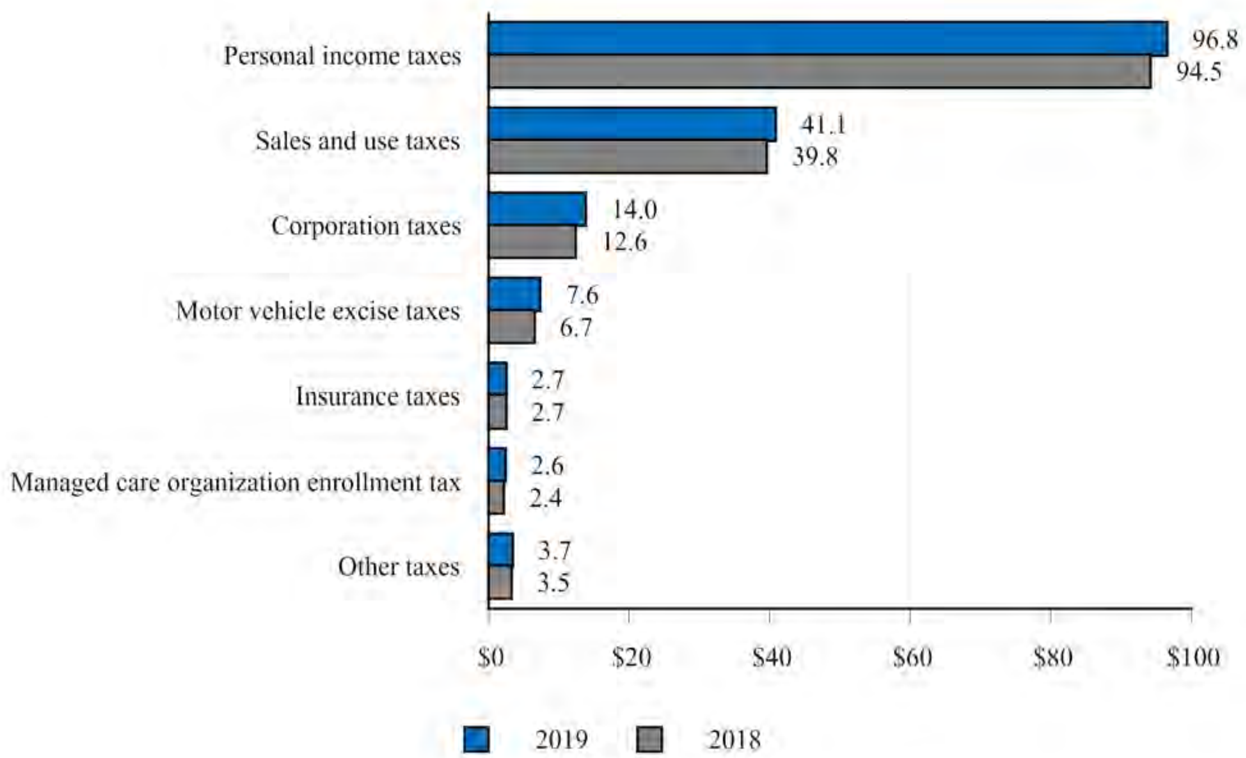
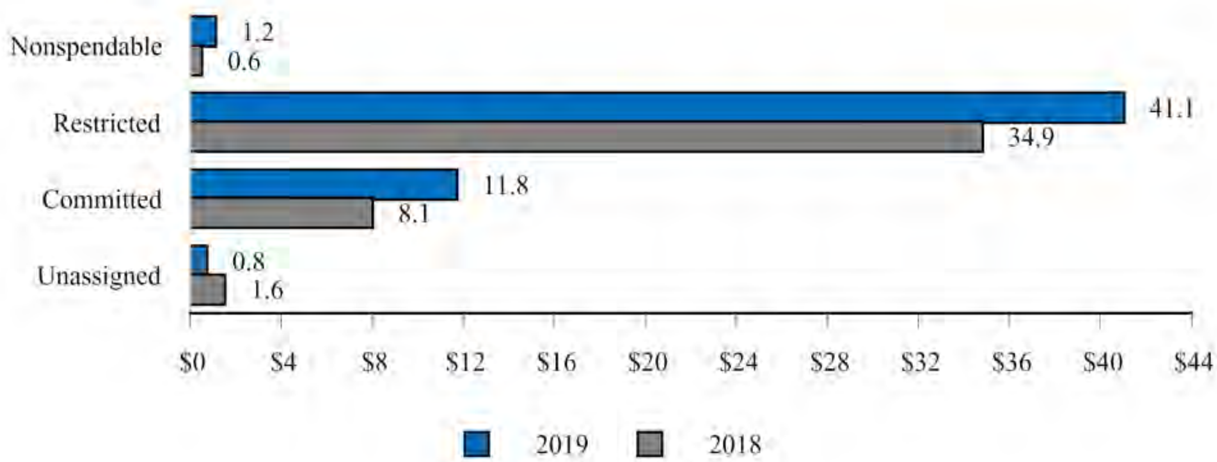


Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison

Years ended June 30, 2019 and 2018
(amounts in billions)



Note: Assigned fund balance was $19 million, which rounds to zero when presented in billions.

The State's major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund. The General Fund ended the fiscal year with a fund balance of $18.6 billion, an increase of $6.4 billion over the prior year's fund balance, as restated. The Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund ended the fiscal year with fund balances of $223 million, $9.3 billion, $13.6 billion, and $1.1 billion, respectively. The nonmajor governmental funds ended the fiscal year with a total fund balance of $12.1 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended fiscal year 2018-19 with assets of $49.7 billion; liabilities and deferred inflows of resources of $31.2 billion; and nonspendable, restricted, and committed fund balances of $1.2 billion, $14.8 billion, and $1.8 billion, respectively, leaving the General Fund with an unassigned fund balance of $766 million. Total assets of the General Fund increased by $10.5 billion (26.9%) over the prior fiscal year. Total liabilities and deferred inflows of resources increased by $4.1 billion (15.4%), while the General Fund's unassigned fund balance decreased by $883 billion (53.6%) from the prior year.

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had an excess of revenues over expenditures of $11.4 billion ($140.5 billion in revenues and $129.1 billion in expenditures). Approximately $134.7 billion (95.9%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($95.0 billion), sales and use taxes ($25.7 billion), and corporation taxes ($14.0 billion). As a result of fund classifications made to comply with generally accepted governmental accounting principles, a total of $289 million in revenue, mostly from unemployment programs, is included in the General Fund. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During fiscal year 2018-19, total General Fund revenue increased by $4.9 billion (3.6%). The increase is a result of increases in personal income taxes of $2.2 billion (2.4%), corporation taxes of $1.4 billion (11.4%), and sales and use taxes of $610 million (2.4%). General Fund expenditures increased by $4.9 billion (3.9%). The largest increases were in education, natural resources and environmental protection, and business, consumer services and housing expenditures, which were up $5.4 billion, $817 million, and $467 million, respectively. The General Fund ended the fiscal year with a fund balance of $18.6 billion, an improvement of $6.4 billion from the prior year's restated ending fund balance of $12.2 billion. The General Fund's ending fund balance includes $14.4 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic downturn.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, which accounted for $82.2 billion (86.0%) of the total $95.6 billion in fund expenditures. Education and transportation programs also constituted a large part of the fund's expenditures, amounting to $7.6 billion (8.0%) and $3.8 billion (4.0%) of the total, respectively. The Federal Fund's revenues increased by $6.4 billion, which was approximately the same amount of increase in the combined expenditures and transfers, resulting in only a $6 million decrease from the prior year's ending fund balance of $229 million, to $223 million.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues increased by $2.2 billion (16.2%) and its expenditures increased by $2.5 billion (18.9%), as a result of the first full year of funding under the Road Repair and Accountability Act (Senate Bill 1). Other financing sources provided net receipts of $538 million. The Transportation Fund ended the fiscal year with a $9.3 billion fund balance, an increase of $149 million over the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues increased by $315 million (4.5%), and expenditures increased by $1.8 billion (28.0%) due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Other financing sources provided net receipts of $2.9 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a $13.6 billion fund balance, an increase of $2.1 billion (18.3%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Programs Fund's revenues increased by $234 million (2.1%), while expenditures decreased by $212 million (1.8%). Other financing sources provided net receipts of $461 million. The Health Care Related Programs Fund ended the fiscal year with a $1.1 billion fund balance, an increase of $117 million over the prior year.

Proprietary Funds

Enterprise Funds: The total net deficit position of the enterprise funds at June 30, 2019, was $1.2 billion —a $681 million improvement over the prior year's restated net deficit position of $1.9 billion. The Unemployment Programs Fund accounted for the majority of this increase to end the fiscal year with a net position of $8.0 billion. The State Lottery Fund and the nonmajor enterprise funds increased their net positions by $38 million and $133 million, respectively, while the California State University Fund decreased its net position by $271 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were $49.0 billion as of June 30, 2019. Of this amount, current assets totaled $18.2 billion, noncurrent assets totaled $27.8 billion, and deferred outflows of resources totaled $3.0 billion. The total liabilities and deferred inflows of resources for the enterprise funds was $50.3 billion. The three largest liabilities of the enterprise funds were $14.8 billion in net OPEB liability, $14.5 billion in revenue bonds payable, and $8.7 billion in net pension liability. As of June 30, 2019, the Unemployment Programs Fund had a balance on deposit with the U.S. Treasury of $3.7 billion.

Total net position consisted of four segments: net investment in capital assets of $2.5 billion, nonexpendable restricted net position of $2 million, restricted expendable net position of $13.0 billion, and unrestricted net deficit of $16.7 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of $25.9 billion, operating expenses of $29.4 billion, and net revenues from other transactions of $242 million. The largest sources of operating revenues were unemployment and disability insurance receipts of $14.0 billion in the Unemployment Programs Fund, and lottery ticket sales of $7.4 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund decreased by $1.6 billion (10.1%) from the prior fiscal year. The largest operating expenses were distributions of $12.8 billion to beneficiaries by the Unemployment Programs Fund, personal services of $6.6 billion by the California State University Fund, and lottery prizes of $4.7 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was $2.2 billion as of June 30, 2019. The net position consists of three segments: net investment in capital assets of $535 million, restricted expendable net position of $208 million, and unrestricted net deficit of $2.9 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: private purpose trust funds, pension and other employee benefit trust funds, investment trust funds, and agency funds. The private purpose trust funds ended the fiscal year with a net position of $9.4 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of $641.1 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of $24.6 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the fiscal year ended June 30, 2019, the fiduciary funds' combined net position was $675.1 billion, a $38.4 billion increase over the prior year net position. The net position increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants, despite a 17.8% decrease in net investment income from the prior fiscal year.

General Fund Budget Highlights

The original General Fund budget of $146.3 billion was increased by $832 million during fiscal year 2018-19. This increase is mainly attributed to funding for corrections and rehabilitation, and natural resources and environmental protection.

The increase in corrections and rehabilitation was mainly the result of additional funding for the California Department of Corrections and Rehabilitation (CDCR). Expenditures for the CDCR increased due to several factors, including increases in employee compensation costs, the activation of a new health care facility, and costs associated with expanding capacity to reduce prison overcrowding.

The increase in natural resources and environmental protection included additional funding in support of urban flood control projects, deferred maintenance on levees, and construction of a new museum to protect, preserve and celebrate the history of California's tribal peoples.

Table 3 presents a summary of the General Fund original and final budgets.

Table 3

General Fund Original and Final Budgets
Year ended June 30, 2019
(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	$ 551	$ 553	$ 2
Transportation	33	33	—
Natural resources and environmental protection	4,626	5,063	437
Health and human services	39,824	39,612	(212)
Corrections and rehabilitation	11,945	12,432	487
Education	71,602	71,402	(200)
General government:			
Tax relief	425	425	—
Debt service	5,290	5,290	—
Other general government	12,004	12,322	318
Total	**$ 146,300**	**$ 147,132**	**$ 832**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the State's investment in capital assets for its governmental and business-type activities amounted to $148.3 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2019, the State's capital assets increased by $3.6 billion, or 2.5% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure and buildings and other depreciable property. Additional information on the State's capital assets can be found in Note 7.

Table 4 presents a summary of the primary government's capital assets for governmental and business-type activities.

Table 4

Capital Assets – Primary Government – Two-year Comparison
June 30, 2019 and 2018
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Land	$ 20,473	$ 20,208	$ 306	$ 271	$ 20,779	$ 20,479
State highway infrastructure	78,418	77,068	—	—	78,418	77,068
Collections – nondepreciable	23	23	27	25	50	48
Buildings and other depreciable property	32,753	31,700	15,808	14,696	48,561	46,396
Intangible assets – amortizable	2,631	2,223	433	431	3,064	2,654
Less: accumulated depreciation/amortization	(16,143)	(15,221)	(6,574)	(6,089)	(22,717)	(21,310)
Construction/development in progress	16,149	16,289	3,258	2,475	19,407	18,764
Intangible assets – nonamortizable	593	418	119	118	712	536
Total	**$ 134,897**	**$ 132,708**	**$ 13,377**	**$ 11,927**	**$ 148,274**	**$ 144,635**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state bridges and roadways). Under the modified approach, the State does not report depreciation expense for its bridges and roads but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During fiscal year 2018-19, the actual amount spent on preservation was 48.1% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 95.4% of bridge deck area judged to be of fair or better quality and 87.7% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 13,002 bridges and 50,260 lane miles.

The Required Supplementary Information includes additional information on how the State uses the modified approach for infrastructure assets; it also presents the established condition standards, condition assessments, and preservation costs.

Debt Administration

At June 30, 2019, the State had total bonded debt outstanding of $109.8 billion. Of this amount, $79.6 billion (72.5%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is $4.0 billion and the long-term portion is $75.6 billion. The remaining $30.2 billion (27.5%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $2.0 billion and the long-term portion is $28.2 billion.

During the fiscal year, the State issued a total of $7.2 billion in new general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes.

Table 5 presents a summary of all the primary government's long-term obligations for governmental and business-type activities.

Table 5

Long-term Obligations – Primary Government – Two-year Comparison
Years ended June 30, 2019 and 2018
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Government-wide noncurrent liabilities						
General obligation bonds	$ 74,762	$ 76,063	$ 808	$ 668	$ 75,570	$ 76,731
Revenue bonds payable	14,913	15,559	13,276	13,164	28,189	28,723
Total bonded debt	89,675	91,622	14,084	13,832	103,759	105,454
Net pension liability	81,300	88,466	8,730	10,067	90,030	98,533
Net other postemployment benefits liability	69,442	73,717	14,766	15,619	84,208	89,336
Mandated cost claims payable	1,815	1,911	—	—	1,815	1,911
Compensated absences payable	3,667	3,593	207	191	3,874	3,784
Workers' compensation benefits payable	3,958	3,874	5	4	3,963	3,878
Capital lease obligations	363	412	295	290	658	702
Commercial paper	1,033	860	778	743	1,811	1,603
Other noncurrent liabilities	2,327	2,669	959	962	3,286	3,631
Total noncurrent liabilities	**253,580**	**267,124**	**39,824**	**41,708**	**293,404**	**308,832**
Current portion of long-term obligations	6,240	5,467	2,582	2,052	8,822	7,519
Total long-term obligations	**$ 259,820**	**$ 272,591**	**$ 42,406**	**$ 43,760**	**$ 302,226**	**$ 316,351**

During the fiscal year ended June 30, 2019, the primary government's total long-term obligations decreased by $14.1 billion from the prior year's balance. The largest decrease was $8.5 billion in net pension liability due to supplemental payments made by the State and assumption changes in the actuarial valuation. The net OPEB liability decreased by $5.1 billion as a result of favorable health care claims experience, actuarial assumption changes, and an increase in employee prefunding contributions.

Note 9, Long-term Obligations, and Notes 10 through 16 include additional information on the State's long-term obligations.

During fiscal year 2018-19, the State's general obligation credit ratings from Fitch Ratings, Standard and Poor's Rating Services, and Moody's Investors Service remained unchanged at "AA", "AA-", and "Aa3", respectively.

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2019

During the fiscal year ended June 30, 2019, California continued to experience economic growth, though at a slower pace than the previous fiscal year. The State's real gross domestic product (GDP) increased by 4.4% to $3.1 trillion at year end, compared to growth of 6.3% during fiscal year 2017-18. The State's economic output continued to grow faster than the United States GDP, which increased by 4.0% during fiscal year 2018-19.

The unemployment rate for California was stable during fiscal year 2018-19, maintaining a low of 4.1% for July through December 2018, before finishing at 4.2% in June 2019, the same rate as June 2018. Total nonfarm employment increased by 291,200 jobs during 2018-19, with 10 out of California's 11 major industry sectors experiencing job growth. The largest job gains were in educational and health services, professional and business services, leisure and hospitality, and construction, while financial activities decreased by 2,000 jobs.

California's per capita personal income increased by 5.0% in fiscal year 2018-19, outperforming the national increase of 4.0%. Since 2010, California's personal income has grown an average of 5.3% per year, due largely to the low unemployment rate. During the same period, United States personal income grew an average of 4.3%. Effective January 1, 2019, California's minimum wage increased to either $11.00 or $12.00 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches $15.00 per hour for all businesses in 2023.

The State's real estate market showed signs of stabilizing at the end of fiscal year 2018-19. The median price of homes in California increased a modest 1.4% during the fiscal year to a record high of $611,420 as of June 30, 2019, still more than double the national median price of $285,400. Despite elevating home prices, low interest rates sustained sales in California. While 30-year fixed mortgage rates averaged 3.80% in June 2019, compared to 4.57% in June 2018, sales of existing single-family homes declined by only 5.1% during fiscal year 2018-19, compared to the 7.3% decline in fiscal year 2017-18. For the year ended June 30, 2019, commercial construction permits increased 9.2% from the prior year. The number of residential building permits issued decreased by 13.4% to approximately 105,000 units, well below the projected need to accommodate population growth, which may continue to drive housing prices up and affordability down.

Economic Conditions for the 2019-20 Fiscal Year and Future Outlook

The 2019-20 fiscal year marked an unprecedented period for California's economy. The first 8 months of the fiscal year (through February 2020) were marked by continued economic expansion and low unemployment. However, by the end of the fiscal year the economic disruption brought about by the COVID-19 pandemic led to steep declines in economic activity and dramatic increases in unemployment. As of December 2019, California's GDP had reached almost $3.2 trillion, an increase of 4.3% compared to the same period in 2018. Personal income increased by 5.0% over the preceding year. In January 2020, the state posted its lowest unemployment rate on record under the methodology used since 1976, with a rate of 3.9%. By March 2020, however, the economic effects of the COVID-19 pandemic were already becoming apparent, with unemployment increasing to 5.5%. Unemployment increased dramatically by April, reaching a record high of 16.4%, and held steady through May before receding to14.9% in June. At the end of September 2020, the unemployment rate was 11.0%, still well above the rate prior to the pandemic.

The largest job losses occurred in the leisure and hospitality sector, which includes jobs in arts, entertainment, and recreation, as well as food service and accommodations. The number of jobs in this sector declined by 632,200 (30.8%) from February 2020 through June 2020. Other hard-hit sectors included non-durable goods manufacturing, which lost 45,900 jobs (9.9%) over this period, and retail trade, which lost 192,300 jobs (11.6%).

In spite of the steep loss of jobs during the final four months of the 2019-20 fiscal year, some parts of the economy stabilized after initial declines. Sales of existing single-family homes fell during the March to June 2020 time period when compared to the same months in 2019. By July 2020, the pace of existing single family home sales exceeded the pace of sales in July 2019 by 6.4%. Home prices fell modestly in April and May 2020, but had increased significantly by July 2020, with the median price of a single-family home reaching a new record high of $666,320, a 9.0% increase from the June 2020 amount.

Construction activity also declined sharply in March and April 2020 before bouncing back. New single-family residential permits for June and July 2020 exceeded the number recorded in the same months in 2019 by 2.7% and 3.0%, respectively. Non-residential permits also declined during the initial months of the pandemic before partially rebounding in June 2020.

New vehicle registrations were also impacted by the pandemic's economic fallout, with new registrations from April to June 2020 down by 52.1% compared to the same period in 2019.

At the close of the 2019-20 fiscal year, the state's economy began to turn around from the worst of the COVID-19 induced job losses and economic dislocations. However, over 1.9 million fewer Californians were working in non-farm jobs at the end of June 2020 compared with February 2020, and the State still faced significant uncertainty about the timing of its future economic recovery.

California's 2019-20 Budget

California's 2019-20 Budget Act was enacted on June 27, 2019. The Budget Act appropriated $214.8 billion —$147.8 billion from the General Fund, $61.1 billion from special funds, and $5.9 billion from bond funds. The General Fund's budgeted expenditures increased by $5.1 billion (3.6%) over the prior year budget. The General Fund's revenues were projected to be $143.8 billion after a $2.2 billion transfer to the Budget Stabilization Account (BSA), the State's rainy day fund. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 70.2% of total revenue in fiscal year 2019-20. California's major taxes (personal income, sales and use, and corporation) were projected to provide approximately 97.8% of the General Fund's resources in the 2019-20 fiscal year. The General Fund was projected to end the 2019-2020 fiscal year with $19.2 billion in total reserves—$16.5 billion in the BSA, $1.4 billion in the General Fund's Special Fund for Economic Uncertainties (SFEU), $900 million in the Safety Net Reserve (SNR), and the initial funding of $377 million into the Public School System Stabilization Account (PSSSA). In addition to the required minimum annual transfer to the BSA, Proposition 2 requires the General Fund to make an equivalent minimum annual amount of debt reduction payments; the 2019-20 spending plan included $2.2 billion of debt reduction expenditures.

The 2019-20 Budget Act increased total State expenditures by $11.7 billion over the 2018-19 budgeted level, driven by an increase in budgeted General Fund expenditures of $9.1 billion. Primary increases in General Fund spending were for health and human services of $2.4 billion, K-12 education of $2.4 billion, and higher education of $1.4 billion. The General Fund's share of Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges increased by $1.4 billion to $55.9 billion.

Specific 2019-20 Budget provisions included $850 million to cover a portion of school districts' 2019-20 and 2020-21 pension payments, increased funding for the California State Universities and University of California of $713 million and $416 million, respectively, and $1.3 billion for early education programs. Additional 2019-20 Budget provisions included $332 million to increase monthly CalWORKs grants, $550 million to expand health care coverage and increase affordability, and a one-time allocation of $2.8 billion to support local governments' housing and homelessness programs.

Subsequent to the enactment of the 2019-20 Budget Act, the COVID-19 pandemic struck causing a global economic crisis and a serious economic downturn in California. The State now anticipates declines in revenue as a result of record high unemployment and long-term economic shut-downs, increases in health and human services and COVID-related expenditures, and programmatic spending reductions or eliminations. California's structurally balanced budgets and historic level of reserves puts the state in a relatively better position to address projected multi-year budget deficits, but the State is facing a great deal of economic uncertainty.

In June 2020, the 2020-21 Budget Act was enacted, and provided updated estimates of fiscal year 2019-20 General Fund revenues, expenditures, and reserves. The 2020-21 Budget Act, revised to take into consideration the recession brought about by the COVID-19 pandemic, projected fiscal year 2019-20 General Fund revenue of $137.6 billion (after transfers), expenditures of $146.9 billion, and total year-end reserves of $17.0 billion —$16.1 billion in the BSA and $900 million in the SNR—which is $2.2 billion less than projected in the 2019-20 Budget Act in June 2019.

California's 2020-21 Budget

In June 2020, the fiscal year 2020-21 Budget Act was enacted, and includes projections of fiscal year 2020-21 General Fund revenues, expenditures, and reserves that take into account the anticipated impacts of the COVID-19 pandemic to the State. The Budget estimates General Fund revenues of $129.9 billion, a decrease of $9.8 billion (7.0%) from fiscal year 2019-20 revenue estimates. General Fund expenditures are budgeted at $133.9 billion, a decrease of $13.0 billion (8.9%) compared to fiscal year 2019-20. The Budget proposes a transfer of $7.8 billion from the BSA to the General Fund to cover the revenue shortfall. After the transfer, the balance in the BSA would be $8.3 billion. Together with the estimated balance of $2.6 billion in the SFEU, a COVID Reserve deficit balance of $716 million, and $450 million in the SNR, the State's combined reserves at the end of fiscal year 2020-21 are estimated to be $10.7 billion.

The 2020-21 Budget Act provides a plan to close a projected $54.3 billion general fund shortfall due to the impacts of the COVID-19 pandemic by canceling or adjusting program expansions and spending increases, relying on reserves, borrowing from special funds, increasing revenues from taxes on businesses, and requesting additional assistance from the federal government. If additional federal assistance is not provided, the State could face more reductions to core government functions such as education and health and human services to balance the budget.

Requests for Information

The State Controller's Office designed this financial report to provide interested parties with a general overview of the State of California's finances. Address questions concerning the information provided in this report or requests for additional information via email to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov. This report is also available on the State Controller's Office website at www.sco.ca.gov.

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Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2019
(amounts in thousands)

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
ASSETS				
Current assets:				
Cash and pooled investments	$ 60,263,614	$ 7,383,985	$ 67,647,599	$ 2,814,435
Amount on deposit with U.S. Treasury	—	3,717,242	3,717,242	—
Investments	607,430	2,994,955	3,602,385	8,166,937
Restricted assets:				
Cash and pooled investments	581,464	999,183	1,580,647	288,562
Investments	—	—	—	40,342
Due from other governments	—	292,355	292,355	—
Net investment in direct financing leases	12,105	11,868	23,973	—
Receivables (net)	17,797,081	2,157,008	19,954,089	6,309,315
Internal balances	(191,044)	191,044	—	—
Due from primary government	—	—	—	222,053
Due from other governments	31,068,148	444,522	31,512,670	155,027
Prepaid items	216,791	69,471	286,262	4,529
Inventories	69,969	15,263	85,232	266,839
Recoverable power costs (net)	—	88,000	88,000	—
Other current assets	38,203	3,697	41,900	448,632
Total current assets	110,463,761	18,368,593	128,832,354	18,716,671
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	143,195	745,756	888,951	55,798
Investments	—	352,860	352,860	70,584
Loans receivable	—	1,954,696	1,954,696	—
Investments	—	2,070,884	2,070,884	35,891,433
Net investment in direct financing leases	253,833	208,216	462,049	—
Receivables (net)	6,777,439	472,679	7,250,118	2,901,483
Loans receivable	3,373,943	5,304,523	8,678,466	3,126,293
Recoverable power costs (net)	—	837,000	837,000	—
Long-term prepaid charges	1,158	1,467,006	1,468,164	134
Capital assets:				
Land	20,473,440	306,207	20,779,647	1,442,899
State highway infrastructure	78,418,144	—	78,418,144	—
Collections – nondepreciable	22,682	27,473	50,155	554,898
Buildings and other depreciable property	32,753,402	15,807,714	48,561,116	56,078,435
Intangible assets – amortizable	2,630,788	433,466	3,064,254	1,784,908
Less: accumulated depreciation/amortization	(16,142,867)	(6,573,874)	(22,716,741)	(28,699,015)
Construction/development in progress	16,149,346	3,257,564	19,406,910	4,360,384
Intangible assets – nonamortizable	592,549	118,807	711,356	10,344
Other noncurrent assets	—	29,820	29,820	455,058
Total noncurrent assets	145,447,052	26,820,797	172,267,849	78,033,636
Total assets	**255,910,813**	**45,189,390**	**301,100,203**	**96,750,307**
DEFERRED OUTFLOWS OF RESOURCES	24,864,723	3,000,868	27,865,591	10,834,877
Total assets and deferred outflows of resources	**$ 280,775,536**	**$ 48,190,258**	**$ 328,965,794**	**$ 107,585,184**

The notes to the financial statements are an integral part of this statement.

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Current liabilities:				
Accounts payable	$ 35,908,393	$ 571,116	$ 36,479,509	$ 4,220,427
Due to component units	222,053	—	222,053	—
Due to other governments	10,817,194	326,574	11,143,768	—
Revenues received in advance	2,050,018	372,260	2,422,278	1,613,694
Tax overpayments	5,930,342	—	5,930,342	—
Deposits	460,966	—	460,966	1,146,004
Contracts and notes payable	4,581	—	4,581	11,281
Unclaimed property liability	1,047,738	—	1,047,738	—
Interest payable	1,119,817	62,135	1,181,952	24,424
Securities lending obligations	—	—	—	991,052
Benefits payable	—	527,078	527,078	—
Current portion of long-term obligations	6,240,109	2,581,483	8,821,592	4,277,889
Other current liabilities	651,056	575,381	1,226,437	2,169,340
Total current liabilities	64,452,267	5,016,027	69,468,294	14,454,111
Noncurrent liabilities:				
Loans payable	199,063	—	199,063	17,370
Lottery prizes and annuities	—	682,929	682,929	—
Compensated absences payable	3,666,981	206,770	3,873,751	364,726
Workers' compensation benefits payable	3,958,475	5,131	3,963,606	488,169
Commercial paper and other borrowings	1,032,760	778,497	1,811,257	1,854
Capital lease obligations	363,129	295,214	658,343	372,104
General obligation bonds payable	74,762,282	807,597	75,569,879	—
Revenue bonds payable	14,912,983	13,275,970	28,188,953	22,973,611
Mandated cost claims payable	1,815,450	—	1,815,450	—
Net other postemployment benefits liability	69,441,716	14,765,563	84,207,279	20,355,755
Net pension liability	81,299,874	8,730,246	90,030,120	18,439,837
Revenues received in advance	—	8,048	8,048	12,215
Other noncurrent liabilities	2,128,019	268,122	2,396,141	2,976,451
Total noncurrent liabilities	253,580,732	39,824,087	293,404,819	66,002,092
Total liabilities	**318,032,999**	**44,840,114**	**362,873,113**	**80,456,203**
DEFERRED INFLOWS OF RESOURCES	17,468,047	4,587,487	22,055,534	7,179,642
Total liabilities and deferred inflows of resources	**$ 335,501,046**	**$ 49,427,601**	**$ 384,928,647**	**$ 87,635,845**

(continued)

Statement of Net Position (continued)

June 30, 2019
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
NET POSITION				
Net investment in capital assets	$ 112,279,950	$ 2,534,257	$ 114,814,207	$ 14,902,116
Restricted:				
Nonexpendable – endowments	—	1,693	1,693	7,471,853
Expendable:				
Endowments and gifts	—	—	—	12,974,311
General government	4,176,720	192,993	4,369,713	—
Education	848,496	144,161	992,657	1,441,553
Health and human services	3,424,992	2,047,041	5,472,033	—
Natural resources and environmental protection	5,234,161	2,729,142	7,963,303	—
Business, consumer services, and housing	4,218,802	22,414	4,241,216	—
Transportation	9,033,482	6,293	9,039,775	—
Corrections and rehabilitation	76,730	4,941	81,671	—
Unemployment programs	—	7,798,582	7,798,582	—
Indenture	—	—	—	629,421
Statute	—	—	—	2,067,910
Budget stabilization	14,358,422	—	14,358,422	—
Other purposes	—	—	—	17,875
Total expendable	41,371,805	12,945,567	54,317,372	17,131,070
Unrestricted	(208,377,265)	(16,718,860)	(225,096,125)	(19,555,700)
Total net position (deficit)	**(54,725,510)**	**(1,237,343)**	**(55,962,853)**	**19,949,339**
Total liabilities, deferred inflows of resources, and net position	**$ 280,775,536**	**$ 48,190,258**	**$ 328,965,794**	**$ 107,585,184**

(concluded)

The notes to the financial statements are an integral part of this statement.

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Statement of Activities

Year Ended June 30, 2019

(amounts in thousands)

		Program Revenues		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government				
Governmental activities:				
General government	$ 17,900,629	$ 5,755,165	$ 1,438,133	$ —
Education	75,643,779	78,445	7,597,743	—
Health and human services	144,936,676	13,874,296	82,667,677	—
Natural resources and environmental protection	9,774,290	6,644,917	290,509	—
Business, consumer services, and housing	2,133,480	1,206,126	157,518	—
Transportation	17,022,071	7,093,122	2,274,694	1,561,483
Corrections and rehabilitation	15,153,502	10,993	75,588	—
Interest on long-term debt	3,995,597	—	—	—
Total governmental activities	286,560,024	34,663,064	94,501,862	1,561,483
Business-type activities:				
Electric Power	913,000	913,000	—	—
Water Resources	1,199,823	1,172,134	—	—
State Lottery	7,435,755	7,473,452	—	—
Unemployment Programs	13,229,332	14,039,030	—	—
California State University	9,779,084	3,529,083	2,044,729	—
State Water Pollution Control Revolving	49,860	95,703	12,504	—
Safe Drinking Water State Revolving	19,371	25,762	68,129	—
Housing Loan	54,402	60,002	—	—
Other enterprise programs	109,113	106,687	—	—
Total business-type activities	32,789,740	27,414,853	2,125,362	—
Total primary government	**$ 319,349,764**	**$ 62,077,917**	**$ 96,627,224**	**$ 1,561,483**
Component Units				
University of California	40,906,746	25,681,303	10,437,522	59,966
California Housing Finance Agency	180,958	48,052	100,000	—
Nonmajor component units	2,222,698	1,062,891	723,827	32,279
Total component units	**$ 43,310,402**	**$ 26,792,246**	**$ 11,261,349**	**$ 92,245**

General revenues:
- Personal income taxes
- Sales and use taxes
- Corporation taxes
- Motor vehicle excise tax
- Insurance taxes
- Managed care organization enrollment tax
- Other taxes
- Investment and interest income
- Escheat
- Other

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) – beginning, restated

Net position (deficit) – ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (10,707,331)		$ (10,707,331)	
(67,967,591)		(67,967,591)	
(48,394,703)		(48,394,703)	
(2,838,864)		(2,838,864)	
(769,836)		(769,836)	
(6,092,772)		(6,092,772)	
(15,066,921)		(15,066,921)	
(3,995,597)		(3,995,597)	
(155,833,615)		(155,833,615)	
	$ —	—	
	(27,689)	(27,689)	
	37,697	37,697	
	809,698	809,698	
	(4,205,272)	(4,205,272)	
	58,347	58,347	
	74,520	74,520	
	5,600	5,600	
	(2,426)	(2,426)	
	(3,249,525)	(3,249,525)	
$ (155,833,615)	**$ (3,249,525)**	**$ (159,083,140)**	
			$ (4,727,955)
			(32,906)
			(403,701)
			$ (5,164,562)
$ 100,657,551	$ —	$ 100,657,551	$ —
41,006,121	—	41,006,121	—
14,625,724	—	14,625,724	—
7,632,365	—	7,632,365	—
2,734,068	—	2,734,068	—
2,562,919	—	2,562,919	—
3,790,987	—	3,790,987	—
706,637	—	706,637	2,787,634
447,401	—	447,401	—
—	—	—	2,738,007
(3,930,906)	3,930,906	—	—
170,232,867	**3,930,906**	**174,163,773**	**5,525,641**
14,399,252	681,381	15,080,633	361,079
(69,124,762)	**(1,918,724)**	**(71,043,486)**	**19,588,260**
$ (54,725,510)	**$ (1,237,343)**	**$ (55,962,853)**	**$ 19,949,339**

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2019
(amounts in thousands)

	General	Federal
ASSETS		
Cash and pooled investments	$ 25,686,637	$ 359,294
Investments	—	—
Receivables (net)	17,440,580	5,544
Due from other funds	3,126,488	—
Due from other governments	2,267,323	27,057,959
Interfund receivables	1,173,670	—
Loans receivable	31,811	221,900
Other assets	1,727	—
Total assets	**$ 49,728,236**	**$ 27,644,697**
LIABILITIES		
Accounts payable	$ 2,404,879	$ 898,149
Due to other funds	6,120,501	23,189,228
Due to component units	163,305	—
Due to other governments	3,621,013	3,205,467
Interfund payables	4,814,193	—
Revenues received in advance	533,902	96,907
Tax overpayments	5,930,342	—
Deposits	2,990	—
Unclaimed property liability	1,047,738	—
Other liabilities	435,278	29,808
Total liabilities	**25,074,141**	**27,419,559**
DEFERRED INFLOWS OF RESOURCES	6,086,213	1,950
Total liabilities and deferred inflows of resources	**31,160,354**	**27,421,509**
FUND BALANCES		
Nonspendable	1,180,575	—
Restricted	14,834,597	223,188
Committed	1,787,142	—
Assigned	—	—
Unassigned	765,568	—
Total fund balances	**18,567,882**	**223,188**
Total liabilities, deferred inflows of resources, and fund balances	**$ 49,728,236**	**$ 27,644,697**

The notes to the financial statements are an integral part of this statement.

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
$ 8,068,483	$ 11,399,975	$ 1,738,155	$ 11,328,615	$ 58,581,159
—	—	—	607,430	607,430
1,288,924	490,891	3,838,924	1,366,550	24,431,413
1,675,616	400,000	60,706	1,097,733	6,360,543
8,059	11,685	1,604,741	104,374	31,054,141
1,242,708	1,974,641	277,938	1,056,542	5,725,499
—	308,691	39,329	2,768,442	3,370,173
23,758	—	—	12,718	38,203
$ 12,307,548	**$ 14,585,883**	**$ 7,559,793**	**$ 18,342,404**	**$ 130,168,561**
$ 711,564	$ 351,419	$ 68,269	$ 645,335	$ 5,079,615
417,608	71,953	6,151,536	577,654	36,528,480
5,958	2,500	—	50,290	222,053
724,131	73,072	8,154	3,868,192	11,500,029
510,143	178,569	—	70,929	5,573,834
17,072	236,950	3,586	153,411	1,041,828
—	—	—	—	5,930,342
2,865	791	—	453,038	459,684
—	—	—	—	1,047,738
495,300	7,790	—	170,381	1,138,557
2,884,641	**923,044**	**6,231,545**	**5,989,230**	**68,522,160**
123,413	39,176	192,466	279,207	6,722,425
3,008,054	**962,220**	**6,424,011**	**6,268,437**	**75,244,585**
—	—	—	12,760	1,193,335
9,249,016	5,144,478	1,055,843	10,656,584	41,163,706
50,478	8,479,185	79,939	1,385,376	11,782,120
—	—	—	19,247	19,247
—	—	—	—	765,568
9,299,494	**13,623,663**	**1,135,782**	**12,073,967**	**54,923,976**
$ 12,307,548	**$ 14,585,883**	**$ 7,559,793**	**$ 18,342,404**	**$ 130,168,561**

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

(amounts in thousands)

Total fund balances – governmental funds		**$ 54,923,976**
Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:		
• The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land	20,471,360	
State highway infrastructure	78,418,144	
Collections – nondepreciable	22,682	
Buildings and other depreciable property	32,078,487	
Intangible assets – amortizable	2,555,064	
Less: accumulated depreciation/amortization	(15,610,269)	
Construction/development in progress	14,866,849	
Intangible assets – nonamortizable	592,549	
		133,394,866
• State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds.		6,722,425
• Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds.		(10,237,045)
• Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		(6,488,898)
• Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds.		6,999,421
• Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds.		371,258
• General obligation bonds and related accrued interest totaling $73,652,449, revenue bonds totaling $6,349,930, and commercial paper totaling $1,032,760 are not due and payable in the current period and are not reported in the funds.		(81,035,139)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(3,531,917)	
Capital leases	(434,876)	
Net pension liability	(80,093,801)	
Net other postemployment benefits liability	(67,413,651)	
Mandated cost claims	(1,815,450)	
Workers' compensation	(3,912,151)	
Pollution remediation obligations	(1,203,566)	
Other noncurrent liabilities	(970,962)	
		(159,376,374)
Net position of governmental activities		**$ (54,725,510)**

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	$ 95,026,913	$ —
Sales and use taxes	25,701,417	—
Corporation taxes	14,038,348	—
Motor vehicle excise taxes	95,590	—
Insurance taxes	2,734,068	—
Managed care organization enrollment tax	—	—
Other taxes	588,040	—
Intergovernmental	—	96,078,529
Licenses and permits	8,119	—
Charges for services	380,347	—
Fees	17,205	—
Penalties	270,302	133
Investment and interest	687,833	—
Escheat	447,399	—
Other	508,046	—
Total revenues	**140,503,627**	**96,078,662**
EXPENDITURES		
Current:		
General government	5,895,961	1,446,287
Education	66,686,716	7,614,054
Health and human services	35,158,002	82,189,959
Natural resources and environmental protection	3,155,461	274,514
Business, consumer services, and housing	535,863	146,909
Transportation	13,878	3,824,786
Corrections and rehabilitation	12,293,950	75,626
Capital outlay	50,506	—
Debt service:		
Bond and commercial paper retirement	2,579,311	10,320
Interest and fiscal charges	2,743,505	1,070
Total expenditures	**129,113,153**	**95,583,525**
Excess (deficiency) of revenues over (under) expenditures	11,390,474	495,137
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Premium on bonds issued	117,747	—
Remarketing bonds issued	—	—
Payment to remarket long-term debt	—	—
Capital leases	50,506	—
Transfers in	697,211	—
Transfers out	(5,871,863)	(500,603)
Total other financing sources (uses)	**(5,006,399)**	**(500,603)**
Net change in fund balances	6,384,075	(5,466)
Fund balances – beginning	**12,183,807** *	**228,654**
Fund balances – ending	**$ 18,567,882**	**$ 223,188**

* Restated

The notes to the financial statements are an integral part of this statement.

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
$ —	$ —	$ —	$ 1,774,163	$ 96,801,076
925,818	—	—	14,458,391	41,085,626
—	—	—	—	14,038,348
7,323,574	87,354	—	125,847	7,632,365
—	—	—	—	2,734,068
—	—	2,562,919	—	2,562,919
—	190,204	—	2,910,287	3,688,531
—	—	2,973,863	815,358	99,867,750
5,180,473	424,396	—	3,573,957	9,186,945
165,125	131,117	4	279,439	956,032
1,580,243	2,650,726	5,337,523	3,555,725	13,141,422
12,957	117,217	5,803	639,864	1,046,276
165,973	244,146	39,762	183,429	1,321,143
—	—	—	1,357	448,756
111,112	3,462,333	398,464	1,114,632	5,594,587
15,465,275	**7,307,493**	**11,318,338**	**29,432,449**	**300,105,844**
449,290	173,136	2,809	11,295,663	19,263,146
8,260	2,010	207,495	552,653	75,071,188
2,318	57,095	11,354,509	15,781,706	144,543,589
194,498	5,193,577	186	251,541	9,069,777
96,344	154,306	—	1,079,987	2,013,409
13,635,140	409,565	—	9,969	17,893,338
—	—	—	1,686,190	14,055,766
—	165,089	—	71,892	287,487
1,421,031	1,904,861	97,490	4,431,812	10,444,825
47,235	21,009	424	1,158,110	3,971,353
15,854,116	**8,080,648**	**11,662,913**	**36,319,523**	**296,613,878**
(388,841)	(773,155)	(344,575)	(6,887,074)	3,491,966
859,810	1,332,100	285,595	1,149,260	3,626,765
1,102,285	1,190,065	—	2,980,175	5,272,525
210,245	259,163	615	415,567	1,003,337
100,000	—	—	311,340	411,340
(100,000)	—	—	(311,340)	(411,340)
—	—	—	—	50,506
1,419	165,245	175,284	3,375,091	4,414,250
(1,636,020)	(64,629)	—	(224,980)	(8,298,095)
537,739	**2,881,944**	**461,494**	**7,695,113**	**6,069,288**
148,898	2,108,789	116,919	808,039	9,561,254
9,150,596 *	**11,514,874**	**1,018,863** *	**11,265,928** *	**45,362,722**
$ 9,299,494	**$ 13,623,663**	**$ 1,135,782**	**$ 12,073,967**	**$ 54,923,976**

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

(amounts in thousands)

Net change in fund balances – total governmental funds **$ 9,561,254**

Amounts reported for governmental activities in the Statement of Activities are different from those in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because:

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Purchase of assets	6,899,479	
Disposal of assets	(4,558,778)	
Depreciation expense, net of asset disposal	(885,952)	
		1,454,749

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. 4,741,476

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (121,684)

- The issuance of long-term debt instruments provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure of governmental funds. Neither transaction, however, has any effect on the Statement of Activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following shows the effect of these differences in the treatment of long-term debt and related items:

	General Obligation Bonds	Revenue Bonds	Commercial Paper	Total	
Debt issued	(7,429,000)	(710,910)	(1,170,720)	(9,310,630)	
Premium on debt issued	(984,981)	(18,355)	—	(1,003,336)	
Accreted interest	—	(31,749)	—	(31,749)	
Principal repayments	8,526,724	920,445	997,655	10,444,824	
Payments to refund/remarket long-term debt	411,340	—	—	411,340	
Related expenses not reported in governmental funds:					
Premium/discount amortization	308,457	22,791	—	331,248	
Deferred gain/loss on refunding	(6,391)	(2,795)	—	(9,186)	
Prepaid insurance	—	(83)	—	(83)	
Accrued interest	54,872	(5,234)	—	49,638	
	881,021	174,110	(173,065)		882,066

(continued)

The notes to the financial statements are an integral part of this statement.

- The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized as expenditures in governmental funds. Once the use of current financial resources is required, expenditures are recognized in governmental funds but are eliminated from the Statement of Activities. In the current period, the net adjustment consists of:

Compensated absences	(72,362)	
Capital leases	46,385	
Net pension liability	(1,922,054)	
Net other postemployment benefits liability	(492,901)	
Mandated cost claims	95,563	
Workers' compensation	(82,203)	
Proposition 98 funding guarantee	340,003	
Pollution remediation obligations	(62,377)	
Other noncurrent liabilities	31,337	
		(2,118,609)
Change in net position of governmental activities		**$ 14,399,252**

(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2019
(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 708,971
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	688,000	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	2,259	155,303
Due from other funds	7,720	1,582
Due from other governments	—	207,380
Prepaid items	—	—
Inventories	—	4,893
Recoverable power costs (net)	88,000	—
Other current assets	—	—
Total current assets	785,979	1,078,129
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	582,000	163,653
Investments	302,000	50,860
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	96,048
Loans receivable	—	10,105
Recoverable power costs (net)	837,000	—
Long-term prepaid charges	—	1,466,584
Capital assets:		
Land	—	188,965
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	5,378,648
Intangible assets – amortizable	—	39,626
Less: accumulated depreciation/amortization	—	(2,276,510)
Construction/development in progress	—	2,078,333
Intangible assets – nonamortizable	—	111,900
Other noncurrent assets	—	—
Total noncurrent assets	1,721,000	7,308,212
Total assets	**2,506,979**	**8,386,341**
DEFERRED OUTFLOWS OF RESOURCES	70,000	296,613
Total assets and deferred outflows of resources	**$ 2,576,979**	**$ 8,682,954**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 829,472	$ 3,637,655	$ 848,213	$ 1,359,674	$ 7,383,985	$ 1,682,455
—	3,717,242	—	—	3,717,242	—
60,150	—	2,934,805	—	2,994,955	—
—	—	—	311,183	999,183	581,464
—	—	—	292,355	292,355	—
—	—	11,868	—	11,868	486,012
569,546	1,187,994	197,183	44,723	2,157,008	88,093
4,333	22,209	11,177	32,258	79,279	608,191
—	40,477	—	196,665	444,522	14,007
—	—	69,442	29	69,471	216,791
7,130	—	—	3,240	15,263	69,969
—	—	—	—	88,000	—
3,697	—	—	—	3,697	—
1,474,328	8,605,577	4,072,688	2,240,127	18,256,828	3,746,982
—	—	103	—	745,756	143,195
—	—	—	—	352,860	—
—	—	—	1,954,696	1,954,696	—
771,874	—	1,279,428	19,582	2,070,884	—
—	—	208,216	—	208,216	7,829,752
—	80,281	392,398	—	472,679	—
—	839,806	—	12,439	948,293	38,536
—	35,591	59,491	5,199,336	5,304,523	3,770
—	—	—	—	837,000	—
422	—	—	—	1,467,006	590
18,798	—	97,172	1,272	306,207	2,080
—	—	27,473	—	27,473	—
321,168	28,556	10,053,368	25,974	15,807,714	674,915
—	244,118	147,961	1,761	433,466	75,724
(130,994)	(70,834)	(4,075,988)	(19,548)	(6,573,874)	(532,598)
—	—	1,179,125	106	3,257,564	1,282,497
—	—	6,907	—	118,807	—
—	—	26,666	3,154	29,820	—
981,268	1,157,518	9,402,320	7,198,772	27,769,090	9,518,461
2,455,596	**9,763,095**	**13,475,008**	**9,438,899**	**46,025,918**	**13,265,443**
73,060	89,316	2,456,788	15,091	3,000,868	514,390
$ 2,528,656	**$ 9,852,411**	**$ 15,931,796**	**$ 9,453,990**	**$ 49,026,786**	**$ 13,779,833**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Net Position (continued)

Proprietary Funds

June 30, 2019
(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,741	$ 172,753
Due to other funds	238	52,356
Due to other governments	—	289,335
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	17,000	13,794
Benefits payable	—	—
Current portion of long-term obligations	832,000	191,376
Other current liabilities	—	—
Total current liabilities	850,979	719,614
Noncurrent liabilities:		
Interfund payables	607	57,470
Lottery prizes and annuities	—	—
Compensated absences payable	—	25,703
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	689,984
Capital lease obligations	—	—
General obligation bonds payable	—	10,685
Revenue bonds payable	1,711,000	3,075,542
Net other postemployment benefits liability	5,393	771,286
Net pension liability	4,000	527,333
Revenues received in advance	—	—
Other noncurrent liabilities	—	149,976
Total noncurrent liabilities	1,721,000	5,307,979
Total liabilities	**2,571,979**	**6,027,593**
DEFERRED INFLOWS OF RESOURCES	5,000	1,489,012
Total liabilities and deferred inflows of resources	**2,576,979**	**7,516,605**
NET POSITION		
Net investment in capital assets	—	783,286
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	383,063
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	—	383,063
Unrestricted	—	—
Total net position (deficit)	**—**	**1,166,349**
Total liabilities, deferred inflows of resources, and net position	**$ 2,576,979**	**$ 8,682,954**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 56,297	$ 40,702	$ 291,670	$ 7,917	$ 571,080	$ 409,604
441,283	71,513	21,866	22,834	610,090	328,653
—	36,637	—	602	326,574	58,053
2,383	48,636	321,194	47	372,260	1,008,190
—	—	—	—	—	1,282
—	—	—	—	—	23,441
—	—	—	31,341	62,135	96,538
—	527,078	—	—	527,078	—
1,072,103	—	331,874	154,130	2,581,483	599,348
268	44,963	530,145	5	575,381	17,933
1,572,334	769,529	1,496,749	216,876	5,626,081	2,543,042
12,979	—	133,419	21,999	226,474	1,111,083
682,929	—	—	—	682,929	—
—	59,019	112,521	9,527	206,770	144,835
3,013	—	—	2,118	5,131	46,324
—	—	88,513	—	778,497	—
—	—	295,214	—	295,214	—
—	—	—	796,912	807,597	—
—	—	6,682,306	1,807,122	13,275,970	8,424,622
231,853	599,198	13,128,996	28,837	14,765,563	2,028,065
126,042	300,413	7,733,251	39,207	8,730,246	1,206,073
—	—	8,048	—	8,048	—
—	—	97,466	20,680	268,122	29,629
1,056,816	958,630	28,279,734	2,726,402	40,050,561	12,990,631
2,629,150	**1,728,159**	**29,776,483**	**2,943,278**	**45,676,642**	**15,533,673**
51,222	123,830	2,888,140	30,283	4,587,487	433,379
2,680,372	**1,851,989**	**32,664,623**	**2,973,561**	**50,264,129**	**15,967,052**
208,972	201,840	1,336,605	3,554	2,534,257	534,879
—	—	1,693	—	1,693	—
—	—	43,570	—	43,570	208,099
—	—	38,975	258,323	680,361	—
—	—	—	2,087,404	2,087,404	—
93,646	—	—	—	93,646	—
—	7,798,582	—	—	7,798,582	—
—	—	61,616	2,180,388	2,242,004	—
93,646	7,798,582	144,161	4,526,115	12,945,567	208,099
(454,334)	—	(18,215,286)	1,950,760	(16,718,860)	(2,930,197)
(151,716)	**8,000,422**	**(16,732,827)**	**6,480,429**	**(1,237,343)**	**(2,187,219)**
$ 2,528,656	**$ 9,852,411**	**$ 15,931,796**	**$ 9,453,990**	**$ 49,026,786**	**$ 13,779,833**

(concluded)

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2019
(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	$ —	$ —
Lottery ticket sales	—	—
Power sales	(5,000)	96,308
Student tuition and fees	—	—
Services and sales	—	1,053,344
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	**(5,000)**	**1,149,652**
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(16,000)	290,908
Personal services	—	392,703
Supplies	—	—
Services and charges	11,000	100,562
Depreciation	—	94,191
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	—
Total operating expenses	**(5,000)**	**878,364**
Operating income (loss)	—	271,288
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income	918,000	22,482
Interest expense and fiscal charges	(918,000)	(116,481)
Lottery payments for education	—	—
Other	—	(204,978)
Total nonoperating revenues (expenses)	**—**	**(298,977)**
Income (loss) before capital contributions and transfers	—	(27,689)
Transfers in	—	—
Transfers out	—	—
Change in net position	—	(27,689)
Total net position (deficit) – beginning	**—**	**1,194,038** *
Total net position (deficit) – ending	**$ —**	**$ 1,166,349**

* Restated

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	**Unemployment Programs**	**California State University**	**Nonmajor Enterprise**	**Total**	**Internal Service Funds**
$ —	$ 13,969,174	$ —	$ —	$ 13,969,174	$ —
7,388,050	—	—	—	7,388,050	—
—	—	—	—	91,308	—
—	—	2,198,195	—	2,198,195	—
—	—	607,889	111,648	1,772,881	3,575,293
—	—	—	145,792	145,792	24,348
—	—	—	—	—	417,092
—	—	79,131	—	79,131	—
—	—	254,378	3,129	257,507	—
7,388,050	**13,969,174**	**3,139,593**	**260,569**	**25,902,038**	**4,016,733**
4,715,593	—	—	—	4,715,593	—
—	—	—	—	274,908	—
99,664	372,865	6,634,906	59,128	7,559,266	1,129,432
14,080	—	1,589,485	44,152	1,647,717	30,633
730,177	51,665	—	48,395	941,799	2,391,932
18,815	17,263	379,786	1,087	511,142	65,006
—	—	915,286	—	915,286	—
—	12,786,647	—	—	12,786,647	—
—	—	—	34,135	34,135	364,505
—	—	—	—	—	129
—	—	—	7,239	7,239	—
5,578,329	**13,228,440**	**9,519,463**	**194,136**	**29,393,732**	**3,981,637**
1,809,721	740,734	(6,379,870)	66,433	(3,491,694)	35,096
—	—	2,044,729	80,633	2,125,362	—
—	—	55,003	—	55,003	—
85,380	69,856	204,813	27,326	1,327,857	5,263
(32,202)	(892)	(259,621)	(38,610)	(1,365,806)	(2,331)
(1,825,224)	—	—	—	(1,825,224)	—
22	—	129,674	259	(75,023)	(112,651)
(1,772,024)	**68,964**	**2,174,598**	**69,608**	**242,169**	**(109,719)**
37,697	809,698	(4,205,272)	136,041	(3,249,525)	(74,623)
—	—	3,934,300	1,750	3,936,050	2,220
—	—	—	(5,144)	(5,144)	(49,281)
37,697	809,698	(270,972)	132,647	681,381	(121,684)
(189,413)	**7,190,724**	**(16,461,855)**	**6,347,782** *	**(1,918,724)**	**(2,065,535)***
$ (151,716)	**$ 8,000,422**	**$ (16,732,827)**	**$ 6,480,429**	**$ (1,237,343)**	**$ (2,187,219)**

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	$ (5,000)	$ 1,092,325
Receipts from interfund services provided	—	—
Payments to suppliers	(9,000)	(478,709)
Payments to employees	(1,000)	(392,703)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	10,000	129,892
Net cash provided by (used in) operating activities	**(5,000)**	**350,805**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and capital leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	—	—
Receipt of bond charges	883,000	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(753,000)	—
Interest received	—	—
Interest paid	(139,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Net cash provided by (used in) noncapital financing activities	**(9,000)**	**—**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(649,078)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	585,075
Principal paid on notes payable and commercial paper	—	(475,763)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(25,975)
Proceeds from revenue bonds	—	405,805
Retirement of revenue bonds	—	(129,400)
Interest paid	—	(89,223)
Grants received	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**(378,559)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(252,772)
Proceeds from maturity and sale of investments	—	252,618
Change in loans receivable	—	819
Earnings on investments	44,000	21,034
Net cash provided by (used in) investing activities	**44,000**	**21,699**
Net increase (decrease) in cash and pooled investments	30,000	(6,055)
Cash and pooled investments – beginning	**1,240,000**	**878,679**
Cash and pooled investments – ending	**$ 1,270,000**	**$ 872,624**

* Restated

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 7,390,296	$ 13,983,271	$ 2,787,552	$ 353,686	$ 25,602,130	$ 14,045
—	—	—	3,678	3,678	4,629,351
(257,962)	(19,091)	(1,607,046)	(92,368)	(2,464,176)	(1,935,490)
(83,759)	(213,600)	(5,397,993)	(32,109)	(6,121,164)	(985,521)
(7,582)	(12,997)	—	(2,846)	(23,425)	(15,704)
(4,893,812)	—	—	—	(4,893,812)	—
(505,915)	(12,768,292)	—	—	(13,274,207)	(540,761)
565,907	(54,215)	(637,510)	(748,344)	(734,270)	(417,008)
2,207,173	**915,076**	**(4,854,997)**	**(518,303)**	**(1,905,246)**	**748,912**
—	—	(18,012)	—	(18,012)	328,554
—	96,232	—	2,409	98,641	—
—	—	(123,050)	6,937	(116,113)	174,928
—	—	—	—	883,000	—
—	—	—	277,960	277,960	—
—	—	—	(14,830)	(14,830)	—
—	—	89,815	100,806	190,621	—
—	—	(29,069)	(65,280)	(847,349)	—
—	—	23,293	—	23,293	—
—	—	(29,814)	(64,229)	(233,043)	(1,421)
—	—	3,607,887	1,750	3,609,637	2,220
—	—	—	(5,144)	(5,144)	(49,281)
—	—	2,171,199	69,403	2,240,602	—
(1,815,267)	—	—	—	(1,815,267)	—
(1,815,267)	**96,232**	**5,692,249**	**309,782**	**4,273,996**	**455,000**
(30,508)	—	(945,843)	(6,864)	(1,632,293)	(760,913)
24	23	13,050	83	13,180	3,322
—	—	—	—	585,075	—
—	—	—	—	(475,763)	—
—	—	9,087	—	9,087	—
—	—	(569,274)	—	(569,274)	—
—	—	—	—	(25,975)	—
—	—	762,076	—	1,167,881	139,506
—	—	(1,654)	—	(131,054)	(518,640)
—	(892)	—	—	(90,115)	(575)
—	—	54,020	—	54,020	—
(30,484)	**(869)**	**(678,538)**	**(6,781)**	**(1,095,231)**	**(1,137,300)**
(39,821)	—	(10,573,282)	(16,265)	(10,882,140)	—
52,207	(746,869)	10,327,619	14,898	9,900,473	—
—	—	—	—	819	—
26,968	69,856	120,927	26,628	309,413	5,299
39,354	**(677,013)**	**(124,736)**	**25,261**	**(671,435)**	**5,299**
400,776	333,426	33,978	(190,041)	602,084	71,911
428,696	**3,304,229**	**814,338**	**1,860,898** *	**8,526,840**	**2,335,203**
$ 829,472	**$ 3,637,655**	**$ 848,316**	**$ 1,670,857**	**$ 9,128,924**	**$ 2,407,114**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2019

(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ —	$ 271,288
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	—	94,191
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Amortization of long-term prepaid charges and credits	—	18,369
Other	—	129,892
Change in account balances:		
Receivables	10,000	(45,123)
Due from other funds	—	—
Due from other governments	—	(166,769)
Prepaid items	—	—
Inventories	—	545
Net investment in direct financing leases	—	—
Recoverable power costs (net)	(16,000)	—
Other current assets	—	—
Other noncurrent assets	—	—
Loans receivable	—	—
Deferred outflow of resources	1,000	—
Accounts payable	—	(100,231)
Due to other funds	—	(2,238)
Due to component units	—	—
Due to other governments	—	78,235
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	72,646
Deferred inflow of resources	—	—
Total adjustments	(5,000)	79,517
Net cash provided by (used in) operating activities	**$ (5,000)**	**$ 350,805**
Noncash investing, capital, and financing activities:		
State's contribution for pension benefits and OPEB	$ —	$ —
Long-term debt retirement from bond issuance	—	109,080
Amortization/defeasance of bond premium and discount	53,000	27,287
Amortization of deferred loss on refundings	27,000	10,302
Unclaimed lottery prizes directly allocated to another entity	—	—
Interest accreted on annuitized prizes	—	—
Unrealized gain on investments	—	—
Interest accreted on zero coupon bonds	—	—
Contributed capital assets	—	—
Change in accrued capital asset purchases	—	—
Other assets paid through long-term debt	—	—
Other miscellaneous noncash transactions	—	—

 The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 1,809,721	$ 740,734	$ (6,379,870)	$ 66,433	$ (3,491,694)	$ 35,096
18,815	17,263	379,786	1,087	511,142	65,006
4,027	—	—	(111)	3,916	—
—	—	—	(458)	(458)	(91,239)
—	—	—	—	18,369	129
26	—	(22,618)	(14,495)	92,805	13,817
(24,002)	2,566	(26,927)	656	(82,830)	10,299
(63)	(8,098)	(17,947)	(4,725)	(30,833)	(72,426)
—	(3,654)	—	(1,088)	(171,511)	3,070
923	—	(9,564)	62	(8,579)	16,976
162	—	—	69	776	2,520
—	—	—	—	—	512,666
—	—	—	—	(16,000)	—
3,552	—	—	—	3,552	—
—	—	—	977	977	—
—	—	—	(582,675)	(582,675)	—
—	44,021	1,615,763	30,034	1,690,818	190,708
(10,751)	32,573	14,366	3,127	(60,916)	(110,104)
(9,834)	(45,632)	—	12,211	(45,493)	172,232
—	—	—	—	—	98
—	2,023	—	5	80,263	(22)
—	—	(4)	—	(4)	(673)
—	—	—	—	—	866
—	—	—	1,038	1,038	(4,640)
206	11,531	(7,253)	(14)	4,470	49,270
784	(11,851)	(1,223)	471	(11,819)	830
—	18,356	26,225	6,122	50,703	18
387,513	—	—	—	387,513	—
—	3,842	13,936	551	18,329	4,611
26,094	38,191	(1,822,821)	(16,235)	(1,702,125)	(246,003)
—	73,211	1,383,154	(21,345)	1,435,020	195,807
397,452	174,342	1,524,873	(584,736)	1,586,448	713,816
$ 2,207,173	**$ 915,076**	**$ (4,854,997)**	**$ (518,303)**	**$ (1,905,246)**	**$ 748,912**

(concluded)

$ —	$ —	$ 326,113	$ —	$ 326,113	$ —
—	—	—	—	109,080	—
—	—	32,159	—	112,446	—
—	—	6,147	—	43,449	—
45,423	—	—	—	45,423	—
32,202	—	—	—	32,202	—
39,164	—	—	—	39,164	—
18,277	—	—	—	18,277	—
—	—	7,825	—	7,825	—
—	—	9,835	—	9,835	—
—	—	89,670	—	89,670	—
—	—	24,599	2,255	26,854	109,984

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2019

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust — Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	$ 113,197	$ 3,264,944	$ 24,735,365	$ 4,284,516
Investments, at fair value:				
Short-term	—	15,857,095	—	—
Equity securities	4,700,510	317,399,932	—	—
Debt securities	2,931,223	161,788,992	—	—
Real estate	289,136	73,473,072	—	—
Securities lending collateral	—	27,129,823	—	—
Other	1,443,868	73,492,132	—	—
Total investments	9,364,737	669,141,046	—	—
Receivables (net)	29,131	9,160,099	—	4,584,617
Due from other funds	38	3,096,812	—	27,322,360
Due from other governments	—	—	—	140,365
Interfund receivable	—	—	—	199,063
Loans receivable	—	2,783,321	—	15,145
Other assets	245,011	739,389	—	805,929
Total assets	**9,752,114**	**688,185,611**	**24,735,365**	**$ 37,351,995**
DEFERRED OUTFLOWS OF RESOURCES	—	179,825	—	
Total assets and deferred outflows of resources	**9,752,114**	**688,365,436**	**24,735,365**	
LIABILITIES				
Accounts payable	47,643	5,426,723	—	$ 21,235,401
Due to other governments	—	11	150,513	13,184,549
Tax overpayments	—	—	—	7,613
Benefits payable	—	3,632,592	—	—
Revenues received in advance	—	—	—	679
Deposits	245,011	—	—	2,109,815
Securities lending obligations	—	27,111,004	—	—
Loans payable	—	2,787,398	—	—
Other liabilities	8,396	8,176,839	—	813,938
Total liabilities	**301,050**	**47,134,567**	**150,513**	**$ 37,351,995**
DEFERRED INFLOWS OF RESOURCES	—	138,056	—	
Total liabilities and deferred inflows of resources	**301,050**	**47,272,623**	**150,513**	
NET POSITION				
Restricted for pension and other postemployment benefits	—	623,237,339	—	
Held in trust for:				
Deferred compensation participants	—	17,840,285	—	
Pool participants	—	—	24,584,852	
Individuals, organizations, or other governments	9,451,064	15,189	—	
Total net position	**$ 9,451,064**	**$ 641,092,813**	**$ 24,584,852**	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2019

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust — Local Agency Investment
ADDITIONS			
Contributions:			
Employer	$ —	$ 25,574,412	$ —
Plan member	—	9,384,427	—
Non-employer	—	5,334,860	—
Total contributions	—	40,293,699	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	102,226	29,921,335	—
Interest, dividends, and other investment income	441,212	11,757,940	526,689
Less: investment expense	(3,900)	(2,072,615)	—
Net investment income	539,538	39,606,660	526,689
Receipts from depositors	5,148,758	—	27,306,652
Other	—	169,317	—
Total additions	**5,688,296**	**80,069,676**	**27,833,341**
DEDUCTIONS			
Distributions paid and payable to participants	—	42,794,148	524,819
Refunds of contributions	—	386,557	—
Administrative expense	373	549,617	1,870
Interest expense	143	105,309	—
Payments to and for depositors	4,913,953	610,086	25,270,760
Total deductions	**4,914,469**	**44,445,717**	**25,797,449**
Change in net position	773,827	35,623,959	2,035,892
Net position – beginning	**8,677,237**	**605,468,854**	**22,548,960**
Net position – ending	**$ 9,451,064**	**$ 641,092,813**	**$ 24,584,852**

The notes to the financial statements are an integral part of this statement.

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2019

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 601,721	$ 962,592	$ 1,250,122	$ 2,814,435
Investments	7,586,304	1,350	579,283	8,166,937
Restricted assets:				
Cash and pooled investments	—	—	288,562	288,562
Investments	—	—	40,342	40,342
Receivables (net)	5,512,927	236,031	560,357	6,309,315
Due from primary government	222,053	—	—	222,053
Due from other governments	155,027	—	—	155,027
Prepaid items	—	421	4,108	4,529
Inventories	266,839	—	—	266,839
Other current assets	405,740	295	42,597	448,632
Total current assets	14,750,611	1,200,689	2,765,371	18,716,671
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	55,798	55,798
Investments	—	—	70,584	70,584
Investments	33,336,738	306,927	2,247,768	35,891,433
Receivables (net)	2,676,077	—	225,406	2,901,483
Loans receivable	—	2,701,477	424,816	3,126,293
Long-term prepaid charges	—	—	134	134
Capital assets:				
Land	1,282,588	—	160,311	1,442,899
Collections – nondepreciable	545,264	—	9,634	554,898
Buildings and other depreciable property	53,937,022	1,218	2,140,195	56,078,435
Intangible assets – amortizable	1,776,349	—	8,559	1,784,908
Less: accumulated depreciation/amortization	(27,506,088)	(758)	(1,192,169)	(28,699,015)
Construction/development in progress	4,194,338	—	166,046	4,360,384
Intangible assets – nonamortizable	—	—	10,344	10,344
Other noncurrent assets	402,700	1,501	50,857	455,058
Total noncurrent assets	70,644,988	3,010,365	4,378,283	78,033,636
Total assets	**85,395,599**	**4,211,054**	**7,143,654**	**96,750,307**
DEFERRED OUTFLOWS OF RESOURCES	10,701,222	17,286	116,369	10,834,877
Total assets and deferred outflows of resources	**$ 96,096,821**	**$ 4,228,340**	**$ 7,260,023**	**$ 107,585,184**

The notes to the financial statements are an integral part of this statement.

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ 3,389,278	$ 47,316	$ 783,833	$ 4,220,427
Revenues received in advance	1,512,177	—	101,517	1,613,694
Deposits	901,639	242,213	2,152	1,146,004
Contracts and notes payable	—	—	11,281	11,281
Interest payable	—	20,434	3,990	24,424
Securities lending obligations	991,052	—	—	991,052
Current portion of long-term obligations	4,042,625	44,763	190,501	4,277,889
Other current liabilities	1,973,562	27,993	167,785	2,169,340
Total current liabilities	12,810,333	382,719	1,261,059	14,454,111
Noncurrent liabilities:				
Compensated absences payable	345,620	1,871	17,235	364,726
Workers' compensation benefits payable	464,664	—	23,505	488,169
Loans payable	—	5,106	12,264	17,370
Commercial paper and other borrowings	—	—	1,854	1,854
Capital lease obligations	145,803	—	226,301	372,104
Revenue bonds payable	21,379,131	1,153,363	441,117	22,973,611
Net other postemployment benefits liability	19,861,686	80,977	413,092	20,355,755
Net pension liability	18,117,941	44,771	277,125	18,439,837
Revenues received in advance	—	—	12,215	12,215
Other noncurrent liabilities	2,143,907	252,885	579,659	2,976,451
Total noncurrent liabilities	62,458,752	1,538,973	2,004,367	66,002,092
Total liabilities	**75,269,085**	**1,921,692**	**3,265,426**	**80,456,203**
DEFERRED INFLOWS OF RESOURCES	7,056,760	25,689	97,193	7,179,642
Total liabilities and deferred inflows of resources	**82,325,845**	**1,947,381**	**3,362,619**	**87,635,845**
NET POSITION				
Net investment in capital assets	14,284,354	460	617,302	14,902,116
Restricted:				
Nonexpendable – endowments	6,110,164	—	1,361,689	7,471,853
Expendable:				
Endowments and gifts	12,947,525	—	26,786	12,974,311
Education	281,662	—	1,159,891	1,441,553
Indenture	—	629,421	—	629,421
Statute	—	1,697,270	370,640	2,067,910
Other purposes	—	—	17,875	17,875
Total expendable	13,229,187	2,326,691	1,575,192	17,131,070
Unrestricted	(19,852,729)	(46,192)	343,221	(19,555,700)
Total net position	**13,770,976**	**2,280,959**	**3,897,404**	**19,949,339**
Total liabilities, deferred inflows of resources, and net position	**$ 96,096,821**	**$ 4,228,340**	**$ 7,260,023**	**$ 107,585,184**

(concluded)

The notes to the financial statements are an integral part of this statement.

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2019

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	$ 25,906,166	$ 43,268	$ 560,731	$ 26,510,165
Scholarships and fellowships	850,390	—	95,902	946,292
Supplies	4,057,105	—	13,044	4,070,149
Services and charges	336,232	18,688	1,370,252	1,725,172
Department of Energy laboratories	1,569,702	—	—	1,569,702
Depreciation	2,100,228	207	77,306	2,177,741
Interest expense and fiscal charges	767,385	46,935	36,098	850,418
Other	5,319,538	71,860	69,365	5,460,763
Total operating expenses	**40,906,746**	**180,958**	**2,222,698**	**43,310,402**
PROGRAM REVENUES				
Charges for services	25,681,303	48,052	1,062,891	26,792,246
Operating grants and contributions	10,437,522	100,000	723,827	11,261,349
Capital grants and contributions	59,966	—	32,279	92,245
Total program revenues	**36,178,791**	**148,052**	**1,818,997**	**38,145,840**
Net revenues (expenses)	(4,727,955)	(32,906)	(403,701)	(5,164,562)
GENERAL REVENUES				
Investment and interest income	2,313,966	313,799	159,869	2,787,634
Other	2,226,144	47,431	464,432	2,738,007
Total general revenues	**4,540,110**	**361,230**	**624,301**	**5,525,641**
Change in net position	(187,845)	328,324	220,600	361,079
Net position – beginning	**13,958,821** *	**1,952,635**	**3,676,804** *	**19,588,260**
Net position – ending	**$ 13,770,976**	**$ 2,280,959**	**$ 3,897,404**	**$ 19,949,339**

* Restated

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements – Index

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the fiscal year ended June 30, 2019:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, as amended, is effective for the fiscal year ended June 30, 2020; however, the State has elected to implement this Statement for the fiscal year ended June 30, 2019. Statement No. 88 defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations in governments, including direct borrowings and direct placements. Direct borrowings and direct placements are not offered for public sale and have terms negotiated directly with the investor or lender. Except for minor changes in the notes to the financial statements related to debt obligations, implementation of GASB Statement No. 88 had no impact on the financial statements for the year ended June 30, 2019.

A. Reporting Entity

These financial statements present the primary government of the State and its component units. The **primary government** consists of all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the State. **Component units** are organizations that are legally separate from the State, but for which the State is financially accountable, or organizations whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. Following is information on the blended, fiduciary, and discretely presented component units of the State.

1. Blended Component Units

Blended component units, although legally separate entities, are in substance part of the primary government's operations. Therefore, data from these blended component units are integrated into the appropriate funds for reporting purposes.

Building authorities are blended component units because they have been created through the use of joint exercise of powers agreements with various cities to finance the construction of state buildings. The building authorities' financial activities are reported in capital projects funds. As a result, capital lease arrangements between the building authorities and the State have been eliminated from the financial statements. Instead, only the underlying capital assets and the debt used to acquire them are reported in the government-wide financial statements. For information regarding obtaining copies of the financial statements of the building authorities, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The *Golden State Tobacco Securitization Corporation (GSTSC)* is a not-for-profit corporation established through legislation in September 2002 solely for the purpose of purchasing Tobacco Settlement Revenues from the State. The five voting members of the State Public Works Board serve ex officio as the directors of the corporation. The GSTSC is authorized to issue bonds as necessary to provide sufficient funds for carrying out its purpose. The GSTSC's financial activity is reported in the combining statements in the Nonmajor Governmental Funds section as a special revenue fund. For information regarding obtaining copies of the financial statements of GSTSC, contact the Department of Finance, Natural Resources, Energy, Environmental, and Capital Outlay Section, 915 L Street, 9th Floor, Sacramento, California 95814.

2. Fiduciary Component Units

The State has two legally separate fiduciary component units that administer pension and other employee benefit trust funds. The State appoints a voting majority of the board members of both plans which, due to their fiduciary nature, are presented in the fiduciary fund statements as pension and other employee benefit trust funds, along with other primary government fiduciary funds.

The *California Public Employees' Retirement System (CalPERS)* administers pension and health benefit plans for state employees, non-teaching school employees, and employees of California public agencies. Its Board of Administration has plenary authority and fiduciary responsibility for the investment of monies and the administration of the plan. CalPERS administers the following seven pension and other employee benefit trust funds: the Public Employees' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement Fund II, the Legislators' Retirement Fund, the Public Employees' Deferred Compensation Fund, the public employee Supplemental Contributions Program Fund, and the California Employers' Retiree Benefit Trust Fund. CalPERS' separately issued financial statements may be found on its website at www.CalPERS.ca.gov.

The *California State Teachers' Retirement System (CalSTRS)* administers pension benefit plans for California public school teachers and certain other employees of the public school system. The State is financially accountable for CalSTRS. CalSTRS administers a hybrid retirement system consisting of the State Teachers' Retirement Plan, a defined benefit plan, composed of the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program; two defined contribution plans; a postemployment benefit plan; and a fund used to account for ancillary activities associated with various deferred compensation plans and programs. CalSTRS' separately issued financial statements may be found on its website at www.CalSTRS.com.

3. Discretely Presented Component Units

Enterprise activity of discretely presented component units is reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the primary government and usually provide services to entities and individuals outside the primary government. Discretely presented component units that report enterprise activity include the University of California, the California Housing Finance Agency, and nonmajor component units. Most component units separately issue their own financial statements. In general, the notes to the financial statements in this publication do not include information found in the component units' separately issued financial statements. Instead, references to the individual component unit financial statements are provided where applicable.

The *University of California* was founded in 1868 as a public, state-supported, land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California (Regents). The University is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the University. The University offers defined benefit pension plans and defined contribution pension plans to its employees through the University of California Retirement System (UCRS), a fiduciary responsibility of the Regents. The financial information of the UCRS is not included in the financial statements of this report due to its fiduciary nature. The University's financial statements may be found on its website at www.ucop.edu.

The *California Housing Finance Agency (CalHFA)* was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended. CalHFA's purpose is to finance the housing needs of persons and families of low and moderate income. It is a component unit of the State because the State appoints a voting majority of CalHFA's governing board and the executive director, who administers the day-to-day operations. CalHFA's financial statements may be found on its website at www.CalHFA.ca.gov.

State legislation created various nonmajor component units to provide certain services outside the primary government and to provide certain private and public entities with a low-cost source of financing for programs deemed to be in the public interest. California State University Auxiliary Organizations are considered component units because they exist entirely or almost entirely for the direct benefit of the universities. The remaining nonmajor component units are considered component units because the majority of members of their governing boards are appointed by or are members of the primary government, and the primary government can impose its will on the entity; or the entity provides a specific financial benefit to or imposes a financial burden on the primary government. For information regarding obtaining copies of the financial statements of these component units, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The nonmajor consolidated component unit segments are:

California State University Auxiliary Organizations, which provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

Financing authorities, which provide financing for specific purposes. These agencies include:

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;

- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and

- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural associations' financial report is as of and for the year ended December 31, 2018).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law,* which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;

- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation,* which provides financial assistance to small business; and

- The *Public Employees' Contingency Reserve,* which provides health benefit plans for state employees and annuitants.

4. Joint Venture

A joint venture is an entity resulting from a contractual arrangement; it is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture called the *Capitol Area Development Authority (CADA).* CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city; it is administered by a board composed of five members —two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2019, CADA had total assets and deferred outflows of resources of $39.8 million, total liabilities and deferred inflows of resources of $23.6 million, and total net position of $16.2 million. Total revenues for the fiscal year were $14.3 million and expenses were $10.1 million, resulting in an increase in net position of $4.2 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on its website at www.cadanet.org.

5. Related Organizations

A related organization is an organization for which a primary government is accountable because that government appoints a voting majority of the organization's governing board, but for which the primary government is not financially accountable.

Chapter 854 of the Statutes of 1996 created an *Independent System Operator (ISO),* a state-chartered, nonprofit market institution. The ISO provides centralized control of the statewide electrical transmission grid to ensure the efficient use and reliable operation of the transmission system. The ISO is governed by a five-member board, the members of which are appointed by the Governor and confirmed by the Senate. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the ISO, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the ISO, go to its website at www.caiso.com.

The *California Earthquake Authority (CEA)*, a legally separate organization, offers earthquake insurance for California homeowners, renters, condominium owners, and mobilehome owners. A three-member board composed of state-elected officials governs the CEA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CEA, go to its website at www.earthquakeauthority.com.

The *State Compensation Insurance Fund (State Fund)* was established by the State through legislation enacted in 1913 to provide an available market for workers' compensation insurance to employees located in California. State Fund operates in competition with other insurance carriers to serve California businesses. The State appoints all 11 members of the State Fund's governing board. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the State Fund, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, go to its website at www.statefundca.com.

The *California Health Benefit Exchange (Exchange)*, an independent public entity, offers health insurance to individuals, families, and small businesses. A five-member board of state-appointed officials governs the Exchange. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the Exchange, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the Exchange, contact Covered California, 1601 Exposition Boulevard, Sacramento, California 95815.

The *California Pollution Control Financing Authority (CPCFA)* was created through the California Pollution Control Financing Authority Act of 1972. The CPCFA is a legally separate entity that provides financing for pollution control facilities. A three-member board composed of state-elected officials and an appointee governs the CPCFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CPCFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CPCFA, go to its website at www.treasurer.ca.gov/cpcfa.

The *California Health Facilities Financing Authority (CHFFA)* was established by the State through legislation enacted in 1979. The CHFFA is a legally separate entity that provides financing for the construction, equipping, and acquisition of health facilities. A nine-member board composed of state-elected officials and appointees govern the CHFFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CHFFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CHFFA, go to its website at www.treasurer.ca.gov/chffa.

The *California Educational Facilities Authority (CEFA)* was created by the State through legislation effective in 1973. The CEFA is a legally separate entity established to issue revenue bonds to finance loans for students attending public and private colleges and universities, and to assist private educational institutions of higher learning in financing the expansion and construction of educational facilities. A five-member board composed of state-elected officials and appointees govern the CEFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements for the CEFA, go to its website at www.treasurer.ca.gov/cefa.

The *California School Finance Authority (CSFA)* was created in 1985. The CSFA is a legally separate entity that provides loans to school and community college districts to assist them in obtaining equipment and facilities. A three-member board composed of state-elected officials and an appointee governs the CSFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CSFA, the financial information for this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CSFA, go to its website at www.treasurer.ca.gov/csfa.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from legally separate component units for which the State is financially accountable. Within the primary government, the State's governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from the statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances and transfers. Centralized services provided by the General Fund for other funds are charged as direct costs to the funds that received those services. Also, the General Fund recovers the cost of centralized services provided to federal programs from the federal government.

The Statement of Net Position reports all of the financial and capital resources of the government as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items that are not program-related are reported as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and discretely presented component units. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The State maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements. Nonmajor governmental and proprietary funds are grouped into separate columns. Discretely presented component unit statements, which follow the fiduciary fund statements, also separately report the enterprise activity of the major discretely presented component units. In this report, the enterprise activity of nonmajor discretely presented component units is grouped in a separate column.

Governmental fund types are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The State reports the following major governmental funds:

The *General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that need not be accounted for in another fund.

The *Federal Fund* accounts for the receipt and use of grants, entitlements, and shared revenues received from the federal government that are all restricted by federal regulations.

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for transportation purposes, including highway and passenger rail construction and transportation safety programs.

The *Environmental and Natural Resources Fund* accounts for fees, bond proceeds, and other revenues that are restricted for maintaining the State's natural resources and improving the environmental quality of its air, land, and water.

The *Health Care Related Programs Fund* accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health and human services programs.

Proprietary fund types focus on the determination of operating income, changes in net position, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For its proprietary funds, the State applies all applicable GASB pronouncements.

The State has two proprietary fund types: enterprise funds and internal service funds.

Enterprise funds record business-type activity for which a fee is charged to external users for goods and services. In addition, the State is required to report activities as enterprise funds in the context of the activity's principal revenue sources when any of the following criteria are met:

- The activity's debt is secured solely by fees and charges of the activity;
- There is a legal requirement to recover costs; or
- The pricing policies of fees and charges are designed to recover costs.

The State reports the following major enterprise funds:

The *Electric Power Fund* accounts for the acquisition and resale of electric power to retail end-use customers.

The *Water Resources Fund* accounts for charges to local water districts and the sale of excess power to public utilities.

The *State Lottery Fund* accounts for the sale of California State Lottery (Lottery) tickets and the Lottery's payments for education.

The *Unemployment Programs Fund* accounts for employer and worker contributions used for payments of unemployment insurance and disability benefits.

The *California State University Fund* accounts for student fees and other receipts from gifts, bequests, donations, federal and state grants, and loans that are used for educational purposes.

Nonmajor enterprise funds account for additional operations that are financed and operated in a manner similar to private business enterprises.

Additionally, the State reports *internal service funds* as a proprietary fund type with governmental activity. Internal service funds account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis. The goods and services provided include architectural services, public building construction and improvements, printing and procurement services, goods produced by inmates of state prisons, data processing services, and administrative services related to water delivery. Internal service funds are included in the governmental activities at the government-wide level.

Fiduciary fund types are used to account for assets held by the State. The State acts as a trustee or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds, including fiduciary component units, are not included in the government-wide financial statements.

The State has the following four fiduciary fund types:

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension or investment trust funds, whereby principal and income benefit individuals, private organizations, or other governments. The following are the State's largest private purpose trust funds:

The *Scholarshare Program Trust Fund* accounts for money received from participants to fund their beneficiaries' higher education expenses at certain postsecondary educational institutions.

The *Unclaimed Property Fund* accounts for unclaimed money and properties held in trust by the State. Unclaimed money is remitted to the General Fund where it can be used by the State until it is claimed.

Pension and other employee benefit trust funds of the primary government and fiduciary component units account for transactions, assets, liabilities, and net position available for plan benefits of the retirement systems and for other employee benefit programs.

An *investment trust fund* accounts for the deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies.

Agency funds account for assets held by the State, which acts as an agent for individuals, private organizations, or other governments. The following are the State's largest agency funds:

The *Receipting and Disbursing Fund* accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from numerous state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The *Deposit Fund* accounts for various deposits, such as those from condemnation and litigation proceedings.

Discretely presented component units consist of certain organizations that have enterprise activity. The enterprise activity component units are the University of California, the California Housing Finance Agency, and nonmajor component units. In this report, all of the enterprise activity of the discretely presented component units is reported in a separate column in the government-wide financial statements and on separate pages following the fund financial statements.

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

The measurement focus and basis of accounting for the fund financial statements vary with the type of fund. **Governmental fund types** are presented using the current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets; the unassigned fund balance is a measure of available, spendable resources.

The accounts of the governmental fund types are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. The State records revenue sources when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months. When an asset is recorded in a governmental fund statement, but the revenue is not available within the ensuing 12 months, the State reports a deferred inflow of resources until such time as the revenue becomes available. Principal tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and corporation taxes), as sales are made (consumption and use taxes), and as a taxable event occurs (miscellaneous taxes), net of estimated tax overpayments. Principal tax revenues are reported net of immaterial tax abatements from programs that promote economic development and otherwise benefit the State, such as the Film and Television Tax Credit, the California Competes Tax Credit, the Low-Income Housing Tax Credit, and the Sales and Use Tax Exclusion Program.

Proprietary fund types, the **investment trust fund**, **private purpose trust funds**, and **pension and other employee benefit trust funds** are accounted for using the economic resources measurement focus. **Agency funds** are custodial in nature and do not measure the results of operations.

The accounts of the proprietary fund types, the investment trust fund, private purpose trust funds, pension and other employee benefit trust funds, and agency funds are reported using the accrual basis of accounting. Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed.

Lottery revenue and the related prize expenses are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

Discretely presented component units are accounted for using the economic resources measurement focus and the accrual basis of accounting.

D. Cash and Investments

The State considers cash and pooled investments, for the purpose of the Statement of Cash Flows, as cash and cash equivalents. Cash and cash equivalents are considered to be cash on hand; deposits in the State's pooled investment program; restricted cash and pooled investments for debt service, construction, and operations; restricted cash on deposit with fiscal agents (for example, revenue bond trustees); and highly liquid investments with an original maturity date of three months or less.

The State reports investments at fair value, as prescribed by GAAP. Additional information on the State's investments and fair value measurement can be found in Note 3, Deposits and Investments.

E. Receivables

Amounts are aggregated into a single receivables account net of allowance for uncollectible amounts. The detail of the primary government's accounts receivable can be found in Note 4, Accounts Receivable.

F. Inventories

Inventories of supplies are reported at cost and inventories held for resale are stated at the lower of average cost or market. In the government-wide financial statements, inventories for both governmental and business-type activities are expensed when they are consumed and unused inventories are reported as an asset on the Statement of Net Position. In the fund financial statements, governmental funds report inventories as expenditures when purchased, and proprietary funds report inventories as expenditures when consumed. The discretely presented component units have inventory policies similar to those of the primary government.

G. Net Investment in Direct Financing Leases

The State Public Works Board accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. The payments from these leases are used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the cost of projects such as acquisition and construction of facilities and equipment. Upon expiration of these leases, title to the facilities and projects transfers to the primary government agency or the local agency. The State Public Works Board records the net investment in direct financing leases at the net present value of the minimum lease payments in the internal service fund financial statements. As the majority of this lease receivable is from governmental funds, it is eliminated within the governmental activities column of the government-wide Statement of Net Position.

The California State University (CSU) system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into 30-year capital lease agreements with various auxiliary organizations. These agreements lease existing and newly constructed facilities to the CSU Auxiliary Organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

H. Long-term Prepaid Charges

The long-term prepaid charges account in the enterprise funds primarily represents operating and maintenance costs that will be recognized in the Water Resources Fund as expenses over the remaining life of long-term state water supply contracts. These costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as long-term prepaid charges. These charges are recognized when billed in the future years under the terms of water supply contracts. Long-term prepaid charges are also included in the State Lottery Fund. These prepaid charges are incurred in connection with certain contracts that extend beyond a one-year period, which are amortized as expenses over the remaining life of the contracts. The long-term prepaid charges for the Public Buildings Construction Fund, an internal service fund, include prepaid insurance costs on revenue bonds issued. In the government-wide financial statements, the prepaid charges for governmental activities include prepaid insurance costs on revenue bonds issued.

I. Capital Assets

Capital assets are categorized into land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land-use rights, patents, copyrights, and trademarks. The value of the capital assets, including the related accumulated depreciation and amortization, is reported in the applicable governmental, business-type, or component unit activities columns in the government-wide Statement of Net Position.

The primary government has a large collection of historical and contemporary treasures that have important documentary and artistic value. These assets are not capitalized or depreciated because they are cultural resources and cannot reasonably be valued and/or the assets have inexhaustible useful lives. These treasures and works of art include furnishings, portraits and other paintings, books, statues, photographs, and miscellaneous artifacts. These collections meet the conditions for exemption from capitalization because the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

In general, capital assets of the primary government are defined as assets that have a normal useful life of at least one year and a unit cost of at least $5,000. These assets are recorded at historical cost or estimated historical cost, including all costs related to the acquisition. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date received. Major capital asset outlays are capitalized as projects are constructed. Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over 5 years, and intangible assets are amortized over 10 to 20 years. Depreciable or amortizable assets of business-type activities are depreciated or amortized using the straight-line method over their estimated useful or service lives, ranging from 1 to 100 years.

California has elected to use the modified approach for capitalizing the infrastructure assets of the state highway system. The state highway system is maintained by the California Department of Transportation. By using the modified approach, the infrastructure assets of the state highway system are not depreciated and all expenditures made for those assets, except for additions and improvements, are expensed in the period incurred. All additions and improvements made after June 30, 2001, are capitalized. All infrastructure assets that are related to projects completed prior to July 1, 2001, are recorded at the historical costs contained in annual reports of the American Association of State Highway and Transportation Officials and the Federal Highway Administration.

The capital assets of the discretely presented component units are reported at cost at the date of acquisition or at fair market value at the date of donation, in the case of gifts. They are depreciated or amortized over their estimated useful service lives.

J. Long-term Obligations

Long-term obligations consist of unmatured general obligation bonds, unmatured revenue bonds, capital lease obligations, certificates of participation, commercial paper, net pension liability, net other postemployment benefits liability, employees’ compensated absences and workers’ compensation claims, pollution remediation obligations, amounts owed for lawsuits, reimbursement for costs mandated by the State, outstanding Proposition 98 funding guarantee owed to schools, the liability for lottery prizes and annuities, loans from other governments, and the primary government’s share of the University of California’s pension liability that is due in more than one year. In the government-wide financial statements, the obligations are reported as liabilities in the applicable governmental activities, business-type activities, and component units columns of the Statement of Net Position. The current portion—amount due within one year—of the long-term obligations is reported under current liabilities.

Pollution remediation obligations are recorded by the State when one or more of the GASB Statement No. 49 obligating events have occurred and when a reasonable estimate of the remediation cost is available. These liabilities are measured using actual contract costs, where no change in cost is expected, or the expected cash flow technique. The remediation obligation estimates that appear in this report are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations, and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State’s obligation.

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

With advance approval from the Legislature, certain authorities and state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds, building authorities, and agencies. The General Fund has no legal liability for payment of principal and interest on revenue bonds. With the exception of certain special revenue funds (Transportation and the Golden State Tobacco Securitization Corporation) and the building authorities capital projects fund, the liability for revenue bonds is recorded in the respective fund.

K. Compensated Absences

The government-wide financial statements report both the current and the noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. However, unused sick-leave balances are not included in the compensated absences because they do not vest to employees. In the governmental fund financial statements, only the compensated absences liability for employees who have left state service and have unused reimbursable leave at fiscal year-end is included. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued in proprietary funds when incurred. In the discretely presented component units, the compensated absences are accounted for in the same manner as in the proprietary funds of the primary government.

L. Deferred Outflows and Deferred Inflows of Resources

The government-wide and fund financial statements report deferred outflows of resources and deferred inflows of resources.

1. Deferred Outflows of Resources

Deferred outflows of resources are the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources are presented separately after "Total Assets" in the Balance Sheet and Statement of Net Position.

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Decrease in Fair Value of Hedging Derivatives*: Negative changes in the fair value of hedging derivatives are reported for component units.

- *Net Pension Liability*: Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Net Other Postemployment Benefits Liability*: Increases in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred outflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized as OPEB expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on OPEB plan investments exceed actual earnings, with the net difference amortized to OPEB expense over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to OPEB and reduce net OPEB liability in the following year. Deferred outflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

2. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources are presented separately after "Total Liabilities" in the Balance Sheet and Statement of Net Position.

The State's deferred inflows of resources consist of the following transactions:

- *Unavailable Revenues*: Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.

- *Gain on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Service Concession Arrangements*: The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.

- *Irrevocable Split-Interest Agreements*: The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.

- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Net Other Postemployment Benefits Liability*: Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Other Deferred Inflows of Resources*: Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments and nonexchange transactions are reported as a deferred inflow of resources.

M. Nonmajor Enterprise Segment Information

Three nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

State Water Pollution Control Revolving Fund: Interest charged on loans to communities for construction of water pollution control facilities and projects.

Safe Drinking Water State Revolving Fund: Interest charged on loans to communities for construction of water systems for drinking water infrastructure projects.

Housing Loan Fund: Interest payments from low-interest, long-term farm and home mortgage loan contracts to eligible veterans living in California.

N. Net Position and Fund Balance

The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is called "net position" on the government-wide financial statements, the proprietary and fiduciary fund statements, and the component unit statements; it is called "fund balance" on the governmental fund statements.

1. Net Position

The government-wide financial statements include the following categories of net position:

Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2019, the government-wide financial statements show restricted net position for the primary government of $54.3 billion, of which $9.4 billion is due to enabling legislation.

Unrestricted net position is neither restricted nor invested in capital assets.

2. Fund Balance

In the fund financial statements, proprietary funds include categories of net position similar to those in the government-wide financial statements. Fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form (inventories; prepaid amounts; long-term portion of loans or notes receivable; or property held for resale unless the proceeds are restricted, committed, or assigned) or they are legally or contractually required to remain intact.

Restricted fund balance has constraints placed upon the use of the resources either by an external party (creditors, grantors, contributors, or laws and regulations of other governments) or through a constitutional provision or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by state law as adopted by the California State Legislature. The state law that commits fund balance to a specific purpose must have been adopted prior to the end of the reporting period, but the amount subject to the constraint may be determined in a subsequent period. Committed fund balance incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: California does not have a formal policy to delegate authority to assign resources. However, fund balance can be classified as assigned when a purchase order creates an outstanding encumbrance amount, unless the purchase order relates to restricted or committed resources. Furthermore, in governmental funds created by state law for a specific purpose, other than the General Fund, all resources that are not reported as nonspendable, restricted, or committed are classified as assigned for the purpose of the respective funds.

Unassigned fund balance is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported.

Fund balance spending order: For the purpose of reporting fund balance in this financial report under GASB Statement No. 54, the State considers resources to be spent in the following order when an expenditure is incurred for which these classifications are available: restricted, committed, assigned, and unassigned.

Fiduciary fund net position represents amounts held in trust for pension and other postemployment benefits, deferred compensation participants, pool participants, individuals, organizations, or other governments.

3. Stabilization Arrangements

a. Budget Stabilization Account

In accordance with Article 16, Section 20 of the California State Constitution, the State maintains the Budget Stabilization Account. The Budget Stabilization Account is reported in the General Fund. By October 1 of each fiscal year, a transfer must be made from the General Fund to the Budget Stabilization Account in an amount equal to one-half of (a) 1.5% of the estimated General Fund revenues for that fiscal year and (b) personal capital gains tax revenues in excess of 8.0% of estimated General Fund taxes for that fiscal year less amounts that must be spent on Proposition 98. The remaining half of the calculated amount is used as appropriated by the State Legislature to pay down (1) interfund loans, (2) specified debts to local governments, and (3) debts for pension and retiree health benefits.

The State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2019, the Budget Stabilization Account had a restricted fund balance of $14.4 billion.

b. Special Fund for Economic Uncertainties

State law established the Special Fund for Economic Uncertainties (SFEU) as a contingency reserve to help the State meet its General Fund obligations in the event of declining revenues or unanticipated expenditures. A control section of the State's Budget Act establishes the annual reserve balance of the SFEU, but that amount would be reduced if certain constitutionally defined excess revenue limits are met during the fiscal year. In addition, SFEU funds may be set aside in a separate account and committed for disaster response operation costs incurred by state agencies as a result of a proclamation of a state of emergency by the Governor. The SFEU is a discretionary budget reserve and is available without additional legislative action to meet the cash needs of the General Fund and to eliminate any General Fund deficit at the end of the fiscal year. The SFEU is reported in the General Fund, and at June 30, 2019, the SFEU represented the entire General Fund unassigned balance of $766 million.

O. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by $131 million. The increase is comprised of the following items:

- A $3 million decrease in the General Fund for an interfund payable previously reported in the Financial Information Systems Fund, an internal service fund.
- A $194 million decrease in the Transportation Fund for understated transit assistance program expenditures.
- A $289 million net increase in the Health Care Related Programs Fund for understated revenue and the elimination of amounts reported for an entity recently identified as a related organization.
- A $39 million increase in a nonmajor special revenue fund for overstated expenditures.

The beginning net position of *internal service funds* increased by $333 million. The increase is comprised of the following items:

- A $47 million increase for overstated prior-year interest expense reported in the Public Building Construction Fund.
- A $105 million increase for the reallocation of employee related liabilities (net pension liability, net OPEB liability, and compensated absences) from the Financial Information Systems Fund to the General Fund reported only within governmental activities in the government-wide financial statements. An additional $18 million of net pension liability and related amounts was shifted from the Financial Information Systems Fund to other internal service programs, but had no effect on the beginning net position of *internal service funds*.
- A $181 million increase for the reallocation of the net OPEB liability and related amounts from other internal service programs to the General Fund reported only within governmental activities in the government-wide financial statements.

The beginning net position of *enterprise funds* decreased by $9 million. The decrease is comprised of an $11 million decrease for a prior period adjustment resulting from overcharged capital billings to state water contractors in the Water Resources Fund and a $2 million increase for understated loans receivable within other enterprise programs.

The beginning net position of *discretely presented component units* decreased by $211 million. The decrease is comprised of the following items:

- An $11 million decrease for the University of California's implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*. Further information related to this restatement is included in the University's separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.
- A $200 million decrease for the recognition of net OPEB liability and deferred outflows of resources from the first-year implementation of GASB No. 75 for entities whose financial information is presented as of and for the year ended December 31, 2018.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* decreased by $476 million. In addition to the restatements described in the previous sections for governmental and internal service funds, the restatement also includes a $905 million decrease for a previously unreported liability associated with the abandonment of Wilmington Oil Field (see Note 9: Long-Term Obligations), a $320 million decrease for the Trial Courts' previously unreported net pension liability and related accounts, and a $568 million increase for understated capital assets. As the General Fund and internal service funds are both included in *governmental activities* in the government-wide financial statements, there is no impact to *governmental activities* for the reallocation of liabilities between the General Fund and an internal service fund, or between internal service funds and other governmental activities, as described in the previous sections for governmental funds and internal service funds, respectively.

The beginning net position of *business-type activities* and *discretely presented component units* were restated as described in the previous sections for enterprise funds and discretely presented component units, respectively.

P. Guaranty Deposits

The State is the custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

The State's annual budget is primarily prepared on a modified accrual basis for governmental funds. The Governor recommends a budget for approval by the Legislature each year. This recommended budget includes estimated revenues, but revenues are not included in the annual budget bill adopted by the Legislature. Under state law, the State cannot adopt a spending plan that exceeds estimated revenues.

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2019, increased spending authority for the budgetary/

legal basis-reported General Fund, Transportation Funds, Environmental and Natural Resources Funds, and the Health Care Related Programs Funds.

Appropriations are generally available for expenditure or encumbrance either in the year appropriated or for a period of three years if the legislation does not specify a period of availability. At the end of the availability period, the encumbering authority for the unencumbered balance lapses. Some appropriations continue indefinitely, while others are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period in which the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

B. Legal Compliance

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall appropriation control and does not allow expenditures in excess of authorized appropriations.

Financial activities are mainly controlled at the appropriation level but can vary, depending on the presentation and wording contained in the Budget Act. The Budget Act appropriations are identified by department, reference item, and fund. The annual appropriated budget may establish detailed allocations to specific programs, projects, or sources of reimbursement within an appropriation. The Department of Finance can authorize adjustments between the detail allocations but cannot increase the amount of the overall appropriation. While the financial activities are controlled at various levels, the legal level of budgetary control—the extent to which management may amend the budget without seeking approval of the governing body—has been established in the Budget Act for the annual operating budget.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State prepares a separate report, the Comprehensive Annual Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, section 2400.121. The supplement includes the comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Comprehensive Annual Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash balances not required for immediate use are invested by the State Treasurer. The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). A single portfolio of investments exists, with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner.

A. Primary Government

1. Control of State Funds

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in U. S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2019, these discretely presented component units and related organizations account for approximately 2.5% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. For certain banks, the State Treasurer's Office maintains cash deposits that cover uncleared checks deposited in the State's accounts and earn income that compensates the banks for their services.

Demand and time deposits held by financial institutions as of June 30, 2019, totaling approximately $5.7 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2019, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $22 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

Certain funds have elected to participate in the pooled investment program even though they have the authority to invest on their own. Others may be required by legislation to participate in the program; as a result, the deposits of these funds may be considered involuntary. However, these funds are part of the State's reporting entity. The remaining participant in the pool, the Local Agency Investment Fund, is voluntary.

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the $658 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2018-19 was earned on balances in these funds.

Enterprise funds and special revenue funds also make separate investments, which are presented at fair value.

2. Valuation of State Investments

The State Treasurer's Office reports its investments at fair value. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. The fair value of securities in the State Treasurer's pooled investment program is generally based on quoted market prices. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations can be obtained from the State Treasurer's Office website at www.treasurer.ca.gov.

Table 1 categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices for identical assets or liabilities in active markets at the date of measurement. Level 2 inputs are significant other directly or indirectly observable inputs other than quoted prices. Level 3 inputs are significant unobservable inputs. The State has no investments measured at Level 3.

Table 1

Schedule of Investments – Primary Government – Investments by Fair Value Level
June 30, 2019
(amounts in thousands)

		Fair Value Measurements Using	
	June 30, 2019	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Pooled Investments			
U.S. Treasury bills and notes[1]	$ 51,868,470	$ 51,868,470	$ —
U.S. Agency bonds and discount notes	19,644,124	19,644,124	—
Supranational debentures and discount notes	2,636,561	2,636,561	—
Small Business Administration loans	656,509	656,509	—
Mortgage-backed securities	22,511	22,511	—
Certificates of deposit	17,985,383	—	17,985,383
Bank notes	600,273	—	600,273
Commercial paper	6,767,141	—	6,767,141
Total pooled investments at fair value	**100,180,972**	**$ 74,828,175**	**$ 25,352,797**
Other primary government investments			
U.S. Treasuries and agencies	3,140,546	$ 889,560	$ 2,250,986
Commercial paper	31,253	—	31,253
Corporate debt securities	1,008,970	—	1,008,970
Repurchase agreements	10,352	—	10,352
Other	1,277,448	802,216	475,232
Total other primary government investments at fair value	**5,468,569**	**$ 1,691,776**	**$ 3,776,793**
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	357,560		
Total investments measured at the NAV	**357,560**		
Other investment instruments			
Guaranteed investment contracts[2]	200,000		
Total other investment instruments	**200,000**		
Funds outside primary government included in pooled investments			
Less: investment trust funds	24,568,698		
Less: other trust and agency funds	4,203,406		
Less: discretely presented component units and related organizations	2,476,321		
Total primary government investments	**$ 74,958,676**		

[1] The fair value of pooled investments does not include $400 million of U.S. Treasury Notes which matured on Sunday, June 30, 2019.
[2] Reported at carrying value.

As of June 30, 2019, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 177 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

The Pooled Money Investment Board (PMIB) provides oversight of the State Treasurer's pooled investment program. The purpose of the board is to design and administer an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The PMIB is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. This board designates the amounts of money available for investment. The State Treasurer is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2019, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants quarterly, based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This amortized cost method differs from the fair value method used to value investments in these financial statements; the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Because the total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements. The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

As of June 30, 2019, structured notes and medium-term asset-backed securities comprised approximately 1.6% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 0.2% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICs), are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings were short-term, asset-backed commercial paper (ABCP), which represented 0.3% of the pooled investments.

Table 2 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office Investment Policy for the Pooled Investment Program. Maturities are limited by the State Treasurer's Office Investment Policy for the Pooled Money Investment Program. For commercial paper, the Investment Policy matches the Government Code. For corporate bonds and notes, the Government Code requires that a security falls within the top three ratings of a nationally recognized statistical ratings organization (NRSRO). Items reported as N/A have no limitation in either the Government Code or the State Treasurer's Office Investment Policy.

Table 2

Authorized Investments

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury securities	5 years	N/A	N/A	N/A
Federal agency and supranational securities	5 years	N/A	N/A	N/A
Certificates of deposit	5 years	N/A	N/A	N/A
Bankers' acceptances	180 days	N/A	N/A	N/A
Commercial paper	270 days	30%	10% of issuer's outstanding Commercial paper	A-3/P-3/F-3
Corporate bonds/notes	5 years	N/A	N/A	A/A3/A
Repurchase agreements	1 year	N/A	N/A	N/A
Reverse repurchase agreements	1 year	10%	N/A	N/A

4. Risk of Investments

The following types of risks are common in deposits and investments, including those of the State:

Interest Rate Risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

Credit Risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

Custodial Credit Risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of deposits, investments, or collateral.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include $4.9 billion of time deposits and $779 million of internal loans to state funds. Repurchase agreements of the California State University system mature in one day. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2019, only $23 million, or 0.02% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2019
(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes[1]	$ 51,868,470	0.66
U.S. Agency bonds and discount notes	19,644,124	0.34
Supranational debentures and discount notes	2,636,561	0.54
Small Business Administration loans	656,509	0.25
Mortgage-backed securities	22,511	1.64
Certificates of deposit	17,985,383	0.25
Bank notes	600,273	0.20
Commercial paper	6,767,141	0.22
Total pooled investments	**100,180,972**	
Other primary government investments		
U.S. Treasuries and agencies	3,140,546	2.64
Commercial paper	31,253	2.38
Guaranteed investment contracts[2]	200,000	2.83
Corporate debt securities	1,008,970	1.02
Repurchase agreements	10,352	—
Other	1,635,008	2.76
Total other primary government investments	**6,026,129**	
Funds outside primary government included in pooled investments		
Less: investment trust funds	24,568,698	
Less: other trust and agency funds	4,203,406	
Less: discretely presented component units and related organizations	2,476,321	
Total primary government investments	**$ 74,958,676**	

[1] The fair value of pooled investments does not include $400 million of U.S. Treasury Notes which matured on Sunday, June 30, 2019.
[2] Reported at carrying value.

b. Credit Risk

Table 4 presents the credit risk of the primary government's debt securities. If a particular security has multiple ratings, the lowest rating of the three major NRSROs is used. Similar to interest rate risk shown in Table 3, time deposits and internal loans to state funds are not included.

Table 4

Schedule of Investments in Debt Securities – Primary Government – Credit Risk
June 30, 2019
(amounts in thousands)

Credit Rating as of Year End			
Short-term	**Long-term**		**Fair Value**
Pooled investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	$	25,812,952
A-1/P-1/F-1	AA/Aa/AA		21,142,912
A-2/P-2/F-2	A/A/A		700,129
Not rated			—
Not applicable			52,524,979
Total pooled investments		**$**	**100,180,972**
Other primary government investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	$	1,190,167
A-1/P-1/F-1	AA/Aa/AA		2,735,863
A-2/P-2/F-2	A/A/A		997,187
A-3/P-3/F-3	BBB/Baa/BBB		29,201
B/NP/B	BB/Ba/BB		12,666
B/NP/B	B2/B		57,975
Not rated			1,003,070
Total other primary government investments		**$**	**6,026,129**

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2019, one guaranteed investment contract of the Electric Power Fund in the amount of $100 million was uninsured and uncollateralized.

d. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2019, the State had investments in the Federal Home Loan Mortgage Corporation totaling 5.9% and the Federal Home Loan Bank totaling 10.5% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

The fiduciary funds include pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 96.4% of these separately invested funds. CalPERS and CalSTRS exercise their authority under the State Constitution and invest in stocks, bonds, mortgages, real estate, and other investments, including derivative instruments.

Additional disclosures for CalPERS' investments and derivative instruments are included in CalPERS' separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosures for CalSTRS' investments and derivative instruments are included in CalSTRS' separately issued financial statements, which may be found on its website at www.CalSTRS.com.

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 93.4% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

Additional disclosures for the University of California's investments and derivative instruments are included in the University's separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosures for CalHFA's investments and derivative instruments are included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 4: ACCOUNTS RECEIVABLE

Table 5 presents the disaggregation of accounts receivable attributable to taxes; licenses, permits, and fees; Lottery retailer collections; unemployment program receipts; and the California State University. Other receivables are for interest, gifts, grants, penalties, and other charges.

Table 5

Schedule of Accounts Receivable
June 30, 2019
(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	$ 16,290,843	$ —	$ —
Federal Fund	—	—	—
Transportation Fund	871,699	281,504	—
Environmental and Natural Resources Fund	16,228	402,199	—
Health Care Related Programs Fund	640,547	2,931,260	—
Nonmajor governmental funds	473,402	429,177	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue[1]	(5,971,048)	(236,650)	—
Total current governmental activities	**$ 12,321,671**	**$ 3,807,490**	**$ —**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 5,971,048**	**$ 236,650**	**$ —**
Current business-type activities			
Electric Power Fund	$ —	$ —	$ —
Water Resources Fund	—	—	—
State Lottery Fund	—	—	569,546
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	**$ —**	**$ —**	**$ 569,546**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ —**	**$ —**	**$ —**

[1] The unavailable revenue reported in the governmental fund financial statements represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

[2] Amount includes noncurrent receivables for service concession arrangements of $55 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
$ —	$ —	$ 1,149,737	$ 17,440,580
—	—	5,544	5,544
—	—	135,721	1,288,924
—	—	72,464	490,891
—	—	267,117	3,838,924
—	—	463,971	1,366,550
—	—	88,093	88,093
—	—	(514,727)	(6,722,425)
$ —	**$ —**	**$ 1,667,920**	**$ 17,797,081**
$ —	**$ —**	**$ 569,741** [2]	**$ 6,777,439**
$ —	$ —	$ 2,259	$ 2,259
—	—	155,303	155,303
—	—	—	569,546
1,187,994	—	—	1,187,994
—	197,183	—	197,183
—	—	44,723	44,723
$ 1,187,994	**$ 197,183**	**$ 202,285**	**$ 2,157,008**
$ 80,281	**$ 392,398**	**$ —**	**$ 472,679**

NOTE 5: RESTRICTED ASSETS

Table 6 presents a summary of the legal restrictions placed on assets of the primary government and the discretely presented component units.

Table 6

Schedule of Restricted Assets
June 30, 2019
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	$ 1,749,966	$ 352,860	$ 292,355	$ 1,954,696	$ 4,349,877
Construction	674,132	—	—	—	674,132
Operations	44,000	—	—	—	44,000
Other	1,500	—	—	—	1,500
Total primary government	**2,469,598**	**352,860**	**292,355**	**1,954,696**	**5,069,509**
Discretely presented component units					
Debt service	267,684	110,926	—	—	378,610
Other	76,676	—	—	—	76,676
Total discretely presented component units	**344,360**	**110,926**	**—**	**—**	**455,286**
Total restricted assets	**$ 2,813,958**	**$ 463,786**	**$ 292,355**	**$ 1,954,696**	**$ 5,524,795**

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

The State Public Works Board (SPWB) accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the SPWB. The lease-purchase activity between the SPWB and the primary government agencies shown in the schedule below represents only that activity with agencies reported as enterprise funds. The lease receivable of $8.0 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

The CSU system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into capital lease agreements with various auxiliary organizations. These agreements lease existing and newly constructed facilities to the auxiliary organizations. A portion of the proceeds from certain revenue bonds and bond anticipation notes issued by the CSU were used to finance the construction of these facilities.

Table 7 summarizes the minimum lease payments to be received by the primary government.

Table 7

Schedule of Minimum Lease Payments to be Received by the Primary Government
(amounts in thousands)

Year Ending June 30	State Public Works Board: Primary Government Agencies	Local Agencies	Total	California State University
2020	$ 15,979	$ 13,369	$ 29,348	$ 23,665
2021	15,960	12,754	28,714	19,809
2022	15,966	12,739	28,705	20,053
2023	15,954	12,720	28,674	22,228
2024	15,952	12,701	28,653	22,271
2025-2029	79,310	63,316	142,626	96,957
2030-2034	78,677	26,382	105,059	77,782
2035-2039	15,657	—	15,657	24,894
Total minimum lease payments	**253,455**	**153,981**	**407,436**	**307,659**
Less: unearned income	103,793	37,705	141,498	87,575
Net investment in direct financing leases	**149,662**	**116,276**	**265,938**	**220,084**
Less: current portion	4,060	8,045	12,105	11,868
Noncurrent net investment in direct financing leases	**$ 145,602**	**$ 108,231**	**$ 253,833**	**$ 208,216**

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital activity for the primary government.

Table 8

Schedule of Changes in Capital Assets – Primary Government
June 30, 2019
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 20,227,700 *	$ 414,570	$ 168,830	$ 20,473,440
State highway infrastructure	77,067,674	2,244,219	893,749	78,418,144
Collections	22,682 *	—	—	22,682
Construction/development in progress	16,252,151 *	3,433,278	3,536,083	16,149,346
Intangible assets	382,494 *	210,055	—	592,549
Total capital assets not being depreciated/amortized	**113,952,701**	**6,302,122**	**4,598,662**	**115,656,161**
Capital assets being depreciated/amortized				
Buildings and improvements	26,235,179 *	506,345	245,491	26,496,033
Infrastructure	744,823 *	4,465	—	749,288
Equipment and other depreciable assets	5,325,489 *	418,666	236,074	5,508,081
Intangible assets	2,249,718 *	386,981	5,911	2,630,788
Total capital assets being depreciated/amortized	**34,555,209**	**1,316,457**	**487,476**	**35,384,190**
Less accumulated depreciation/amortization for:				
Buildings and improvements	9,611,828 *	652,240	164,257	10,099,811
Infrastructure	410,685 *	15,114	—	425,799
Equipment and other depreciable assets	4,254,531 *	414,615	230,773	4,438,373
Intangible assets	955,602 *	227,466	4,184	1,178,884
Total accumulated depreciation/amortization	**15,232,646**	**1,309,435**	**399,214**	**16,142,867**
Total capital assets being depreciated/amortized, net	**19,322,563**	**7,022**	**88,262**	**19,241,323**
Governmental activities, capital assets, net	**$ 133,275,264**	**$ 6,309,144**	**$ 4,686,924**	**$ 134,897,484**
Business-type activities				
Capital assets not being depreciated/amortized				
Land	$ 271,240	$ 34,967	$ —	$ 306,207
Collections	24,604	2,869	—	27,473
Construction/development in progress	2,731,016 *	1,471,931	945,383	3,257,564
Intangible assets	118,412	3,875	3,480	118,807
Total capital assets not being depreciated/amortized	**3,145,272**	**1,513,642**	**948,863**	**3,710,051**
Capital assets being depreciated/amortized				
Buildings and improvements	13,282,716	1,010,994	9,075	14,284,635
Infrastructure	459,991	46,301	1,763	504,529
Equipment and other assets	953,591 *	83,714	18,755	1,018,550
Intangible assets	431,102	4,599	2,235	433,466
Total capital assets being depreciated/amortized	**15,127,400**	**1,145,608**	**31,828**	**16,241,180**
Less accumulated depreciation/amortization for:				
Buildings and improvements	5,159,184	375,488	6,319	5,528,353
Infrastructure	142,905	24,316	836	166,385
Equipment and other assets	597,894 *	88,796	17,231	669,459
Intangible assets	189,338	22,542	2,203	209,677
Total accumulated depreciation/amortization	**6,089,321**	**511,142**	**26,589**	**6,573,874**
Total capital assets being depreciated/amortized, net	**9,038,079**	**634,466**	**5,239**	**9,667,306**
Business-type activities, capital assets, net	**$ 12,183,351**	**$ 2,148,108**	**$ 954,102**	**$ 13,377,357**

* Restated

Table 9 summarizes the depreciation expense charged to the activities of the primary government.

Table 9

Schedule of Depreciation Expense – Primary Government
June 30, 2019
(amounts in thousands)

	Amount
Governmental activities	
General government	$ 304,115
Education	151,355
Health and human services	161,382
Natural resources and environmental protection	80,346
Business, consumer services, and housing	13,212
Transportation	211,049
Corrections and rehabilitation	322,970
Internal service funds (charged to the activities that utilize the fund)	65,006
Total governmental activities	**1,309,435**
Business-type activities	511,142
Total primary government	**$ 1,820,577**

Table 10 summarizes the capital activity for discretely presented component units.

Table 10

Schedule of Changes in Capital Assets – Discretely Presented Component Units
June 30, 2019
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	$ 1,347,708	$ 97,580	$ 2,389	$ 1,442,899
Collections	544,051	16,581	5,734	554,898
Construction/development in progress	3,004,984	1,381,686	26,286	4,360,384
Intangible assets	5,411	4,933	—	10,344
Total capital assets not being depreciated/amortized	**4,902,154**	**1,500,780**	**34,409**	**6,368,525**
Capital assets being depreciated/amortized				
Buildings and improvements	41,369,205	1,694,513	48,010	43,015,708
Infrastructure	825,928	113,170	137	938,961
Equipment and other depreciable assets	11,655,455	753,064	284,753	12,123,766
Intangible assets	1,607,137	197,935	20,164	1,784,908
Total capital assets being depreciated/amortized	**55,457,725**	**2,758,682**	**353,064**	**57,863,343**
Less accumulated depreciation/amortization for:				
Buildings and improvements	17,283,897	1,297,651	25,755	18,555,793
Infrastructure	420,032	32,834	144	452,722
Equipment and other depreciable assets	8,402,833	634,975	250,580	8,787,228
Intangible assets	704,594	212,710	14,032	903,272
Total accumulated depreciation/amortization	**26,811,356**	**2,178,170**	**290,511**	**28,699,015**
Total capital assets being depreciated/amortized, net	**28,646,369**	**580,512**	**62,553**	**29,164,328**
Capital assets, net	**$ 33,548,523**	**$ 2,081,292**	**$ 96,962**	**$ 35,532,853**

NOTE 8: ACCOUNTS PAYABLE

Accounts payable are amounts, related to different programs, that are due taxpayers, vendors, customers, beneficiaries, and employees. Table 11 presents details related to accounts payable.

The adjustment for the fiduciary funds represents amounts due fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Position.

Table 11

Schedule of Accounts Payable
June 30, 2019
(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	$ 292,106	$ 200,344	$ 776,498
Federal Fund	187,959	237,398	176,699
Transportation Fund	6,141	5,963	15
Environmental and Natural Resources Fund	6,157	—	27
Health Care Related Programs Fund	—	281	67,988
Nonmajor governmental funds	455,349	2,337	154,687
Internal service funds	172,850	19	200,772
Adjustment:			
Fiduciary funds	917,290	2,423,266	27,010,362
Total governmental activities	**$ 2,037,852**	**$ 2,869,608**	**$ 28,387,048**
Business-type activities			
Electric Power Fund	$ —	$ —	$ —
Water Resources Fund	—	—	—
State Lottery Fund	56,297	—	—
Unemployment Programs Fund	—	—	40,702
California State University	—	291,670	—
Nonmajor enterprise funds	135	285	177
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	**$ 56,432**	**$ 291,955**	**$ 40,879**

	Natural Resources and Environmental Protection		Transportation		Other		Total
$	731,795	$	—	$	404,136	$	2,404,879
	44,916		200,874		50,303		898,149
	350		698,837		258		711,564
	327,317		10,735		7,183		351,419
	—		—		—		68,269
	7,570		2,405		22,987		645,335
	22,592		—		13,371		409,604
	—		68,256		—		30,419,174
$	**1,134,540**	**$**	**981,107**	**$**	**498,238**	**$**	**35,908,393**
$	1,741	$	—	$	—		1,741
	172,753		—		—		172,753
	—		—		—		56,297
	—		—		—		40,702
	—		—		—		291,670
	2,446		—		4,874		7,917
	—		—		36		36
$	**176,940**	**$**	**—**	**$**	**4,910**	**$**	**571,116**

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2019, the primary government had long-term obligations totaling $302.2 billion. Of that amount, $8.8 billion is due within one year. The inclusion of 33 additional trial courts' pensions to the governmental activities' long-term obligations as of June 30, 2019, caused a $439 million restatement of the beginning net pension liability. The inclusion of a liability for the State's share of future abandonment activities associated with the Wilmington Oil Field in the City of Long Beach caused a $905 million restatement of the beginning balance of other long-term obligations. Overall, governmental activities had a net decrease in long-term obligations of $12.8 billion after the above restatements. Significant decreases included $7.2 billion in net pension liability, $4.3 billion in net other postemployment benefits (OPEB) liability, and $890 million in general obligation bonds payable.

Not included in the mandated cost claims payable shown in Table 12 are certain state-mandated programs that are in the adjudication process. Until the Commission on State Mandates rules on a test claim and the claim's parameters and guidelines are established, expected costs cannot be reasonably determined; however, a positive finding for any of the claimants could individually or in aggregate pose a significant cost to the State.

As of June 30, 2019, the pollution remediation obligations increased by $63 million to $1.2 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant Superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2019, the State estimates that remediation costs at Stringfellow will total $492 million. At BKK Landfill, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

The State receives a share of net profits generated by the operations of the Wilmington Oil Field. Various unit and production agreements control the character of the oil operations, including the liability associated with the future abandonment of the oil and gas wells and facilities. The State's share of the liability is apportioned based on its net profit interest, among other factors. The State retains a large majority of the total abandonment liability at the end of oil operations. As of June 30, 2019, the State estimates that the oil field abandonment liability is $902 million, and the State has reserves of $300 million in the Environmental and Natural Resources Fund (a special revenue fund) to liquidate future oil field abandonment costs.

The other long-term obligations for governmental activities consist of $96 million to settle lawsuits, $5 million owed to the University of California, Technology Services Revolving Fund notes payable of $39 million, and Water Resources Revolving Fund notes payable of $10 million. The net pension liability, net OPEB liability, and compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Overall, business-type activities experienced a net decrease in long-term obligations of $1.4 billion. Significant decreases included $1.3 billion in net pension liability and $853 million in net OPEB liability. Significant increases included $374 million in lottery prizes and annuities.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2019.

Table 12

Schedule of Changes in Long-term Obligations
(amounts in thousands)

	Balance July 1, 2018		Additions
Governmental activities			
Loans payable adjustment for fiduciary funds	$ 248,542		$ —
Compensated absences payable	3,604,935		1,583,091
Workers' compensation benefits payable	4,303,390		640,668
Commercial paper and other borrowings	859,695		1,170,720
Capital lease obligations	481,261		19,962
General obligation bonds outstanding	74,160,490		7,017,660
Premiums	5,502,538		984,981
Total general obligation bonds payable	79,663,028		8,002,641
Revenue bonds outstanding	14,844,079		832,735
Accreted interest	570,772		31,749
Premiums	951,888		36,036
Discounts	(2,484)		—
Total revenue bonds payable	16,364,255		900,520
Mandated cost claims payable	2,214,026		115,202
Net other postemployment benefits liability	73,717,443		5,907,279
Net pension liability	88,466,473	*	25,714,394
Other long-term obligations:			
Oil field abandonment liability	904,700	*	—
Proposition 98 funding guarantee	440,003		396,497
Pollution remediation obligations	1,143,339		142,257
Other	180,144		19,020
Total other long-term obligations	2,668,186		557,774
Total governmental activities	**$ 272,591,234**		**$ 44,612,251**
Business-type activities			
Lottery prizes and annuities	$ 1,372,528		$ 5,313,528
Compensated absences payable	340,667		149,602
Workers' compensation benefits payable	4,147		984
Commercial paper and other borrowings	749,877		696,274
Capital lease obligations	309,928		25,709
General obligation bonds outstanding	688,650		193,410
Premiums	6,771		4,553
Discounts	(1,321)		—
Total general obligation bonds payable	694,100		197,963
Revenue bonds outstanding	13,029,808		1,340,650
Premiums	1,290,048		199,820
Discounts	(484)		—
Total revenue bonds payable	14,319,372		1,540,470
Net other postemployment benefits liability	15,618,786		1,385,993
Net pension liability	10,066,991		2,942,674
Other long-term obligations	283,405		63,848
Total business-type activities	**$ 43,759,801**		**$ 12,317,045**

* Restated

Deductions	Balance June 30, 2019	Due Within One Year	Noncurrent Liabilities
$ 49,479	$ 199,063	$ —	$ 199,063
1,506,118	3,681,908	14,927	3,666,981
512,470	4,431,589	473,114	3,958,475
997,655	1,032,760	—	1,032,760
66,347	434,876	71,747	363,129
8,526,725	72,651,425	3,368,125	69,283,300
366,094	6,121,425	642,443	5,478,982
8,892,819	78,772,850	4,010,568	74,762,282
1,439,085	14,237,729	680,891	13,556,838
—	602,521	—	602,521
114,489	873,435	118,013	755,422
(459)	(2,025)	(227)	(1,798)
1,553,115	15,711,660	798,677	14,912,983
459,482	1,869,746	54,296	1,815,450
10,183,006	69,441,716	—	69,441,716
32,880,993	81,299,874	—	81,299,874
2,600	902,100	—	902,100
149,908	686,592	686,592	—
79,227	1,206,369	74,317	1,132,052
49,426	149,738	55,871	93,867
281,161	2,944,799	816,780	2,128,019
$ 57,382,645	**$ 259,820,841**	**$ 6,240,109**	**$ 253,580,732**
$ 4,939,335	$ 1,746,721	$ 1,063,792	$ 682,929
131,118	359,151	152,381	206,770
—	5,131	—	5,131
646,508	799,643	21,146	778,497
20,315	315,322	20,108	295,214
40,805	841,255	43,165	798,090
591	10,733	—	10,733
(95)	(1,226)	—	(1,226)
41,301	850,762	43,165	807,597
1,201,680	13,168,778	1,178,118	11,990,660
136,730	1,353,138	67,372	1,285,766
(28)	(456)	—	(456)
1,338,382	14,521,460	1,245,490	13,275,970
2,239,216	14,765,563	—	14,765,563
4,279,419	8,730,246	—	8,730,246
35,682	311,571	35,401	276,170
$ 13,671,276	**$ 42,405,570**	**$ 2,581,483**	**$ 39,824,087**

NOTE 10: PENSION TRUSTS

The California Public Employees' Retirement System (CalPERS) provides retirement benefits to eligible employees of the State, public agencies, and public schools through single-employer, agent multiple-employer, and cost-sharing plans. The California State Teachers' Retirement System (CalSTRS) provides pension benefits to full-time and part-time employees of the State's public school system. Both are fiduciary component units of the State, and their financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

CalPERS administers four defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (Judges'), the Judges' Retirement Fund II (Judges' II), and the Legislators' Retirement Fund (Legislators'). CalPERS also administers two defined contribution plans: the Public Employees' Deferred Compensation Fund and the Supplemental Contributions Program Fund.

The PERF accounts for the majority of assets and liabilities reported for CalPERS' plans. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. The report may be found on CalPERS' website at www.CalPERS.ca.gov.

Contributions to CalPERS' pension trust funds are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan.

CalSTRS administers four defined benefit retirement plans within the State Teachers' Retirement Plan: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program. CalSTRS also administers two defined contribution plans: the Pension2 403(b) Plan and the Pension2 457(b) Plan. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. This report may be found on its website at www.CalSTRS.com.

Member contributions to CalSTRS' pension plans are recognized in the period in which the contributions are required by statute. Employer and state contributions are recognized when required by statute and when the employer or the State has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the retirement and benefits programs.

Fifty-eight county superior courts (trial courts) are included in the primary government. Either CalPERS or the counties administer the pension plans in which the trial courts participate.

For the purpose of measuring net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of CalPERS' plans and CalSTRS' plans, and changes to the plans' fiduciary net positions have been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions. The State does not directly contribute to the UCRS. Additional information on the UCRS can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. California Public Employees' Retirement System

1. Public Employees' Retirement Fund (PERF)

***Plan Description*:** The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2018, included the primary government and certain discretely presented component units; 1,313 school employers, including charter schools; and 1,618 public agencies. As the State is not an employer in PERF B or PERF C, the term PERF is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

CalPERS acts as the common investment and administrative agent for participating employers. State employees served by the PERF include first- and second-tier miscellaneous and industrial employees, California Highway Patrol (CHP) employees, peace officers and firefighters, and other safety members.

***Benefits Provided*:** All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2017 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2017-state-valuation.pdf. In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous, safety, industrial, CHP, or peace officers and firefighters);
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

The four basic types of retirement are:

- Service Retirement – The normal retirement is a lifetime benefit. In most cases, employees become eligible for service retirement as early as age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, he or she must be at least 52 years old with at least five years of service to retire. Second-tier employees (miscellaneous and industrial) become eligible at age 55 with at least 10 years of service credit.
- Vested Deferred Retirement – Vested members who leave employment but keep their contribution balances on deposit with CalPERS are eligible for this benefit.
- Disability Retirement – Vested members who can no longer perform the usual duties of their current position due to illness or injury may receive this benefit.

- Industrial Disability Retirement – This benefit is available for eligible safety members, industrial employees, CHP employees, and peace officers and firefighters who are unable to perform the usual duties of their current position due to job-related illness or injury.

***Employees Covered by Benefit Terms*:** The State's June 30, 2018 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 13 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 13

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2018

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	195,158	14,642	25,749	39,947	9,158	**284,654**
Inactive employees entitled to but not yet receiving benefits	61,005	3,566	7,103	7,078	451	**79,203**
Active employees	211,988	20,720	34,291	47,462	7,576	**322,037**
Total	**468,151**	**38,928**	**67,143**	**94,487**	**17,185**	**685,894**

***Contributions*:** Section 20814(c) of PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as plan member contribution requirements are classified as plan member contributions.

Table 14 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2018.

Table 14

Contribution Rates – PERF Plans
June 30, 2018

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	6.766 %	7.890 %	10.448 %	11.412 %	10.492 %
Employer rate of annual payroll	28.401	20.408	20.574	44.245	54.104
Total	**35.167 %**	**28.298 %**	**31.022 %**	**55.657 %**	**64.596 %**

***Actuarial Methods and Assumptions*:** The total pension liability for PERF plans was measured as of June 30, 2018 (measurement date), by rolling forward the total pension liability determined by the June 30, 2017 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 15.

Table 15

Actuarial Methods and Assumptions – PERF Plans

Valuation date:	June 30, 2017
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	Contract COLA up to 2.00% until the Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.15% for the PERF. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at actuarially determined statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in the GASB Crossover Testing Report, which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2018.pdf.

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

In determining the long-term expected rate of return, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Table 16 shows the long-term expected geometric real rate of return by asset class for all plans in the PERF.

Table 16

Long-term Expected Real Rate of Return by Asset Class – PERF Plans

Asset Class	**Policy Target Allocation**	**Real Return Years 1 – 10** [1]	**Real Return Years 11+** [2]
Global equity	50.0 %	4.80 %	5.98 %
Fixed income	28.0	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	—	(0.92)
Total	**100.0 %**		

[1] An expected inflation rate of 2.00% used for this period.
[2] An expected inflation rate of 2.92% used for this period.

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***Changes in Net Pension Liability*:** Table 17 shows changes in net pension liability recognized over the measurement period for the PERF plans.

Table 17

Changes in Net Pension Liability – PERF Plans
(amounts in thousands)

	State Miscellaneous			State Industrial		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balance at June 30, 2017	$ 108,789,914	$ 72,254,392	$ 36,535,522	$ 4,320,375	$ 3,217,701	$ 1,102,674
Changes recognized for the measurement period:						
Service cost	1,953,761	—	1,953,761	119,521	—	119,521
Interest on total pension liability	7,571,997	—	7,571,997	301,134	—	301,134
Changes of assumptions	(1,377,556)	—	(1,377,556)	(54,062)	—	(54,062)
Difference between expected and actual experience	445,743	—	445,743	(19,063)	—	(19,063)
Plan to plan resource movement	—	(1,340)	1,340	—	268	(268)
Employer contributions	—	7,044,360	(7,044,360)	—	241,062	(241,062)
Employee contributions	—	870,402	(870,402)	—	58,404	(58,404)
Net investment income	—	6,127,761	(6,127,761)	—	272,379	(272,379)
Benefit payments, including refunds of employee contributions	(5,865,849)	(5,865,849)	—	(190,683)	(190,683)	—
Administrative expense	—	(112,592)	112,592	—	(5,014)	5,014
Other Miscellaneous Income/(Expense)	—	(213,815)	213,815	—	(9,522)	9,522
Net changes	**2,728,096**	**7,848,927**	**(5,120,831)**	**156,847**	**366,894**	**(210,047)**
Balance at June 30, 2018 (Measurement Date)	**$ 111,518,010**	**$ 80,103,319**	**$ 31,414,691**	**$ 4,477,222**	**$ 3,584,595**	**$ 892,627**

State Safety			State Peace Officers and Firefighters		
Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
$ 12,378,808	$ 9,346,634	$ 3,032,174	$ 44,752,006	$ 29,487,988	$ 15,264,018
504,383	—	504,383	1,011,482	—	1,011,482
877,944	—	877,944	3,185,628	—	3,185,628
(41,225)	—	(41,225)	(25,104)	—	(25,104)
(21,592)	—	(21,592)	354,089	—	354,089
—	532	(532)	—	(104)	104
—	774,759	(774,759)	—	3,068,270	(3,068,270)
—	245,021	(245,021)	—	421,662	(421,662)
—	797,214	(797,214)	—	2,522,044	(2,522,044)
(578,504)	(578,504)	—	(2,065,007)	(2,065,007)	—
—	(14,565)	14,565	—	(45,950)	45,950
—	(27,658)	27,658	—	(87,261)	87,261
741,006	**1,196,799**	**(455,793)**	**2,461,088**	**3,813,654**	**(1,352,566)**
$ 13,119,814	**$ 10,543,433**	**$ 2,576,381**	**$ 47,213,094**	**$ 33,301,642**	**$ 13,911,452**

(continued)

Table 17 (continued)

Changes in Net Pension Liability – PERF Plans (continued)
(amounts in thousands)

	California Highway Patrol			Total PERF Plans		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017	$ 12,331,080	$ 7,433,419	$ 4,897,661	**$ 182,572,183**	**$ 121,740,134**	**$ 60,832,049**
Changes recognized for the measurement period:						
Service cost	248,531	—	248,531	**3,837,678**	—	**3,837,678**
Interest on total pension liability	878,113	—	878,113	**12,814,816**	—	**12,814,816**
Changes of assumptions	12,213	—	12,213	**(1,485,734)**	—	**(1,485,734)**
Difference between expected and actual experience	103,284	—	103,284	**862,461**	—	**862,461**
Plan to plan resource movement	—	330	(330)	**—**	**(314)**	**314**
Employer contributions	—	978,060	(978,060)	**—**	**12,106,511**	**(12,106,511)**
Employee contributions	—	95,482	(95,482)	**—**	**1,690,971**	**(1,690,971)**
Net investment income	—	639,591	(639,591)	**—**	**10,358,989**	**(10,358,989)**
Benefit payments, including refunds of employee contributions	(579,080)	(579,080)	—	**(9,279,123)**	**(9,279,123)**	**—**
Administrative expense	—	(11,583)	11,583	**—**	**(189,704)**	**189,704**
Other Miscellaneous Income/(Expense)	—	(21,997)	21,997	**—**	**(360,253)**	**360,253**
Net changes	**663,061**	**1,100,803**	**(437,742)**	**6,750,098**	**14,327,077**	**(7,576,979)**
Balance at June 30, 2018 (Measurement Date)	**$ 12,994,141**	**$ 8,534,222**	**$ 4,459,919**	**$ 189,322,281**	**$ 136,067,211**	**$ 53,255,070**

Reported in governmental activities	$ 42,593,496
Reported in business-type activities	8,730,246
Reported by discretely presented component units	202,407
Not reported in government-wide Statement of Net Position [1]	1,728,921
Total net pension liability – PERF plans	**$ 53,255,070**

(concluded)

[1] Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2018; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Table 18 shows the net pension liability of the State, with regard to the PERF plans, calculated using the discount rate of 7.15%, as well as what the State's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans
June 30, 2019
(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous	$ 45,036,762	$ 31,414,691	$ 19,999,148
State Industrial	1,508,621	892,627	384,916
State Safety	4,314,830	2,576,381	1,137,150
State Peace Officers and Firefighters	20,533,784	13,911,452	8,486,562
California Highway Patrol	6,306,688	4,459,919	2,949,284
Total PERF plans	**$ 77,700,685**	**$ 53,255,070**	**$ 32,957,060**

***Pension Plans Fiduciary Net Position*:** Detailed information about the PERF plans' fiduciary net position is available in the separately issued CalPERS financial report.

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the PERF plans, for the fiscal year ended June 30, 2019, the State recognized pension expense of $8.6 billion. At June 30, 2019, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2018, but prior to the fiscal year ended June 30, 2019. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows and inflows of resources. The aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred outflows of resources. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Table 19 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each PERF plan.

Table 19

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – PERF Plans
June 30, 2019
(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	$ 4,832,684	$ 197,201	$ 600,680	$ 2,263,541	$ 667,704	**$ 8,561,810**
Deferred Outflows of Resources:						
Employer contributions	3,794,379	148,790	531,360	1,667,839	514,683	**6,657,051**
Changes of assumptions	2,833,781	105,193	360,075	1,605,385	448,878	**5,353,312**
Difference between expected and actual experience	337,025	10,223	—	353,252	158,950	**859,450**
Net difference between projected and actual earnings on pension plan investments	324,540	11,545	28,384	107,859	28,059	**500,387**
Deferred Inflows of Resources:						
Difference between expected and actual experience	(218,866)	(13,456)	(76,289)	(176,324)	(96,278)	**(581,213)**
Changes of assumptions	(1,041,567)	(38,162)	(31,410)	(20,083)	—	**(1,131,222)**

Table 20 shows amounts reported as deferred outflows and inflows of resources related to pensions that will be recognized as pension expense in future years for the PERF plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 20

Recognition of Deferred Outflows and Deferred Inflows of Resources – PERF Plans
(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
2020	$ 2,040,495	$ 96,332	$ 228,196	$ 948,428	$ 264,130	**$ 3,577,581**
2021	1,338,389	26,634	143,512	614,097	183,931	**2,306,563**
2022	(938,387)	(39,687)	(64,771)	227,005	65,982	**(749,858)**
2023	(205,584)	(7,936)	(26,177)	80,559	13,191	**(145,947)**
2024	—	—	—	—	12,375	**12,375**

***Payable to the Pension Plans*:** At June 30, 2019, the State reported a payable of $845 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2019.

2. Single-employer Plans

***Plan Description*:** CalPERS administers three single-employer defined benefit retirement plans.

Judges' – Judges' membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts who were appointed or elected prior to November 9, 1994. Judges' is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year, and a General Fund augmentation are used to provide funding for benefit payments.

Judges' II – Judges' II membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts, who were appointed or elected on or after November 9, 1994. There are two types of service retirement available for plan members: the Defined Benefit Plan and the Monetary Credit Plan, in which members can choose a single lump sum payment or annuity at retirement.

Legislators' – Legislators' was established in 1947; its members consist of state legislators, constitutional officers, and legislative statutory officers. The PEPRA closed Legislators' to new participants effective January 1, 2013.

***Benefits Provided*:** All employees in a covered class of employment who work on a half-time basis or more are eligible to participate. The benefits for the defined benefit plans are based on a member's years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. Benefits are established in accordance with the provisions of the Judges' Retirement Law, Judges' Retirement System II Law, and Legislators' Retirement Law. Additional information is available in the Actuarial Valuation Report for each plan, which may be found on CalPERS' website at www.CalPERS.ca.gov.

Judges' – The four basic types of retirement are:

- Service Retirement – Members must be at least age 60 with 20 years of service or age 70 with at least 10 years of service.
- Deferred Retirement – Vested members are eligible for deferred retirement at any age with at least five years of service.
- Disability Retirement (non-work related) – There is no age requirement, but there may be a service requirement depending on when the member became a judge. The retirement allowance is 65% of a judge's final salary, or 75% of his or her final salary if the judge has 20 or more years of service.
- Disability Retirement (work-related) – There is no age or service requirement if the disability is a result of work-related injury or disease. The retirement allowance is the same as non-work related disability retirement.
- Death Benefits – Beneficiaries may receive 25% of a current active judge's salary for life if the judge was not eligible for retirement. Beneficiaries receive one-half of what the retirement allowance would have been if the judge was retired on the date of death.

Judges' II – The four basic types of retirement are:

- Service Retirement – Judges must be at least age 65 with 20 years of service or age 70 with a minimum of five years of service to receive the defined benefit plan. Judges must have at least five years of service to receive the monetary credit plan.
- Disability Retirement (non-work related) – Judges who have five years of service and become permanently disabled because of a mental or physical disability may apply to the Commission on Judicial Performance for disability retirement.
- Disability Retirement (work related) – Judges receive 65% of their average monthly salary earned during the 12 months preceding their retirement date, regardless of age or length of service.
- Death Benefits – Beneficiaries receive the judge's monetary credits or three times the annual salary at the time of death, whichever is greater, if the judge was not eligible for retirement. Beneficiaries receive one-half of the retirement pension for life if the judge was retired on the date of death.

Legislators' – The three basic types of retirement are:

- Service Retirement – Members must be age 60, with four or more years of service credit, or any age with 20 or more years. The retirement age for legislative statutory officers is 55, or any age with 20 years or more of service credit.
- Disability Retirement – Disability retirement uses the same formula as service retirement. There is no reduction for members of the Legislature if retirement is before age 60.
- Death Benefits – Beneficiaries have multiple options depending on whether the member was eligible for retirement or was retired at the time of death.

***Employees Covered by Benefit Terms*:** The June 30, 2018 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 21 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 21

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2018

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,796	218	212	**2,226**
Inactive employees entitled to but not yet receiving benefits	4	1	8	**13**
Active employees	170	1,545	7	**1,722**
Total	**1,970**	**1,764**	**227**	**3,961**

***Contributions*:** As Judges' is funded on a "pay-as-you-go" basis, the contributions made will be less than the actuarially determined contribution requirement of normal cost plus a 10-year amortization of the unfunded accrued liability. The actual contribution is the estimated amount of benefit payouts during the year. Currently, Judges' member contributions are 8.0% of pay. In certain situations, employers make member contributions.

Judges' II contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2018 actuarial valuation as 32.104%. The percentage changes in any given year only once the change to the total normal cost is greater than 1.0% from the base total normal cost. The new member rate should be 50% of the new normal cost rounded to the nearest quarter percentage.

For Legislators', contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 9358 of the PERL. The minimum employer contribution rate under PEPRA is the greater of the actuarially determined employer rate or the employer normal cost.

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2018.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2018

	Judges'	**Judges' II**	**Legislators'**
Average active employee rate	"Pay-	8.000 %	7.425 %
Employer rate of annual payroll	as-you-	24.964	35.272
Total	go"	**32.964 %**	**42.697 %**

***Actuarial Methods and Assumptions*:** The total pension liability for single-employer plans was measured as of June 30, 2018 (measurement date), by rolling forward the total pension liability determined by the June 30, 2017 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 23.

Table 23

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2017
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges’ 3.62%, Judges’ II 6.65%, Legislators’ 5.25%
Inflation	All single-employer plans – 2.50%
Salary increases	All single-employer plans – 2.75%
Investment rate of return	Judges’ 3.62%, Judges’ II 6.65%, Legislators’ 5.25%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	Judges’ – 2.75% Judges’ II – 2.50% Legislators’ – 2.50%

***Discount Rate*:** To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would differ from the actuarially assumed discount rate. For the single-employer plans, the following rates were used:

Judges’ – 3.62%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.62%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges’ II – 6.65%

Legislators’ – 5.25%

With the exception of Judges’, which uses a lower rate of return, the information regarding the discount rate and the long-term expected real rate of return described previously for the PERF plans is also applicable to the single-employer plans. GAAP requires that the long-term discount rate should be determined without reduction for pension plan administrative expense.

Table 24 shows long-term expected real rates of return by asset class for Judges' II and Legislators'.

Table 24

Long-term Expected Real Rate of Return by Asset Class – Judges' II and Legislators' Plans

Asset Class	Judges' II Current Target Allocation	Legislators' Current Target Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global equity	52.0 %	22.0 %	4.80 %	5.98 %
Global fixed income	32.0	49.0	1.10	2.62
Inflation sensitive	5.0	16.0	0.25	1.46
Commodities	3.0	5.0	1.50	2.87
Real estate	8.0	8.0	3.50	5.00
Total	**100.0 %**	**100.0 %**		

[1] An expected inflation rate of 2.00% used for this period.
[2] An expected inflation rate of 2.92% used for this period.

Changes in Net Pension Liability: Table 25 shows the changes in net pension liability recognized over the measurement period for the single-employer plans.

Table 25

Changes in Net Pension Liability – Single-employer Plans
(amounts in thousands)

	Judges'			Judges' II		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2017 (Valuation Date)	$ 3,258,434	$ 48,275	$ 3,210,159	$ 1,411,327	$ 1,356,100	$ 55,227
Changes recognized for the measurement period:						
Service cost	19,131	—	19,131	95,843	—	95,843
Interest on total pension liability	109,395	—	109,395	91,418	—	91,418
Difference between expected and actual experience	(121,259)		(121,259)	(26,876)		(26,876)
Changes of assumptions	(20,879)	—	(20,879)	(41,763)	—	(41,763)
Employer contributions	—	199,241	(199,241)	—	79,699	(79,699)
Employee contributions	—	3,061	(3,061)	—	27,513	(27,513)
Net investment income	—	846	(846)	—	101,820	(101,820)
Benefit payments, including refunds of employee contributions	(207,823)	(207,823)	—	(31,795)	(31,795)	—
Administrative expense	—	(2,106)	2,106	—	(2,370)	2,370
Other miscellaneous income	—	(1,863)	1,863	—	(5,452)	5,452
Net changes	**(221,435)**	**(8,644)**	**(212,791)**	**86,827**	**169,415**	**(82,588)**
Balance at June 30, 2018 (Measurement Date)	**$ 3,036,999**	**$ 39,631**	**$ 2,997,368**	**$ 1,498,154**	**$ 1,525,515**	**$ (27,361)**

Legislators'			Total Single-employer Plans		
Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
$ 102,760	$ 116,884	$ (14,124)	$ **4,772,521**	$ **1,521,259**	$ **3,251,262**
542	—	542	**115,516**	**—**	**115,516**
4,986	—	4,986	**205,799**	**—**	**205,799**
(2,061)		(2,061)	**(150,196)**	**—**	**(150,196)**
(2,529)	—	(2,529)	**(65,171)**	**—**	**(65,171)**
—	467	(467)	**—**	**279,407**	**(279,407)**
—	82	(82)	**—**	**30,656**	**(30,656)**
—	5,486	(5,486)	**—**	**108,152**	**(108,152)**
(6,918)	(6,918)	—	**(246,536)**	**(246,536)**	**—**
—	(671)	671	**—**	**(5,147)**	**5,147**
—	(1,454)	1,454	**—**	**(8,769)**	**8,769**
(5,980)	**(3,008)**	**(2,972)**	**(140,588)**	**157,763**	**(298,351)**
$ 96,780	**$ 113,876**	**$ (17,096)**	**$ 4,631,933**	**$ 1,679,022**	**$ 2,952,911**
				Reported in governmental activities	**$ 2,952,911**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Judges' net pension liability was calculated using a discount rate of 3.62%; Judges' II used 6.65%; and Legislators' used 5.25%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans
June 30, 2019
(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (3.62%)	$ 3,321,115	$ 2,997,368	$ 2,721,968
Judges' II (6.65%)	161,401	(27,361)	(178,025)
Legislators' (5.25%)	(5,669)	(17,096)	(26,437)
Total Single-employer Plans	**$ 3,476,847**	**$ 2,952,911**	**$ 2,517,506**

***Pension Plans Fiduciary Net Position*:** Detailed information about the single-employer plans' fiduciary net position is available in the separately issued CalPERS financial report.

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the single-employer plans, for the fiscal year ended June 30, 2018, the State recognized pension expense of $45 million. At June 30, 2019, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2018, but prior to the fiscal year ended June 30, 2019, which will be recognized as a reduction of the net pension liability in the subsequent year.

Table 27 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each single-employer plan.

Table 27

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – Single-employer Plans

June 30, 2019
(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	$ (14,889)	$ 61,979	$ (2,244)	**$ 44,846**
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	194,189	76,155	261	**270,605**
Changes of assumptions	—	51,925	—	**51,925**
Net difference between projected and actual earnings on pension plan investments	2,007	10,756	3,494	**16,257**
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(55,511)	—	**(55,511)**
Changes of assumptions	—	(45,496)	—	**(45,496)**

Table 28 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years for the single-employer plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 28

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources		
Year Ending June 30	Judges'	Judges' II	Legislators'	Total
2020	$ 923	$ 10,874	$ 2,325	**$ 14,122**
2021	565	(4,624)	795	**(3,264)**
2022	373	(16,450)	288	**(15,789)**
2023	146	(9,490)	86	**(9,258)**
2024	—	(6,033)	—	**(6,033)**
Thereafter	—	(12,603)	—	**(12,603)**

B. California State Teachers' Retirement System

The State reports a net pension liability, deferred outflows and deferred inflows of resources, and expenses as a result of its statutory requirement to contribute to the State Teachers' Retirement Fund as a non-employer contributing entity.

***Plan Description*:** CalSTRS administers the State Teachers' Retirement Fund, which is an employee benefit trust fund created to finance the State Teachers' Retirement Plan (STRP). The STRP is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and survivor benefits to teachers and certain other employees of the California public school system. Four programs comprise the STRP: the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program, the Cash Balance Benefit (CBB) Program, and the Replacement Benefits (RB) Program. CalSTRS issues a publicly available financial report, which may be found on CalSTRS' website at www.CalSTRS.com.

***Benefits Provided*:** Membership in the DB Program is mandatory for all employees meeting certain statutory requirements. The DB Program provides retirement benefits based on a member's age, final compensation, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1,778 contributing employers, 451,343 active and 204,707 inactive program members, and 308,522 benefit recipients as of June 30, 2019. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2018, was approximately $34.8 billion.

Membership in the DBS Program is automatic for all members of the DB Program. The DBS Program provides benefits based on the amount of funds contributed. Vesting in the DBS Program occurs automatically with vesting in the DB Program. The Teachers' Retirement Law establishes the benefits for the DBS Program. The primary government does not contribute to the DBS Program.

***Contributions*:** The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 9.21% and 14.43% of creditable compensation, respectively. The General Fund contributed an additional 4.811% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 5.311% in the next year and continue to increase until fiscal year 2045-46. Accordingly, the State contributed a total of $3.1 billion for fiscal year 2018-19. Additionally, the State made a $2.2 billion supplemental contribution on behalf of employers pursuant to Senate Bill 90. This supplemental contribution will not impact the State's proportionate share of the net pension liability. CalSTRS' June 30, 2017 Defined Benefit Actuarial Valuation Report, may be found on CalSTRS' website at www.CalSTRS.com/sites/main/files/file-attachments/2017_db_valuation_report.pdf.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2018, the CBB Program had 29 contributing school districts and 39,894 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The program is funded as needed. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2018, 353 individuals were receiving benefits from the RB program.

***Actuarial Methods and Assumptions*:** The total pension liability in the June 30, 2017 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2018.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Post-retirement benefit increases (COLAs)	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rate at each age, resulting in increases in future life expectancies. CalSTRS uses base mortality tables customized to best fit the patterns of mortality among its members. The projection scale was set to equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale table, issued by the Society of Actuaries.

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases created by AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the current capital market assumptions.

Table 30 shows the assumed allocation and best estimates of the 20-year geometric real rate of return for each major asset class.

Table 30

Long-term Expected Real Rate of Return by Asset Class – CalSTRS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47.0 %	6.30 %
Private equity	13.0	9.30
Real estate	13.0	5.20
Risk mitigating strategies	9.0	2.90
Inflation sensitive	4.0	3.80
Fixed income	12.0	0.30
Cash/liquidity	2.0	(1.00)
Total	**100.0 %**	

***Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** CalSTRS' net pension liability was measured as of June 30, 2018 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2017 (valuation date). The State's proportion of the net pension liability was based on CalSTRS' calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS' revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS' policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2018, the State's proportionate share of the CalSTRS' net pension liability was 36.41%, or $33.5 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2019.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of $3.8 billion for the fiscal year ended June 30, 2019, and reported deferred outflows and deferred inflows of resources as shown in Table 31.

Table 31

Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS
June 30, 2019
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 5,198,477	$ —
Net difference between projected and actual earnings on pension plan investments	—	1,288,515
Difference between expected and actual experiences	103,766	486,060
Proportionate share change	1,198,591	1,469,971
State contributions subsequent to the measurement date	3,082,316	—
Total	**$ 9,583,150**	**$ 3,244,546**

The $3.1 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Table 32 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years as a result of the State's requirement to contribute to CalSTRS. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 32

Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS
(amounts in thousands)

Year Ending June 30	Amount
2020	$ 1,075,747
2021	592,600
2022	(286,677)
2023	898,631
2024	1,067,785
Thereafter	(91,798)

***Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*:** Table 33 shows the State's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate.

Table 33

Net Pension Liability Sensitivity – CalSTRS
June 30, 2019
(amounts in thousands)

	Current Rate –1%	Current Rate 7.10%	Current Rate +1%
State's proportionate share of net pension liability	$ 49,018,529	$ 33,462,420	$ 20,564,895

***Pension Plan Fiduciary Net Position*:** Detailed information about CalSTRS' pension plans' fiduciary net position is available in the separately issued CalSTRS financial report.

C. Trial Court Pension Plans

***Plan Description*:** The 58 trial courts are reported as part of the primary government. Twenty-two of the trial courts provide pension benefits to their respective employees through cost-sharing multiple-employer defined benefit plans administered by their respective county public employee retirement systems. Thirty-six of the trial courts participate in county retirement plans administered by CalPERS. Of those participating in CalPERS plans, 32 trial courts provide pension benefits to their respective employees through agent multiple-employer defined benefit plans, and one trial court provides pension benefits to its respective employees through a cost-sharing multiple-employer defined benefit plan. Information pertaining to the remaining three trial courts that participate in county retirement plans administered by CalPERS will be presented in future reporting years as available.

***Benefits Provided, Contributions, and Employees Covered by Benefit Terms*:** To obtain information on eligibility terms, benefits provided, contributions, and actuarial assumptions from individual trial court pension actuarial valuation reports, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

***Net Pension Liability Actuarial Methods and Assumptions*:** The net pension liability of 49 trial courts was measured as of each individual plan's measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan's valuation date, based on the actuarial methods and assumptions used by each plan. For the 32 agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2018, and valued as of June 30, 2017. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2018, and valued as of June 30, 2017. Five of the cost-sharing multiple-employer plans had a measurement date of June 30, 2018; three of these plans had an actuarial valuation date of December 31, 2017, and two had a valuation date of January 1, 2018.

For the remaining six cost-sharing multiple-employer defined benefit trial court pension plans, the net pension liability was measured as of the same date the total pension liability was valued for each individual plan. One of the trial court plans had an actuarial valuation and measurement date of December 31, 2018, and five plans had an actuarial valuation and measurement date of June 30, 2018.

Table 34 shows selected actuarial assumptions for the trial court pension plans, by plan type.

Table 34

Actuarial Methods and Assumptions – Trial Court Pension Plans

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	32	23
Valuation date(s):	June 30, 2017	Twelve plans as of June 30, 2017. Three plans as of December 31, 2017. Two plans as of January 1, 2018. Five plans as of June 30, 2018. One plan as of December 31, 2018.
Actuarial assumptions:		
Discount rate	7.15%	Rates ranging from 6.92% to 7.50%

***Discount Rates*:** The discount rate used to measure the total pension liability of the trial courts that participate in the agent multiple-employer defined benefit pension plan was 7.15%. The discount rates used to measure the total pension liability of each trial court that participates in a cost-sharing multiple employer defined benefit plan ranged from 6.92% to 7.50% as of the respective measurement date.

***Pension Accounting Elements*:** For the trial court pension plans, the State reported total pension liability of $10.3 billion and fiduciary net position of $8.0 billion, which resulted in a net pension liability of $2.3 billion as of June 30, 2019. For the fiscal year ended June 30, 2019, the State recognized pension expense of $305 million. At June 30, 2019, the State reported deferred outflows of resources of $809 million and deferred inflows of resources of $386 million. The reported deferred outflows of resources included $280 million from pension contributions the trial courts made subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

The State provides medical and prescription drug benefits to annuitants and their dependents under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act, through the State of California Retiree Health Benefits Program (Retiree Health Benefits Program). The Retiree Health Benefits Program consists of a number of defined benefit other postemployment benefit (OPEB) plans, to which the State contributes as an employer. The State also offers life insurance, long-term care, and vision benefits to retirees; however, because these benefits are completely paid for by the retirees, the State has no liability. The design of health and dental benefit plans can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. CalPERS is a fiduciary component unit of the State, and its financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

Fifty-eight county superior courts (trial courts) are included in the primary government. The trial courts offer OPEB outside of the Retiree Health Benefits Program and have separately issued actuarial valuation reports. Additional information related to the trial courts is provided in section B.

For the purpose of measuring net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of the Retiree Health Benefits Program and the trial court OPEB plans, and changes to the plans' fiduciary net positions, have been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retiree Health Benefit Trust (UCRHBT), which consists of single-employer OPEB plans that provide medical, dental, and vision benefits to eligible retirees and their dependents. The costs of medical and dental benefits are shared between the University and participating retirees. These costs are funded on a pay-as-you-go basis, and the University does not contribute toward the cost of other benefits available to retirees. The State does not directly contribute to the UCRHBT. Additional information on the UCRHBT can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. Retiree Health Benefits Program

***Plan Description*:** Employer and retiree contributions to the Retiree Health Benefits Program (the Program) are established and amended by state law for different groups of employees. Through the collective bargaining process and through state law, certain bargaining units and judicial employees (valuation groups) have begun prefunding retiree healthcare and dental benefits. Assets are held in separate state subaccounts by valuation group within the California Employers' Retiree Benefit Trust Fund (CERBTF), an agent multiple-employer trust administered by CalPERS for the prefunding of health, dental, and other non-pension benefits. In accordance with California Government Code section 22940, assets accumulated in the CERBTF will be invested and are not available to pay benefits until the earlier of 2046, or the date the funded ratio of the subaccount of a particular valuation group reaches at least 100% of the actuarially determined liability for the valuation group, and then only for the purposes of paying benefits of annuitants and dependents associated with that valuation group.

The Program has 25 different valuation groups that include different categories of employees. Valuation groups that have accumulated prefunding assets in a CERBTF subaccount are reported as separate OPEB plans. As of the June 30, 2019 reporting date, these valuation groups included Bargaining Units 2, 5, 6, 7, 8, 9, 10, 12, 13, 16, 18, 19, and the Judicial Branch. The OPEB plans for Bargaining Units 5, 6, 9, and 12 are each reported discretely. The OPEB plans for Bargaining Units 2, 7, 8, 10, 13, 16, 18, 19, and the Judicial Branch are collectively reported as "Other Funded Plans." The remaining valuation groups for which the State made contributions through the CERBTF on a "pay-as-you-go" basis to fund benefit payments are collectively reported as the "Unfunded Plan." Prefunding contributions to the CERBTF are nonrefundable, and state employees have no claims or rights to the assets. CalPERS reports on the CERBTF as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

The OPEB plans have common benefit terms and are valued using common actuarial methods and assumptions, with the exception of certain demographic and economic assumptions that are specific to certain valuation groups. The valuation groups also have different prefunding contribution rates determined through collective bargaining and state law.

***Benefits Provided*:** Benefit terms are governed by state law and can be amended by the Legislature. To be eligible for OPEB benefits, annuitants must retire within 120 days of separation from employment. Survivors of eligible annuitants may also enroll within 60 days of the annuitant's death. Dependents of annuitants who are enrolled or eligible to enroll at the time of the annuitant's death qualify for benefits.

Annuitants who qualify for premium-free Medicare Part A, either on their own or through a spouse, must enroll in Medicare Part B coverage as soon as they qualify for Medicare Part A. The annuitant must then enroll in a Medicare supplemental insurance plan sponsored by CalPERS, which lowers the costs of retirees' health care premiums and provides some coverage beyond Medicare.

Employees Covered by Benefit Terms: Detailed information about the number of employees covered within the OPEB plans is provided in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2018* (June 30, 2018 Actuarial Valuation Report), on the State Controller's Office website, at www.SCO.ca.gov.

Table 35 shows the number of employees covered by the benefit terms.

Table 35

Number of Employees by Type Covered by Benefit Terms – Retiree Health Benefits Program

June 30, 2018

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Bargaining Unit 5 Plan	6,598	7,461	14,059
Bargaining Unit 6 Plan	23,707	31,154	54,861
Bargaining Unit 9 Plan	6,868	12,462	19,330
Bargaining Unit 12 Plan	9,664	12,717	22,381
Other Funded Plans	25,087	38,751	63,838
Unfunded Plan	115,698	169,533	285,231
Total	**187,622**	**272,078**	**459,700**

Note: Inactive employees that are entitled to, but not receiving benefits are not currently being tracked.

***Contributions*:** The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of annuitants' family members. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending on the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a "pay-as-you-go" basis, with a modest amount of prefunding for members of Bargaining Units 5, 6, 9, 12, and other funded plans. See Table 38 for details on the fiduciary net positions of the OPEB plans. The maximum 2018 monthly State contribution was $725 for one-party coverage, $1,377 for two-party coverage, and $1,766 for family coverage. For the fiscal year ended June 30, 2018, the State contributed $2.4 billion toward annuitants' health and dental benefits.

***Actuarial Methods and Assumptions*:** Projections of benefits for financial reporting purposes for the OPEB plans include the types of benefits provided at the time of each valuation and the established pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective.

For the measurement period ended June 30, 2018 (the measurement date), total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 36.

Table 36

Actuarial Methods and Assumptions – Retiree Health Benefits Program

Valuation date:	June 30, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 7.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.62%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2019, increasing to 7.50% in 2020, decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years
	Post-Medicare coverage: Actual rates for 2019, increasing to 8.00% in 2020, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years
	Dental coverage: 0.26% in 2019 and 4.50% thereafter
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2018 valuation were based on the results of the *2017 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 1997 to 2015 and included updates to termination, disability, mortality assumptions, and retirement rates. The CalPERS experience study can be obtained from CalPERS' website at www.CalPERS.ca.gov.

Healthcare-related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the 2015 experience study performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2007 to 2014. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. To obtain a copy of the GRS experience study email the State Controller's Office, State Accounting and Reporting Division, at StateGovReports@sco.ca.gov.

***Investment Rate of Return*:** The long-term expected rate of return on OPEB plan investments was determined by Gabriel, Roeder, Smith & Company using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected nominal returns for the short-term (first 10 years) and the long-term (11+ years), a single expected return rate of 7.00% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows. The rate of return was calculated using the capital market assumptions.

Table 37 shows the long-term expected real rate of return by asset class.

Table 37

Long-term Expected Real Rate of Return by Asset Class

Asset Class	Target Asset Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global Equity	59.0 %	4.80 %	5.98 %
Fixed Income	25.0	1.10	2.62
Treasury Inflation-Protected Securities	5.0	0.25	1.46
Real Estate Investment Trusts	8.0	3.50	5.00
Commodities	3.0	1.50	2.87
Total	**100.0 %**		

[1] An expected inflation rate of 2.00% used for this period.
[2] An expected inflation rate of 2.92% used for this period.

***Discount Rates*:** The blended rates used to measure the June 30, 2018 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.62% as of June 30, 2018, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 7.00% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, on the State Controller s Office website, at www.SCO.ca.gov.

Blended rates for the June 30, 2019 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 3.13% when prefunding assets are not available to pay benefits.

In June 2020, the State Controller’s Office and its contracted actuary determined that the full funding discount rate to be used in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, will be lowered from 7.00% to 6.75%. In addition, both the price inflation assumption and the wage inflation assumption will be reduced by 0.25%. Excluding other changes in assumptions impacting the net OPEB liabilities, a reduction to the discount rate would increase the net OPEB liabilities starting in the fiscal year ended June 30, 2020. The net effect of this assumption change will be amortized over the average expected remaining service lives of the plan members in the actuarial valuation.

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***Changes in Net OPEB Liability*:** Table 38 shows the changes in net OPEB liability for the OPEB plans, recognized over the measurement period.

Table 38

Changes in Net OPEB Liability
(amounts in thousands)

	Bargaining Unit 5 Plan		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at June 30, 2017	$ 4,542,103	$ 246,662	$ 4,295,441
Changes recognized for the measurement period:			
Service cost	146,042	—	146,042
Interest on total OPEB liability	195,713	—	195,713
Difference between expected and actual experiences[1]	(108,271)	—	(108,271)
Changes of assumptions	(137,150)	—	(137,150)
Employer contributions	—	137,594	(137,594)
Employee contributions	—	4,089	(4,089)
Net investment income	—	20,988	(20,988)
Benefit payments	(77,897)	(77,897)	—
Administrative expense	—	(144)	144
Net changes	18,437	84,630	(66,193)
Balance at June 30, 2018 (Measurement Date)	**$ 4,560,540**	**$ 331,292**	**$ 4,229,248**

[1] Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program – GASB No. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, and the actual pay-as-you-go contributions allocated to plans.

Bargaining Unit 6 Plan			Bargaining Unit 9 Plan		
Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability**
$ 15,211,352	$ 185,155	$ 15,026,197	$ 4,402,387	$ 38,829	$ 4,363,558
531,916	—	531,916	142,954	—	142,954
634,360	—	634,360	174,062	—	174,062
(1,186,530)	—	(1,186,530)	(334,650)	—	(334,650)
(164,236)	—	(164,236)	(200,549)	—	(200,549)
—	392,849	(392,849)	—	90,966	(90,966)
—	65,245	(65,245)	—	5,688	(5,688)
—	17,235	(17,235)	—	3,246	(3,246)
(327,604)	(327,604)	—	(85,278)	(85,278)	—
—	(128)	128	—	(22)	22
(512,094)	147,597	(659,691)	(303,461)	14,600	(318,061)
$ 14,699,258	**$ 332,752**	**$ 14,366,506**	**$ 4,098,926**	**$ 53,429**	**$ 4,045,497**

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)
(amounts in thousands)

	Bargaining Unit 12 Plan		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at June 30, 2017	$ 4,317,850	$ 10,206	$ 4,307,644
Changes recognized for the measurement period:			
Service cost	146,732	—	146,732
Interest on total OPEB liability	172,744	—	172,744
Difference between expected and actual experiences[1]	(362,455)	—	(362,455)
Changes of assumptions	(166,573)	—	(166,573)
Employer contributions	—	122,515	(122,515)
Employee contributions	—	8,280	(8,280)
Net investment income	—	1,051	(1,051)
Benefit payments	(114,235)	(114,235)	—
Administrative expense	—	(9)	9
Net changes	(323,787)	17,602	(341,389)
Balance at June 30, 2018 (Measurement Date)	**$ 3,994,063**	**$ 27,808**	**$ 3,966,255**

[1] Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program – GASB No. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, and the actual pay-as-you-go contributions allocated to plans.

[2] The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

* Restated

Other Funded Plans[2]			Unfunded Plan[2]		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
$ 12,699,917	$ 57,956 *	$ 12,641,961	$ 50,334,009	$ —	$ 50,334,009
501,028	—	501,028	2,008,794	—	2,008,794
523,258	—	523,258	1,959,522	—	1,959,522
(1,033,520)	—	(1,033,520)	(4,164,211)	—	(4,164,211)
(304,299)	—	(304,299)	(1,766,620)	—	(1,766,620)
—	321,533	(321,533)	—	1,352,652	(1,352,652)
—	32,759	(32,759)	—	—	—
—	5,578	(5,578)	—	—	—
(288,774)	(288,774)	—	(1,352,652)	(1,352,652)	—
—	(47)	47	—	—	—
(602,307)	71,049	(673,356)	(3,315,167)	—	(3,315,167)
$ 12,097,610	**$ 129,005**	**$ 11,968,605**	**$ 47,018,842**	**$ —**	**$ 47,018,842**

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Total		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at June 30, 2017	$ 91,507,618	$ 538,808	$ 90,968,810
Changes recognized for the measurement period:			
Service cost	3,477,466	—	3,477,466
Interest on total OPEB liability	3,659,659	—	3,659,659
Difference between expected and actual experiences[1]	(7,189,637)	—	(7,189,637)
Changes of assumptions	(2,739,427)	—	(2,739,427)
Employer contributions	—	2,418,109	(2,418,109)
Employee contributions	—	116,061	(116,061)
Net investment income	—	48,098	(48,098)
Benefit payments	(2,246,440)	(2,246,440)	—
Administrative expense	—	(350)	350
Net changes	(5,038,379)	335,478	(5,373,857)
Balance at June 30, 2018 (Measurement Date)	**$ 86,469,239**	**$ 874,286**	**$ 85,594,953**

Reported in governmental activities	$ 67,793,987
Reported in business-type activities	14,765,563
Reported by discretely presented component units	334,141
Not reported in government-wide Statement of Net Position[3]	2,701,262
Total net OPEB liability	**$ 85,594,953**

(concluded)

[1] Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program – GASB No. 74 and 75 Actuarial Valuation Report as of June 30, 2018,* and the actual pay-as-you-go contributions allocated to plans.

[3] Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net OPEB liability for discretely presented component units with a reporting period ended December 31, 2018; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

***Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates*:** Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 3.62% to 4.28%, as well as what the net OPEB liability would be if it were calculated using rates that are one percentage-point lower or one percentage-point higher than the blended discount rates.

Table 39

Net OPEB Liability Sensitivity to Changes in Blended Discount Rates
June 30, 2019
(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates -1%	Blended Discount Rates	Blended Discount Rates +1%
Bargaining Unit 5 Plan	4.28%	$ 5,144,023	$ 4,229,248	$ 3,519,534
Bargaining Unit 6 Plan	4.13%	17,237,517	14,366,506	12,132,067
Bargaining Unit 9 Plan	3.95%	4,768,695	4,045,497	3,466,633
Bargaining Unit 12 Plan	4.01%	4,639,054	3,966,255	3,426,534
Other Funded Plans............................	3.91% to 4.16%	14,163,917	11,968,605	10,229,910
Unfunded Plan	3.62% to 4.22%	55,150,622	47,018,842	40,507,058
Total		**$ 101,103,828**	**$ 85,594,953**	**$ 73,281,736**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*:** Table 40 shows the net OPEB liability for each plan as of the measurement date, calculated using the select and ultimate healthcare cost trend rates presented in Table 36, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the healthcare cost trend rates presented in Table 36.

Table 40

Net OPEB Liability Sensitivity to Changes in the Healthcare Cost Trend Rates
June 30, 2019
(amounts in thousands)

OPEB Plan	Healthcare Cost Trend Rates -1%	Healthcare Cost Trend Rates	Healthcare Cost Trend Rates +1%
Bargaining Unit 5 Plan..	$ 3,572,416	$ 4,229,248	$ 5,084,616
Bargaining Unit 6 Plan..	12,356,587	14,366,506	16,959,344
Bargaining Unit 9 Plan..	3,529,470	4,045,497	4,700,881
Bargaining Unit 12 Plan..	3,492,470	3,966,255	4,562,862
Other Funded Plans..	10,395,971	11,968,605	13,986,316
Unfunded Plan..	41,230,847	47,018,842	54,393,210
Total..	**$ 74,577,761**	**$ 85,594,953**	**$ 99,687,229**

***OPEB Plan Fiduciary Net Position*:** Detailed information about the OPEB plans' fiduciary net positions is available in the separate report issued by CalPERS, at www.CalPERS.ca.gov.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of $3.9 billion for the fiscal year ended June 30, 2019. Deferred inflows of resources are recognized for changes of assumptions and for the difference between expected and actual experience. Net deferred inflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on the OPEB plans' investments occurring in different measurement periods.

As of June 30, 2019, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 41.

Table 41

OPEB Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

June 30, 2019
(amounts in thousands)

Description	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan	Bargaining Unit 12 Plan
OPEB Expense	$ 211,481	$ 623,273	$ 141,453	$ 148,476
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	137,475	445,061	102,971	137,758
Difference between expected and actual experiences[1]	—	—	—	—
Changes of assumptions	—	—	—	—
Net difference between projected and actual earnings on OPEB plan investments	—	725	—	227
Deferred Inflows of Resources:				
Difference between expected and actual experiences[1]	(92,709)	(1,002,767)	(281,477)	(303,373)
Changes of assumptions	(453,727)	(1,278,117)	(482,169)	(423,061)
Net difference between projected and actual earnings on OPEB plan investments	(5,080)	(4,310)	(1,122)	(164)

[1] Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program – GASB No. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, and the actual pay-as-you-go contributions allocated to plans.

The $2.7 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020.

Other Funded Plans		Unfunded Plan		Total	
$	597,178	$	2,212,772	$	3,934,632
	366,050		1,493,023		2,682,338
	6,046		65,560		71,606
	3,784		—		3,784
	785		—		1,737
	(892,240)		(3,596,708)		(6,169,274)
	(1,183,887)		(5,276,785)		(9,097,746)
	(395)		—		(11,071)

Table 42 shows amounts for each plan reported as deferred outflows and deferred inflows of resources related to OPEB that will be recognized as OPEB expense in future years. Increases to OPEB expense are shown as positive amounts and decreases to OPEB expense are shown as negative amounts.

Table 42

Recognition of Deferred Outflows and Deferred Inflows of Resources Related to OPEB
(amounts in thousands)

	Year Ending June 30					
OPEB Plan	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Bargaining Unit 5	$ (106,096)	$ (106,096)	$ (106,096)	$ (104,604)	$ (94,853)	$ (33,771)
Bargaining Unit 6	(459,745)	(459,745)	(459,747)	(458,308)	(351,357)	(95,567)
Bargaining Unit 9	(166,664)	(166,664)	(166,666)	(154,765)	(85,038)	(24,971)
Bargaining Unit 12	(161,394)	(161,394)	(161,396)	(144,329)	(86,234)	(11,624)
Other Funded Plans	(387,835)	(387,835)	(372,518)	(349,820)	(277,663)	(290,236)
Unfunded Plan	(1,718,893)	(1,637,260)	(1,543,773)	(1,511,066)	(1,415,401)	(981,540)
Total	**$ (3,000,627)**	**$ (2,918,994)**	**$ (2,810,196)**	**$ (2,722,892)**	**$ (2,310,546)**	**$ (1,437,709)**

B. Trial Court OPEB Plans

***Plan Description*:** The 58 trial courts are reported as part of the primary government, but each trial court may utilize a separate OPEB plan, where OPEB is offered to employees, and obtain a separate actuarial valuation report for GASB Statement No. 75 reporting purposes. One trial court (Los Angeles) participates in an agent multiple-employer defined benefit OPEB plan, three trial courts (Alameda, Orange, and San Diego) participate in county administered cost-sharing multiple-employer defined benefit OPEB plans, and forty-nine trial courts participate in single-employer defined benefit OPEB plans. Five trial courts (Fresno, Mendocino, Modoc, San Benito, and Stanislaus) do not have an OPEB plan.

***Benefits Provided, Contributions, and Employees Covered by Benefit Terms*:** To obtain information on eligibility terms, benefits provided, contributions, and actuarial assumptions from individual trial court OPEB actuarial valuation reports, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

***Net OPEB Liability Actuarial Methods and Assumptions*:** For two of the trial court valuations, the net OPEB liability was measured as of December 31, 2018 (measurement date), and the remaining 51 valuations had a measurement date of June 30, 2018. One of the courts had an actuarial valuation date of December 31, 2018, another had an actuarial valuation date of June 30, 2018, and 51 courts were valued as of June 30, 2017.

Table 43 shows selected actuarial assumptions for the trial court OPEB plans, by plan type.

Table 43

Actuarial Methods and Assumptions – Trial Court OPEB Plans

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plan	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2017	June 30, 2017	One plan as of June 30, 2017. One plan as of June 30, 2018. One plan as of December 31, 2018.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 3.62% to 7.28%.	Blended rate of 3.70%.	Single rates ranging from 7.00% to 7.25%.
Healthcare cost trend rates	Initial rate of 6.90% in 2019, gradually decreasing to an ultimate rate of 4.40% over 57 years per the Society of Actuaries Getzen model.	Initial rate of 6.90% in 2019, gradually decreasing to an ultimate rate of 4.40% over 57 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.25% to 7.50%, decreasing gradually to ultimate rates ranging from 4.00% to 4.50% in 2028 and later years.

***Discount Rates*:** The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2018 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.62% as of June 30, 2018, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.95% to 7.28% when prefunding assets are available to pay benefits. Single rates range from 4.95% to 7.28%. The projections of cash flows used to determine the discount rates assumed that plan contributions will be made according to funding policy, benefits will be paid out of OPEB trusts until assets are depleted, and employer contributions will first be applied to employee service costs in each period.

***OPEB Accounting Elements*:** For the trial court OPEB plans, the State reported total OPEB liability of $1.9 billion and fiduciary net position of $213 million, which resulted in a net OPEB liability of $1.6 billion as of June 30, 2019, reported in governmental activities. For the fiscal year ended June 30, 2019, the State recognized OPEB expense of $96 million. At June 30, 2019, the State reported deferred outflows of resources of $70 million and deferred inflows of resources of $188 million. Deferred outflows of resources included $64 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020.

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

The primary government has two commercial paper borrowing programs: a general obligation commercial paper program and an enterprise fund commercial paper program for the Department of Water Resources. Commercial paper (new issuance or rollover notes that replace maturing new issuances) may be issued at the prevailing market rate, not to exceed 11% for the general obligation and 12% for the Department of Water Resources enterprise fund program, for periods not to exceed 270 days from the date of issuance. The proceeds from the initial issuance of commercial paper are used for voter-approved projects of the general obligation bond program and certain state water projects. For both commercial paper borrowing programs, the commercial paper is retired by the issuance of long-term debt, so commercial paper is considered a noncurrent liability.

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks, which total the maximum authorized issuance of general obligation and enterprise fund commercial paper notes. As of June 30, 2019, there were no borrowings with the banks under the revolving credit agreements. The current "Letter of Credit" agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $2.3 billion. As of June 30, 2019, the general obligation commercial paper program had $1.0 billion in outstanding commercial paper notes for governmental activities. The current agreements for the enterprise fund commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $1.4 billion. As of June 30, 2019, the enterprise fund commercial paper program had $690 million in outstanding notes.

The primary government has a bond anticipation note program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2019, $110 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

The University of California, a discretely presented component unit, has a commercial paper program and other uncollateralized borrowings. Additional disclosures for the University's commercial paper and other long-term borrowings are included in the University's separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2019, was approximately $2.1 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the fiscal year ended June 30, 2019, amounted to approximately $269 million for governmental activities and $35 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is $750 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University, an enterprise fund, and the State Public Works Board (SPWB), an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of $149 million, which are included in the capital lease commitments. This amount represents 19.9% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of $254 million for governmental activities and $177 million for business-type activities.

The capital lease commitments do not include $8.0 billion in lease-purchase agreements with the SPWB and $73 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

The University of California, a discretely presented component unit, leases land, buildings, and equipment under agreements recorded as operating leases. Additional disclosure for the University's lease obligations is included in its separately issued financial statements that may be found on its website at www.ucop.edu.

Table 44 summarizes future minimum lease commitments of the primary government.

Table 44

Schedule of Future Minimum Lease Commitments – Primary Government
(amounts in thousands)

	Governmental Activities		Business-type Activities		
Year Ending June 30	**Operating Leases**	**Capital Leases**	**Operating Leases**	**Capital Leases**	**Total**
2020	$ 248,065	$ 98,880	$ 40,388	$ 37,303	$ 424,636
2021	184,421	82,557	31,053	35,970	334,001
2022	132,436	62,063	26,910	34,606	256,015
2023	93,258	45,202	15,996	33,462	187,918
2024	49,561	22,985	13,598	32,500	118,644
2025-2029	109,808	88,813	47,589	141,958	388,168
2030-2034	52,957	80,406	14,234	126,095	273,692
2035-2039	1,124	52,641	3,579	39,648	96,992
2040-2044	556	6,897	1,885	4,775	14,113
2045-2049	107	—	1,465	—	1,572
2050-2054	107	—	—	—	107
2055-2059	76	—	—	—	76
2060-2064	5	—	—	—	5
Total minimum lease payments	**$ 872,481**	**540,444**	**$ 196,697**	**486,317**	**$ 2,095,939**
Less: amount representing interest		105,568		170,995	
Present value of net minimum lease payments		**434,876**		**315,322**	
Less: current portion		71,747		20,108	
Capital lease obligation, net of current portion		**$ 363,129**		**$ 295,214**	

NOTE 14: COMMITMENTS

As of June 30, 2019, the primary government had commitments of $7.5 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with $6.5 billion from proceeds of approved federal grants and $1.0 billion from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of $773 million for various education programs, $518 million for terrorism prevention and disaster-preparedness response projects, $354 million for services under the workforce development program, $234 million for services provided under various public health programs, $36 million for community service programs, $25 million for services provided under the child support program, $9 million for environmental regulatory oversight activities, and $3 million for services provided under the welfare program.

The primary government had other commitments, totaling $14.2 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The $14.2 billion in commitments includes grant agreements totaling approximately $8.5 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The $14.2 billion in commitments includes $2.3 billion for undisbursed loan commitments to qualified agencies for clean water projects and $318 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The $14.2 billion in commitments also includes contracts of $1.0 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of $1.0 billion for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2019, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $15 million in electricity through December 2020. The primary government also had commitments of $31 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of $1.1 billion for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2019, the primary government encumbered expenditures of $2.9 billion for the General Fund, $4.0 billion for the Transportation Fund, $1.8 billion for the Environmental and Natural Resources Fund, $19 million for the Health Care Related Programs Fund, and $900 million for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2019, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds vote of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education; the General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service that it provides on their behalf. General obligation bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included as a liability of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such enterprise funds.

As of June 30, 2019, the State had $72.7 billion in outstanding general obligation bonds related to governmental activities and $841 million related to business-type activities. In addition, $36.6 billion in long-term general obligation bonds had been authorized but not issued, of which $35.5 billion is related to governmental activities and $1.1 billion is related to business-type activities. The total amount authorized but not issued includes $12.8 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, $1.0 billion in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2019, the State had $3.0 billion in variable-rate general obligation bonds outstanding, consisting of $902 million in daily-rate bonds with credit enhancement, $1.1 billion in weekly-rate bonds with credit enhancement, and $1.0 billion in weekly- or monthly- index floating rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced index floating rate bonds are determined either by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate or a predetermined percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds. The State has entered into different credit agreements with various banks (credit providers) for one or more series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments to the bondholders up to a commitment amount identified in the applicable credit agreement; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the applicable commitment amount. The bondholders have the right to tender the bonds daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. Upon a tender, the remarketing agent will attempt to remarket the tendered bond to a new investor. If the remarketing of the tendered bond is unsuccessful, the bond will be purchased by the applicable credit provider and become a bank bond and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed, redeemed, or paid at maturity. If a bond cannot be remarketed and remains a bank bond for a period ranging from 45 days to 180 days, the bond will be subject to amortization payments in equal installments under the terms stated in the applicable credit agreement. The amortization period may exceed the expiration date of the applicable credit agreement. A bank bond may be remarketed at any time during the amortization period. There were no bank bonds during fiscal year 2018-19.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of January 15, 2021; September 7, 2021; March 25, 2022; August 26, 2022; and August 28, 2023. The letters of credit for the

Series 2004 variable-rate bonds have expiration dates of September 7, 2021; October 1, 2021; and January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of November 4, 2019; November 15, 2019; May 1, 2020; March 26, 2021; and September 22, 2023. The Series 2012A index floating rate bonds have a mandatory redemption date on May 1, 2021. The Series 2012B index floating rate bonds have fixed maturities on May 1, 2020. The Series 2013B, 2013C, 2013D, and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 1, 2020 (Series 2013C and Series 2013D); December 1, 2022 (Series 2013B); and December 1, 2023 (Series 2013E). The Series 2016B and 2017C index floating rate bonds have scheduled mandatory purchase dates on December 1, 2021 (Series 2016B) and April 1, 2022 (Series 2017C).

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for fiscal year 2018-19.

B. Mandatory Tender Bonds

As of June 30, 2019, the State had $1.7 billion in outstanding general obligation bonds with scheduled mandatory tender dates, including $750 million with a fixed interest rate and $925 million with an index floating rate (discussed in Section A). On their respective scheduled mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption or remarketed on or prior to that day. These bonds have scheduled mandatory tender dates on December 2, 2019; April 1, 2020; December 1, 2020; December 1, 2021; April 1, 2022; December 1, 2022; and December 1, 2023. In the event bonds are not redeemed or there is an unsuccessful remarketing of all the outstanding bonds for a particular scheduled mandatory tender date, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, in most cases gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Bonds in this delayed remarketing period can be redeemed or remarketed on any business day, with limited prior notice. Current state laws limit interest rates to 11% per annum.

C. Build America Bonds

As of June 30, 2019, the State had $13.5 billion in taxable various-purpose general obligation bonds outstanding that were issued as “Build America Bonds” under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds will mature between 2020 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the U. S. Treasury equal to 35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 6.6% for the federal fiscal year ending September 30, 2018, and by 6.2% for the federal fiscal year ending September 30, 2019. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the U. S. Treasury under ARRA. The subsidy payments are deposited into the State’s General Fund.

D. Debt Service Requirements

Table 45 shows the debt service requirements for all general obligation bonds as of June 30, 2019. The estimated debt service requirements for the $3.0 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2019. For mandatory tender bonds, the debt service requirements shown in Table 45 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts include scheduled mandatory sinking fund redemptions but do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 45

Schedule of Debt Service Requirements for General Obligation Bonds
(amounts in thousands)

	Governmental Activities			Business-type Activities		
Year Ending June 30	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2020	$ 3,368,325	$ 3,652,126	$ 7,020,451	$ 43,165	$ 28,330	$ 71,495
2021	3,389,550	3,509,288	6,898,838	34,835	26,639	61,474
2022	3,419,230	3,354,940	6,774,170	19,235	25,827	45,062
2023	3,001,850	3,196,782	6,198,632	15,720	25,384	41,104
2024	2,952,420	3,063,496	6,015,916	8,235	25,110	33,345
2025 - 2029	15,390,365	13,310,231	28,700,596	91,760	120,483	212,243
2030 - 2034	15,372,190	9,845,976	25,218,166	213,615	93,792	307,407
2035 - 2039	15,275,520	5,714,354	20,989,874	163,935	59,862	223,797
2040 - 2044	7,779,010	1,578,687	9,357,697	138,605	33,150	171,755
2045 - 2049	2,702,965	296,179	2,999,144	109,760	9,205	118,965
2050	—	—	—	2,390	48	2,438
Total	**$ 72,651,425**	**$ 47,522,059**	**$ 120,173,484**	**$ 841,255**	**$ 447,830**	**$ 1,289,085**

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 18, 2018, the primary government issued $881 million in general obligation bonds to current refund $1.0 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2020 to 2031, 2034, and 2037 to 2038. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $253 million and resulted in an economic gain of $205 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.46% per year over the life of the new bonds.

On March 14, 2019, the primary government issued $2.0 billion in general obligation bonds to current refund $2.3 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2020, 2030 to 2033, and 2035 to 2038. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $1.0 billion and resulted in an economic gain of $739 million.

The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.63% per year over the life of the new bonds.

On April 18, 2019, the primary government issued $1.6 billion in general obligation bonds to current refund $1.9 billion in outstanding general obligation bonds with principal redemptions scheduled in 2020 to 2029. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $404 million and resulted in an economic gain of $363 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.12% per year over the life of the new bonds.

2. Outstanding Balance

In the current and prior years, the primary government placed the proceeds of the refunding bonds and other resources in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and liability for defeased bonds are not included in the State's financial statements. As of June 30, 2019, the outstanding balance of defeased general obligation bonds was approximately $1.5 billion.

NOTE 16: REVENUE BONDS

A. Governmental Activities

The State Treasurer is authorized by state law to issue Federal Highway Grant Anticipation Revenue Vehicles (GARVEE bonds). The purpose of these bonds is to accelerate the funding and construction of critical transportation infrastructure projects to provide congestion relief benefits to the public significantly sooner than with traditional funding mechanisms. These bonds are secured and payable from the annual federal appropriation for the State's federal-aid transportation projects. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $11 million, payable through 2020. In addition, the California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. Both of these bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. Total principal and interest remaining on all asset-backed bonds is $14.0 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled $1.2 billion, while Tobacco Settlement Revenue and interest earned totaled

$446 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of designing, acquiring, or constructing state buildings, related improvements, and equipment. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $12.5 billion, payable through 2044. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

For the specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

B. Business-type Activities

Revenue bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included in the accounts of such funds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds of agencies that issued the bonds. The General Fund has no legal liability for payment of principal and interest on revenue bonds. For specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

Revenue bonds to acquire, construct, or renovate state facilities or to refund outstanding revenue bonds in advance of maturity are issued for water resources, financing of electric power purchases for resale to utility customers, state university campuses, and certain nonmajor enterprise funds.

Revenue bonds related to two enterprise funds contain provisions that define events of default related to punctuality of the payment of the outstanding principal and interest, which could result in acceleration of debt payments.

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2018-19, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for fiscal year 2018-19, which may be found on its website at www.CalHFA.ca.gov.

Table 46 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 46

Schedule of Revenue Bonds Payable
June 30, 2019
(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	$ 13,082
Public Buildings Construction Fund	9,015,944
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,572,733
Building authorities	109,901
Total governmental activities	**15,711,660**
Business-type activities	
Electric Power Fund	2,543,000
Water Resources Fund	3,222,577
California State University	6,831,764
Nonmajor enterprise funds	1,924,119
Total business-type activities	**14,521,460**
Total primary government	**30,233,120**
Discretely presented component units	
University of California	23,020,473
California Housing Finance Agency	1,181,933
Nonmajor component units	458,151
Total discretely presented component units	**24,660,557**
Total revenue bonds payable	**$ 54,893,677**

Table 47 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 46.

Table 47

Schedule of Debt Service Requirements for Revenue Bonds
(amounts in thousands)

	Primary Government				Discretely Presented Component Units	
	Governmental Activities		Business-type Activities			
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest *
2020	$ 680,891	$ 685,380	$ 1,178,118	$ 596,432	$ 744,855	$ 1,045,973
2021	645,521	653,960	1,233,725	540,249	762,960	1,030,079
2022	625,186	623,527	1,327,545	485,908	526,595	1,003,499
2023	505,401	594,198	484,010	429,048	579,575	979,598
2024	575,811	584,971	491,790	405,125	590,720	955,099
2025-2029	3,192,928	2,527,817	2,438,840	1,677,535	3,929,595	4,289,802
2030-2034	3,311,655	1,678,848	2,334,770	1,099,388	4,270,010	3,351,318
2035-2039	2,414,035	976,178	1,685,255	615,823	3,940,245	2,411,607
2040-2044	1,534,490	623,359	1,042,460	323,617	3,545,253	1,452,261
2045-2049	1,354,332	2,730,267	779,220	107,355	2,408,700	721,469
2050-2054	—	—	173,045	8,578	371,335	393,953
2055-2116	—	—	—	—	1,455,080	3,889,474
Total	**$ 14,840,250**	**$ 11,678,505**	**$ 13,168,778**	**$ 6,289,058**	**$ 23,124,923**	**$ 21,524,132**

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2019.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

In August 2018, the GSTSC issued $711 million in Tobacco Settlement Asset-Backed bonds. The bond proceeds were used to current refund $694 million in outstanding Tobacco Settlement Asset-Backed bonds with maturities in June of 2047. The refunding decreased debt service payments by $151 million and resulted in an economic gain of $3 million.

2. Current Year – Business-type Activities

In August 2018, the California State University issued $10 million in systemwide revenue bonds to current refund certain outstanding systemwide revenue bonds. Portions of the proceeds from the refunding bonds were deposited in escrow accounts to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by $2 million and resulted in an economic gain of $2 million.

In October 2018, the Department of Water Resources issued $215 million of tax-exempt water system revenue bonds to pay off or refund certain outstanding debt obligations. A portion of the revenue bond proceeds, along with additional resources, was deposited in an escrow account to refund $109 million of outstanding water system revenue bonds, and to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by $3 million and resulted in an economic gain of $2 million.

3. Outstanding Balances

In current and prior fiscal years, the primary government placed the proceeds of the refunding bonds and other resources in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2019, the outstanding balances of defeased revenue bonds were $875 million for governmental activities and $819 million for business-type activities.

NOTE 17: RISK MANAGEMENT

The primary government has elected, with a few exceptions, to be self-insured against loss or liability. The primary government generally does not maintain reserves. Losses are covered by appropriations from each fund responsible for payment in the year in which the payment occurs. The State is permissively self-insured and, barring any extraordinary catastrophic event, the potential amount of loss faced by the State is not considered material in relation to the primary government's financial position. Generally, the exceptions are when a bond resolution or a contract requires the primary government to purchase commercial insurance for coverage against property loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, no insurance settlement in the last three years has exceeded insurance coverage. All claim payments are on a "pay-as-you-go" basis, with workers' compensation benefits for self-insured agencies initially being paid by the State Compensation Insurance Fund.

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be $4.4 billion as of June 30, 2019. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately $6.2 billion is discounted to $4.4 billion using a 3.5% interest rate. Of the total discounted liability, $473 million is a current liability, of which $330 million is included in the General Fund, $140 million in the special revenue funds, and $3 million in the internal service funds. The remaining $3.9 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

The University of California, a discretely presented component unit, is self-insured or insured through a wholly-owned captive insurance company. Additional disclosures for the University's risk management and self-insurance claims liability is included in its separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

Table 48 shows the changes in the self-insurance claims liability for the primary government.

Table 48

Schedule of Changes in Self-insurance Claims
Year Ended June 30
(amounts in thousands)

	2019	2018
Unpaid claims, beginning	$ 4,307,537	$ 4,041,294
Incurred claims	641,653	731,749
Claim payments	(512,470)	(465,506)
Unpaid claims, ending	**$ 4,436,720**	**$ 4,307,537**

NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Short-term interfund receivables and payables result from the time lag between the dates on which goods and services are delivered and the dates on which payments between entities are made. In addition, the majority of the fiduciary funds' amount due from the General Fund, the Federal Trust Fund, and the Health Care Related Programs Fund is to pay for Medi-Cal and other health-care related expenditures accrued in the Health Care Deposit Fund.

Table 49 shows the amounts due from and due to other funds.

Table 49

Schedule of Due From Other Funds and Due To Other Funds
June 30, 2019
(amounts in thousands)

Due From	Due To: General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds	Electric Power Fund
Governmental funds						
General Fund	$ —	$ 307,053	$ 215,461	$ —	$ 200,727	$ —
Federal Fund	1,262,724	1,244,144	73,347	49,913	29,543	—
Transportation Fund	—	—	—	—	330,800	—
Environmental and Natural Resources Fund	—	54,415	—	—	25	—
Health Care Related Programs Fund	1,403,708	—	7	—	10,888	—
Nonmajor governmental funds	361,001	24,205	37,231	5,416	38,464	—
Total governmental funds	**3,027,433**	**1,629,817**	**326,046**	**55,329**	**610,447**	**—**
Enterprise funds						
Electric Power Fund	55	—	—	—	—	—
Water Resources Fund	1,535	—	—	—	—	—
State Lottery Fund	—	—	—	—	441,283	—
Unemployment Programs Fund	71,513	—	—	—	—	—
California State University Fund	3,425	—	—	—	—	—
Nonmajor enterprise funds	4,589	606	16,102	—	1,498	—
Total enterprise funds	**81,117**	**606**	**16,102**	**—**	**442,781**	**—**
Internal service funds	17,938	45,193	57,852	5,377	44,505	7,720
Total due from other funds	**$ 3,126,488**	**$ 1,675,616**	**$ 400,000**	**$ 60,706**	**$ 1,097,733**	**$ 7,720**

Due To							
Water Resources Fund	**State Lottery Fund**	**Unemployment Programs Fund**	**California State University Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total Due To Other Funds**
$ —	$ 975	$ —	$ 342	$ 809	$ 271,045	$ 5,124,089	$ 6,120,501
—	—	3,456	—	19,960	61,218	20,444,923	23,189,228
—	—	—	—	—	19,606	67,202	417,608
—	—	—	—	2,007	15,506	—	71,953
—	—	—	—	—	169	4,736,764	6,151,536
—	—	—	10,786	100	71,778	28,673	577,654
—	**975**	**3,456**	**11,128**	**22,876**	**439,322**	**30,401,651**	**36,528,480**
—	—	—	—	—	183	—	238
—	—	—	—	—	50,821	—	52,356
—	—	—	—	—	—	—	441,283
—	—	—	—	—	—	—	71,513
—	—	—	—	—	18,441	—	21,866
—	—	—	—	—	3	36	22,834
—	**—**	**—**	**—**	**—**	**69,448**	**36**	**610,090**
1,582	3,358	18,753	49	9,382	99,421	17,523	**328,653**
$ 1,582	**$ 4,333**	**$ 22,209**	**$ 11,177**	**$ 32,258**	**$ 608,191**	**$ 30,419,210**	**$ 37,467,223**

Interfund receivables and payables are the result of interfund loans that are not expected to be repaid within one year. In addition to the temporary interfund cash-flow borrowing shown in Table 49, annual enacted budgets provide for long-term loans from many of the State's special funds—mainly the Transportation Fund, the Environmental and Natural Resources Fund, and nonmajor governmental funds—to the General Fund. The $1.2 billion in Transportation Fund loans payable from the General Fund also includes $236 million in deferred Proposition 42 transfers for traffic congestion relief.

In fiscal year 2017-18, a supplemental employer contribution was made to the California Public Employees' Retirement System (CalPERS) to help reduce the State's net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits in the State's internal investment pool—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits. The table below includes an outstanding balance of $3.5 billion of interfund loans. There is an additional $204 million reported as loans receivable from entities outside of the State's primary government.

Table 50 shows the primary government's interfund receivables and payables.

Table 50

Schedule of Interfund Receivables and Payables
June 30, 2019
(amounts in thousands)

	Interfund Payables			
Interfund Receivables	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Health Care Related Programs Fund**
Governmental funds				
General Fund	$ —	$ 1,231,260	$ 1,590,994	$ 216,643
Transportation Fund	—	—	244,499	39,063
Environmental and Natural Resources Fund	158,474	10,000	—	—
Nonmajor governmental funds	68,687	1,448	397	63
Total governmental funds	**227,161**	**1,242,708**	**1,835,890**	**255,769**
Enterprise funds				
Electric Power Fund	—	—	303	49
Water Resources Fund	—	—	28,723	4,589
State Lottery Fund	—	—	6,487	1,037
California State University Fund	—	—	66,681	10,653
Nonmajor enterprise funds	20,150	—	924	148
Total enterprise funds	20,150	—	103,118	16,476
Internal service funds	926,359		35,633	5,693
Total interfund receivables	**$ 1,173,670**	**$ 1,242,708**	**$ 1,974,641**	**$ 277,938**

Interfund Payables

	Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
	$ 886,700	$ —	$ 706,206	$ 9,696	$ 17,531	$ 155,163	$ 4,814,193
	110,775	—	85,144	1,748	937	27,977	510,143
	7,406	—	—	—	2,689	—	178,569
	147	—	138	3	—	46	70,929
	1,005,028	**—**	**791,488**	**11,447**	**21,157**	**183,186**	**5,573,834**
	113	—	105	2	—	35	607
	10,664	—	10,002	205	—	3,287	57,470
	2,408	—	2,259	46	—	742	12,979
	24,757	—	23,221	477	—	7,630	133,419
	342	—	322	7	—	106	21,999
	38,284	—	35,909	737	—	11,800	226,474
	13,230	96,048	12,409	255	17,379	4,077	1,111,083
	$ 1,056,542	**$ 96,048**	**$ 839,806**	**$ 12,439**	**$ 38,536**	**$ 199,063**	**$ 6,911,391**

The amounts shown as due from primary government and due to component units represent short-term receivables and payables between the primary government and component units resulting from the time lag between the dates on which goods and services are provided and received and the dates on which payments between entities are made.

Table 51 shows the amounts due from the primary government and due to component units.

Table 51

Schedule of Due From Primary Government and Due To Component Units
June 30, 2019
(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	$ 163,305
Transportation Fund	5,958
Environmental and Natural Resources Fund	2,500
Nonmajor governmental funds	50,290
Total governmental funds	**222,053**
Total due from primary government	**$ 222,053**

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was $3.9 billion to the California State University, an enterprise fund. The General Fund also transferred $1.6 billion to nonmajor governmental funds, mainly for support of trial courts and local governments. The Transportation Fund transferred $1.5 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred $485 million to the General Fund for administration of the Unemployment Insurance Program.

Table 52 shows interfund transfers of the primary government.

Table 52

Schedule of Interfund Transfers
June 30, 2019
(amounts in thousands)

	Transferred To		
Transferred From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**
Governmental funds			
General Fund	$ —	$ —	$ 119,547
Federal Fund	484,715	—	8,386
Transportation Fund	89,381	—	10,520
Environmental and Natural Resources Fund	50,594	1,405	—
Nonmajor governmental funds	53,683	14	26,792
Total governmental funds	**678,373**	**1,419**	**165,245**
Nonmajor enterprise funds	3,250	—	—
Internal service funds	15,588	—	—
Total transfers from other funds	**$ 697,211**	**$ 1,419**	**$ 165,245**

Transferred To					
Health Care Related Programs Fund	Nonmajor Governmental Funds	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Transfers To Other Funds
$ 168,288	$ 1,647,978	$ 3,934,300	$ 1,750	$ —	$ 5,871,863
—	7,502	—	—	—	500,603
—	1,536,119	—	—	—	1,636,020
—	12,630	—	—	—	64,629
6,996	135,275	—	—	2,220	224,980
175,284	**3,339,504**	**3,934,300**	1,750	**2,220**	**8,298,095**
—	1,894	—	—	—	5,144
—	33,693	—	—	—	49,281
$ 175,284	**$ 3,375,091**	**$ 3,934,300**	**$ 1,750**	**$ 2,220**	**$ 8,352,520**

NOTE 19: FUND BALANCES, NET POSITION DEFICITS, AND ENDOWMENTS

A. Fund Balances

Table 53 shows the composition of the governmental fund balances.

Table 53

Schedule of Fund Balances by Function
June 30, 2019
(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds
Nonspendable						
Long-term interfund receivables	$ 1,173,670	$ —	$ —	$ —	$ —	$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	12,760
Total nonspendable	**1,180,575**	**—**	**—**	**—**	**—**	**12,760**
Restricted						
General government	14,846	—	—	1,922	1	3,951,852
Education	178,111	404	1,384	—	95,455	573,142
Health and human services	200,399	257	—	89,148	960,387	2,174,801
Natural resources and environmental protection	4,367	1,574	—	5,029,044	—	199,176
Business, consumer services, and housing	2,377	220,953	221,241	24,364	—	3,749,867
Transportation	—	—	9,026,391	—	—	7,091
Corrections and rehabilitation	76,075	—	—	—	—	655
Budget stabilization	14,358,422	—	—	—	—	—
Total restricted	**14,834,597**	**223,188**	**9,249,016**	**5,144,478**	**1,055,843**	**10,656,584**
Committed						
General government	769,283	—	—	17,387	—	351,846
Education	101,502	—	—	—	—	61,863
Health and human services	904,437	—	431	—	79,939	250,716
Natural resources and environmental protection	4,604	—	3	8,389,105	—	579,486
Business, consumer services, and housing	—	—	—	72,693	—	135,970
Transportation	—	—	50,044	—	—	5,164
Corrections and rehabilitation	7,316	—	—	—	—	331
Total committed	**1,787,142**	**—**	**50,478**	**8,479,185**	**79,939**	**1,385,376**
Assigned – general government	—	—	—	—	—	19,247
Unassigned	765,568	—	—	—	—	—
Total fund balances	**$ 18,567,882**	**$ 223,188**	**$ 9,299,494**	**$ 13,623,663**	**$ 1,135,782**	**$ 12,073,967**

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54

Schedule of Net Position Deficits
June 30, 2019
(amounts in thousands)

	Internal Service Funds	Enterprise Funds
Architecture Revolving Fund	$ 119,905	$ —
Service Revolving Fund	1,149,798	—
Prison Industries Fund	32,216	—
Technology Services Revolving Fund	460,918	—
Water Resources Revolving Fund	3,339	—
Other Internal Service Programs Fund	950,154	—
State Lottery Fund	—	151,716
California State University Fund	—	16,732,827
Total net position deficits	**$ 2,716,330**	**$ 16,884,543**

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2019, the value of restricted endowments and gifts totaled $19.0 billion, and unrestricted endowments and gifts totaled $5.7 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to $2.7 billion at June 30, 2019. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of $1.4 billion and $13 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $6.7 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 55 shows the detail of the deferred outflows of resources and deferred inflows of resources reported in the government-wide Statement of Net Position. For descriptions of the deferred outflows and deferred inflows of resources transactions, see Note 1.L.

Table 55

Schedule of Deferred Outflows and Deferred Inflows of Resources
June 30, 2019
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred outflows of resources:				
Loss on refunding of debt	$ 913,116	$ 291,756	$ 1,204,872	$ 323,705
Decrease in fair value of hedging derivatives	—	—	—	130,328
Net pension liability	21,628,966	2,255,009	23,883,975	6,378,719
Net other postemployment benefits liability	2,322,641	454,103	2,776,744	3,928,129
Deferred asset retirement obligation	—	—	—	73,996
Total deferred outflows of resources	**$ 24,864,723**	**$ 3,000,868**	**$ 27,865,591**	**$ 10,834,877**
Deferred inflows of resources:				
Gain on refunding of debt	$ 389,648	$ —	$ 389,648	$ 3,167
Service concession arrangements	55,014	—	55,014	248,002
Irrevocable split-interest agreements	—	—	—	352,483
Net pension liability	5,021,701	369,544	5,391,245	178,033
Net other postemployment benefits liability	12,001,684	3,000,361	15,002,045	5,939,846
Other deferred inflows	—	1,217,582	1,217,582	458,111
Total deferred inflows of resources	**$ 17,468,047**	**$ 4,587,487**	**$ 22,055,534**	**$ 7,179,642**

NOTE 21: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2019, the CalHFA had $1.1 billion of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2019, these component units had approximately $4.2 billion of debt outstanding, which is not debt of the State.

NOTE 22: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2019; those in progress as of June 30, 2019, and settled or decided against the primary government as of October 23, 2020; and those having a high probability of resulting in a decision against the primary government as of October 23, 2020, and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

In addition, the primary government is involved in certain other legal proceedings that, if decided against the primary government, may impair its revenue sources or require it to make significant expenditures. Because of the prospective nature of these proceedings, no provision for the potential liability has been made in the financial statements.

Following are descriptions of the more significant lawsuits pending against the primary government:

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA-Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs assert class action and declaratory relief, and seek attorney fees based on alleged violations of the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. On January 30, 2013, Franchise Tax Board's Petition to Coordinate these cases was granted. The trial court denied class certification and the plaintiffs appealed. On December 17, 2014, the briefing of the appeal was completed. On August 27, 2018, the Court of Appeal reversed the trial court decision, directing the trial court to certify one or more classes. The State filed a petition for review in the California Supreme Court challenging the Court of Appeal's decision. On October 31, 2018, the California Supreme Court denied the State's petition for review. The plaintiffs' underlying challenge to the LLC fee will be tried. On July 2, 2019, the plaintiffs filed a motion for an award of interim attorneys' fees, which was denied. The plaintiffs filed a motion for class certification, which was granted. The parties filed cross-motions for summary judgment, which were denied on September 17, 2020. A trial date is set for February 5, 2021. Actual and expected future claims for refunds from LLCs are estimated to be as high as $1.2 billion.

In a previously settled case, *Northwest Energetic Services, LLC v. Franchise Tax Board*, the Court of Appeal found the fee unconstitutional only as applied to the plaintiff. In another previously settled case, *Ventas Finance I, LLC v. Franchise Tax Board*, the Court of Appeal also ruled that the fee was unconstitutional as applied to the plaintiff, but it awarded only a partial refund because Ventas received income from both inside and outside of California. *Bakersfield Mall, LLC v. Franchise Tax Board* raises the same constitutional issues as Northwest and Ventas, but initially pertained to LLCs that conduct business solely within California. Bakersfield Mall, LLC later amended its complaint to reflect the fact that not all of its income is derived within the State, making it similar to the Ventas case. *CA-Centerside II, LLC v. Franchise Tax Board* raises the same constitutional issues as the Bakersfield case, and alleges that the LLC fee is unconstitutional regarding any activities, whether in-state or out-of-state.

A writ petition, *Bekkerman et al. v. California Department of Tax and Fee Administration (formerly the California Board of Equalization)*, was filed against the primary government challenging the validity of a California Department of Tax and Fee Administration (CDTFA) sales tax regulation (California Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone to be based on the full retail price of the phone, rather than any discounted price that is contingent on a service plan contract. A companion class action has been filed. The primary government filed a demurrer that was sustained on September 5, 2017, which resulted in the dismissal of the state defendants from the class action. The plaintiffs appealed that order and subsequently dismissed that appeal voluntarily. In the writ action, plaintiffs amended the writ petition to add class action claims for refunds of sales tax. On September 14, 2018, the court granted the State's motion to strike the class action claims for refunds from the writ petition. CDTFA filed an answer to the amended petition on September 20, 2018 and is conducting discovery. In the writ action, the Court granted the writ on September 4, 2020, and ordered that Rule 1585 may not be applied to bundled sales in which the retailer is also the service carrier. The State expects to appeal. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring CDTFA to refund up to $1.0 billion in sales tax collections.

The primary government is a defendant in a case, *Coast Community College District (District), et al. v. Commission on State Mandates (Commission)*, regarding a claim that various laws and regulations prescribing standards for the formation and basic operation of California community colleges created reimbursable state mandates under Government Code section 17514 and article XII B, section 6, of the California Constitution. The District filed a test claim before the Commission and on May 26, 2011. The Commission ruled that the test claim did not constitute a reimbursable state-mandated program. On May 22, 2014, the District filed a petition for administrative mandate, seeking review of the Commission's decision. On June 12, 2015, the Superior Court held a hearing and denied the petition. On September 15, 2015, the District filed a notice of appeal. In February 2017, the briefing of the appeal was completed. On April 3, 2020, the Court of Appeal reversed and remanded much of the matter to the Commission on State Mandates to determine whether several minimum conditions for state aid constitute new programs or higher levels of service requiring state reimbursement. The Supreme Court granted review and depublished the Court of Appeal's opinion on August 12, 2020. Currently, merits briefing is underway. The estimated range of loss is not possible to ascertain at this time. As this case is a test claim, other districts could also bring claims for reimbursement for the same reason.

The primary government is a defendant in two similar cases: *Atkins v. State of California* and *Reyes v. State of California,* alleging that Senate Bill (SB) 98 and SB 820 unfairly restrict new enrollment at charter schools by requiring schools to be funded according to their average daily attendance during the 2019-20 fiscal year, and by requiring charter schools to offer 175 days of instruction compared to 180 days for public schools. The plaintiffs allege the bills violate various provisions of the California Constitution, including students' rights to education, equal protection, and due process. SB 98 was amended by SB 820, and the amended law provides that fiscal year 2020-21 budgets be used to determine fiscal year 2020-21 funding for the plaintiffs' schools instead of the 2019-20 average daily attendance. The plaintiff for the *Atkins v. State of California* case amended the complaint and filed the amended complaint on October 9, 2020. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *People of the State of California (Butte County D.A.) v. Department of Water Resources*, regarding the claims that the debris deposited into the Feather River due to the failure of the Oroville Dam spillway in 2017 was harmful to fish and wildlife. This case is one of eight coordinated cases concerning the Oroville Dam spillway failure. A motion for summary judgment is set for hearing on November 20, 2020, and a motion to intervene by the state water contractors is set for hearing on December 4, 2020. An inverse condemnation hearing is set for April 5, 2021, followed by the bench trial of the matter, which is estimated to occur around June 2021. The Butte County District Attorney seeks to impose up to $51.0 billion in civil penalties for alleged pollution that violates Fish and Game Code section 5650.

The primary government is a defendant in seven other coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs are seeking relief for business losses, property damage (personal and real property), evacuation and relocation costs, and other damages, resulting from the flooding and debris. Class certification motions were filed seeking to certify putative classes, and an opposition was filed. On May 17, 2019, a hearing on the class certification motions was held. On September 25, 2019, the class certification motion was denied and was appealed. A merits discovery trial was set for October 1, 2020. Class certification discovery has been completed and liability discovery closes on October 30, 2020. Damages discovery remains open until the damages trial date is set. An inverse condemnation bench trial is scheduled for April 5, 2021. Some plaintiffs in this complaint have either a summary judgment of their claims granted or dismissed. The estimated range of loss for the coordinated cases is not possible to ascertain at this time.

The primary government is a defendant in two similar cases: *Perea, et al. v. Dooley, et al*, and *Deuschel v. California Health & Human Services Agency*. The petitioners sued the primary government alleging that reimbursements paid to providers under the Medi-Cal program are too low and therefore impaired access to care and services for Medi-Cal patients. The petitioners argue that this constitutes discrimination against Latinos, senior citizens, and persons with disabilities. The petitioners do not seek damages but seek prospective declaratory and injunctive relief that would require the State to increase the reimbursement rates paid to providers by the Medi-Cal program. The State filed a demurrer to petitioners' Third and First Amended Complaints. A hearing for the First Amended Complaint was held on February 13, 2020. The Third Amended Complaint was overruled on June 21, 2019, and the matter was actively litigated until April 2020, when the parties stipulated to a stay in light of the coronavirus pandemic. A demurrer for the First Amended Complaint is scheduled for a hearing on November 24, 2020. The estimated impact to prospective rates is not possible to ascertain at this time. The estimated potential loss in the case of *Perea, et al. v. Dooley, et al,* is $1.0 billion.

The primary government was a defendant in the following cases: *Anthem Blue Cross v. David Maxwell-Jolly, et al.; Molina Family Health Plan v. Department of Health Care Services;* and *Health Net of California v. Department of Health Care Services* regarding application of budget reduction factors to managed-care capitated rates. These cases were settled on a contingent basis based on the plans' profitability. The estimated combined total potential loss is more than $400 million based on three separate settlement agreements that were entered into in 2013 and 2014.

The primary government is aware of two unasserted claims against the State of California by Bear Mountain Development Corporation and Blue Flame Medical, LLC for cancellation of contracts for delivery of Personal Protective Equipment. One of the claimants filed a government claim, which was denied; therefore, it is probable that the claim will be asserted in litigation. The estimated potential loss of both claims could be in excess of $600 million.

B. Federal Audit Exceptions

The primary government receives substantial funding from the federal government in the form of grants and other federal assistance. The primary government, the University of California, California Housing

Finance Agency (CalHFA), and certain nonmajor discretely presented component units are entitled to these resources only if they comply with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; they may spend these resources only for eligible purposes. If audits disclose exceptions, the primary government, the University, CalHFA, and certain nonmajor discretely presented component units may incur a liability to the federal government.

NOTE 23: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2019, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2019 and February and August 2020, the California State University (CSU) issued $2.8 billion in revenue bonds to finance and refinance projects; to acquire, construct, improve, and renovate certain CSU facilities; to refund certain outstanding system-wide revenue bonds; to fund capitalized interest; and to pay related issuance cost.

In July 2019 and February and July 2020, the University of California, a major component unit, through its conduit, issued $4.8 billion in revenue bonds to finance or refinance certain improvements to the Medical Centers and construction projects, fund capitalized interest and refunded bonds, and pay working capital cost and related issuance costs.

In September, October, and November 2019, and March, April and September 2020, the primary government issued a total of $10.4 billion in general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes; to pay certain commercial paper notes as they mature; to current refund certain outstanding bonds; and to pay related issuance costs.

In September and October 2019, and April and September 2020, the State Public Works Board issued a total of $574 million in lease revenue bonds to finance and refinance the design and/or construction of various projects, refund and defease lease revenue bonds, reimburse interim loans, fund capitalized interest, and pay related issuance costs.

In September, October, and November 2019, CSU issued a total of $215 million in bond anticipation notes to finance various capital outlay projects including facilities renewal and improvements.

In November 2019, the California Health Facilities Financing Authority issued $500 million in revenue bonds under the No Place Like Home Program to provide housing for persons experiencing homelessness, chronic homelessness, or who are in need of mental health services; to fund capitalized interest; and to pay related issuance costs.

In December 2019, the California Infrastructure and Economic Development Bank issued $273 million in lease revenue bonds to construct, furnish and equip an expansion to the headquarters of the California State Teachers' Retirement; to pay capitalized interest; and to pay issuance costs.

In March 2020, the California Earthquake Authority (CEA) issued $400 million in revenue bonds to enhance its claim-paying capacity.

In July 2020, the Department of Water Resources issued a total of $1.0 billion in revenue bonds to fund construction of water system projects, repay commercial papers, refund certain outstanding water system revenue bonds, fund capitalized interest, fund a deposit to the debt service reserve account and pay related issuance costs.

In September 2020, the primary government issued $97 million in veterans revenue bonds and $97 million in veterans general obligation bonds to finance the purchase of homes and farms for California military veterans, build bond reserve accounts, and pay related issuance costs.

B. COVID-19

In March 2020, the Governor of California proclaimed a state of emergency in response to the worldwide outbreak of the disease caused by the novel coronavirus (COVID-19). The State allocated up to $2.4 billion to respond to COVID-19 through a series of enacted legislations, and administrative actions and Executive Orders pursuant to Government Code section 8690.6 and Control Section 36.00 of the 2019-20 Budget Act. The COVID-19 emergency quickly developed into an economic crisis that has impacted the State's financial position in three main ways:

- Lower tax revenues due to worker displacement and mandated business closures.
- Increased direct costs to respond to the public health emergency, including expansion of the State's hospital and laboratory capacity, and the purchase of medical supplies, including ventilators.
- Increased indirect costs due to claims for unemployment, Medi-Cal, food assistance, and other assistance programs.

The fiscal year 2020-21 Budget Act was enacted in June 2020, providing a plan to close a projected $54.3 billion general fund shortfall due to the impacts of the pandemic by canceling or adjusting program expansions and spending increases, relying on reserves, borrowing from special funds, increasing revenues from taxes on businesses, and requesting additional assistance from the federal government. The Budget includes projections of fiscal year 2020-21 General Fund revenues, expenditures, and reserves that take into account the anticipated impacts of the COVID-19 pandemic to the State. General Fund revenues are estimated at $129.9 billion and expenditures are budgeted at $133.9 billion. Further, the Budget proposes a transfer from the Budget Stabilization Account (BSA), the State's rainy day fund, to the General Fund to cover the revenue shortfall, reducing the balance in the BSA to $8.3 billion at the end of the fiscal year.

In response to the COVID-19 outbreak, the United States Congress passed, and the President signed, legislation aimed at providing partial relief from the economic impact of the pandemic. The State expects to receive approximately $214.0 billion in funding from the federal government through stimulus packages enacted to help mitigate the effects of the COVID-19 public health crisis, encourage recovery, and support Californians in need. The stimulus packages include amounts related to Coronavirus Preparedness and Response Supplemental Appropriations Act; the Family First Coronavirus Response Act; the Coronavirus Aid, Relief and Economy Security (CARES) Act; and the Paycheck Protection and Health Care Enhancement Act. Approximately $72.0 billion is anticipated for assistance to state programs, including unemployment insurance of about $52.0 billion. In addition, over $142.0 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and medical providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local governments.

California has experienced a dramatic increase in the State's unemployment rate due to the COVID-19 pandemic. The unemployment rate increased from a record low of 3.9% in January 2020 to a record high of 16.4% in April 2020. At the end of September 2020, the unemployment rate was 11.0%, still well above the rate prior to the pandemic. The sustained increase in unemployment rates created a high demand for Unemployment Insurance benefits. Beginning in late April 2020, that high demand depleted the reserves of the Unemployment Programs Fund. As of June 30, 2020, the State had $2.2 billion in outstanding loans from the U.S. Department of Labor that was used to cover deficits in the Unemployment Programs Fund. As of October 23, 2020, the State increased its loan balance to $14.5 billion and it expects to request additional loans through the end of 2020.

C. Other

In July 2019, the State of California established the Wildfire Fund, a fund outside of the state treasury administered by the CEA (a related organization), to pay eligible claims arising from a covered wildfire. In August 2019, the State of California transferred $2.0 billion to the Wildfire Fund as a short-term loan from the Surplus Money Investment Fund as required by Assembly Bill 1054. The loan is expected to be repaid to the State in the last quarter of calendar year 2020.

California continues to face a lengthening fire season and catastrophic wildfires. While the 2019 fire season was relatively mild, with just under 260,000 acres burned, the 2020 fire season has seen over 4 million acres burned through the beginning of October. The estimated loss due to these wildfires is not available at this time.

In August 2019, Fitch Ratings raised the State's general obligation bonds rating to "AA" from "AA-", stating that the upgrade reflects the improved fiscal management that has become institutionalized across administrations, which allows it to better withstand economic and revenue cyclicality. In addition, Fitch stated that California's economy is unmatched in comparison to other U.S. states economies in its size and diversity. According to Fitch, California's economy is generally stable despite a considerable presence of economic and revenue cyclicality.

In October 2019, Moody's Investors Service raised the State's general obligation bonds rating to "Aa2" from "Aa3", stating that the upgrade reflects the continued expansion of the state's massive, diverse, and dynamic economy and corresponding growth in revenue.

In August 2020, the State's contracted actuary published the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, which will be used to measure the State's net OPEB liability as of June 30, 2020. The report shows a net OPEB liability of $91.9 billion as of June 30, 2020, a $6.3 billion increase over the net OPEB liability reported as of June 30, 2019. The report is available on the State Controller's Office website, at www.SCO.ca.gov.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Five Fiscal Years[1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]
STATE MISCELLANEOUS[2]		
Total pension liability		
Service cost	$ 1,477,762	$ 1,576,695
Interest on total pension liability	6,670,928	6,970,837
Differences between expected and actual experience	—	693,639
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net change in total pension liability	3,304,059	4,142,949
Total pension liability – beginning	**88,885,115**	**92,189,174**
Total pension liability – ending (a)	**$ 92,189,174**	**$ 96,332,123**
Plan fiduciary net position		
Contributions – employer	$ 2,156,312	$ 2,608,785
Contributions – employee	766,896	771,046
Net investment income	10,370,838	1,505,042
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net plan to plan resource movement	—	(354)
Administrative expense	(86,473)	(76,678)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,362,942	(290,381)
Plan fiduciary net position – beginning	**60,017,620**	**68,380,562**
Plan fiduciary net position – ending (b)	**$ 68,380,562**	**$ 68,090,181**
State's net pension liability – ending (a) – (b)	**$ 23,808,612**	**$ 28,241,942**
Plan fiduciary net position as a percentage of the total pension liability	74.17%	70.68%
Covered payroll	$ 10,019,739	$ 10,640,884
State's net pension liability as a percentage of covered payroll	237.62%	265.41%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

[3] The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

2016[3]	2017[3]	2018[3]
$ 1,668,682	$ 1,927,531	$ 1,953,761
7,220,961	7,381,049	7,571,997
(101,381)	(387,041)	445,743
—	5,667,561	(1,377,556)
(5,346,864)	(5,572,707)	(5,865,849)
3,441,398	9,016,393	2,728,096
96,332,123	**99,773,521**	**108,789,914**
$ 99,773,521	**$ 108,789,914**	**$ 111,518,010**
$ 2,818,406	$ 3,094,941	$ 7,044,360
801,023	843,772	870,402
339,588	7,329,859	6,127,761
(5,346,864)	(5,572,707)	(5,865,849)
(1,154)	(2,737)	(1,340)
(41,497)	(98,419)	(112,592)
—	—	(213,815)
(1,430,498)	5,594,709	7,848,927
68,090,181	**66,659,683**	**72,254,392**
$ 66,659,683	**$ 72,254,392**	**$ 80,103,319**
$ 33,113,838	**$ 36,535,522**	**$ 31,414,691**
66.81%	66.42%	71.83%
$ 11,189,932	$ 11,591,576	$ 12,254,827
295.93%	315.19%	256.35%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE INDUSTRIAL[2]

	2014[3]	2015[3]
Total pension liability		
Service cost	$ 92,324	$ 100,006
Interest on total pension liability	241,278	257,527
Differences between expected and actual experience	—	26,976
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net change in total pension liability	186,625	227,480
Total pension liability – beginning	**3,181,282**	**3,367,907**
Total pension liability – ending (a)	**$ 3,367,907**	**$ 3,595,387**
Plan fiduciary net position		
Contributions – employer	$ 88,516	$ 107,238
Contributions – employee	44,459	49,482
Net investment income	423,076	62,385
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net plan to plan resource movement	—	30
Administrative expense	(3,583)	(3,252)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	405,491	58,854
Plan fiduciary net position – beginning	**2,420,958**	**2,826,449**
Plan fiduciary net position – ending (b)	**$ 2,826,449**	**$ 2,885,303**
State's net pension liability – ending (a) – (b)	**$ 541,458**	**$ 710,084**
Plan fiduciary net position as a percentage of the total pension liability	83.92%	80.25%
Covered payroll	$ 532,490	$ 577,711
State's net pension liability as a percentage of covered payroll	101.68%	122.91%

2016[3]	2017[3]	2018[3]
$ 107,868	$ 124,792	$ 119,521
273,308	290,058	301,134
7,009	21,516	(19,063)
—	245,450	(54,062)
(167,359)	(177,654)	(190,683)
220,826	504,162	156,847
3,595,387	**3,816,213**	**4,320,375**
$ 3,816,213	**$ 4,320,375**	**$ 4,477,222**
$ 116,730	$ 123,163	$ 241,062
52,775	54,114	58,404
14,444	322,150	272,379
(167,359)	(177,654)	(190,683)
216	(141)	268
(1,758)	(4,282)	(5,014)
—	—	(9,522)
15,048	317,350	366,894
2,885,303	**2,900,351**	**3,217,701**
$ 2,900,351	**$ 3,217,701**	**$ 3,584,595**
$ 915,862	**$ 1,102,674**	**$ 892,627**
76.00%	74.48%	80.06%
$ 625,220	$ 643,295	$ 695,014
146.49%	171.41%	128.43%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]
STATE SAFETY[2]		
Total pension liability		
Service cost	$ 402,902	$ 422,634
Interest on total pension liability	663,219	734,333
Differences between expected and actual experience	—	(4,150)
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net change in total pension liability	636,768	683,542
Total pension liability – beginning	**8,682,750**	**9,626,597** *
Total pension liability – ending (a)	**$ 9,319,518**	**$ 10,310,139**
Plan fiduciary net position		
Contributions – employer	$ 339,232	$ 393,925
Contributions – employee	196,148	215,482
Net investment income	1,162,050	175,677
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net plan to plan resource movement	—	499
Administrative expense	(9,945)	(9,200)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	1,258,132	307,108
Plan fiduciary net position – beginning	**6,583,260**	**7,841,392**
Plan fiduciary net position – ending (b)	**$ 7,841,392**	**$ 8,148,500**
State's net pension liability – ending (a) – (b)	**$ 1,478,126**	**$ 2,161,639**
Plan fiduciary net position as a percentage of the total pension liability	84.14%	79.03%
Covered payroll	$ 1,901,235	$ 2,003,777
State's net pension liability as a percentage of covered payroll	77.75%	107.88%

* Restated

	2016[3]	2017[3]	2018[3]
	$ 438,147	$ 497,129	$ 504,383
	786,096	827,412	877,944
	(2,235)	(109,901)	(21,592)
	—	673,183	(41,225)
	(502,427)	(538,735)	(578,504)
	719,581	1,349,088	741,006
	10,310,139	**11,029,720**	**12,378,808**
	$ 11,029,720	**$ 12,378,808**	**$ 13,119,814**
	$ 401,108	$ 433,232	$ 774,759
	221,615	231,364	245,021
	42,258	926,106	797,214
	(502,427)	(538,735)	(578,504)
	548	295	532
	(4,966)	(12,264)	(14,565)
	—	—	(27,658)
	158,136	1,039,998	1,196,799
	8,148,500	**8,306,636**	**9,346,634**
	$ 8,306,636	**$ 9,346,634**	**$ 10,543,433**
	$ 2,723,084	**$ 3,032,174**	**$ 2,576,381**
	75.31%	75.51%	80.36%
	$ 2,100,295	$ 2,167,429	$ 2,339,642
	129.65%	139.90%	110.12%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]
STATE PEACE OFFICERS AND FIREFIGHTERS[2]		
Total pension liability		
Service cost	$ 816,836	$ 838,628
Interest on total pension liability	2,622,406	2,759,982
Differences between expected and actual experience	—	288,526
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net change in total pension liability	1,870,504	2,189,460
Total pension liability – beginning	**34,655,771**	**36,219,196** *
Total pension liability – ending (a)	**$ 36,526,275**	**$ 38,408,656**
Plan fiduciary net position		
Contributions – employer	$ 959,741	$ 1,146,192
Contributions – employee	331,956	366,419
Net investment income	3,964,754	584,142
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net plan to plan resource movement	—	194
Administrative expense	(33,334)	(30,069)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	3,654,379	369,202
Plan fiduciary net position – beginning	**22,713,610**	**26,367,989**
Plan fiduciary net position – ending (b)	**$ 26,367,989**	**$ 26,737,191**
State's net pension liability – ending (a) – (b)	**$ 10,158,286**	**$ 11,671,465**
Plan fiduciary net position as a percentage of the total pension liability	72.19%	69.61%
Covered payroll	$ 3,030,525	$ 3,115,287
State's net pension liability as a percentage of covered payroll	335.20%	374.65%

* Restated

2016[3]	2017[3]	2018[3]
$ 861,694	$ 980,897	$ 1,011,482
2,902,900	3,018,186	3,185,628
18,316	(286,527)	354,089
—	2,608,752	(25,104)
(1,822,841)	(1,938,027)	(2,065,007)
1,960,069	4,383,281	2,461,088
38,408,656	**40,368,725**	**44,752,006**
$ 40,368,725	**$ 44,752,006**	**$ 47,213,094**
$ 1,265,145	$ 1,427,240	$ 3,068,270
381,185	399,946	421,662
137,927	2,954,170	2,522,044
(1,822,841)	(1,938,027)	(2,065,007)
114	1,628	(104)
(16,295)	(39,395)	(45,950)
—	—	(87,261)
(54,765)	2,805,562	3,813,654
26,737,191	**26,682,426**	**29,487,988**
$ 26,682,426	**$ 29,487,988**	**$ 33,301,642**
$ 13,686,299	**$ 15,264,018**	**$ 13,911,452**
66.10%	65.89%	70.53%
$ 3,241,895	$ 3,416,627	$ 3,557,011
422.17%	446.76%	391.10%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

CALIFORNIA HIGHWAY PATROL

	2014[3]	2015[3]
Total pension liability		
Service cost	$ 191,730	$ 198,665
Interest on total pension liability	724,474	764,348
Differences between expected and actual experience	—	75,593
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net change in total pension liability	455,213	551,545
Total pension liability – beginning	**9,604,872**	**10,060,085**
Total pension liability – ending (a)	**$ 10,060,085**	**$ 10,611,630**
Plan fiduciary net position		
Contributions – employer	$ 277,702	$ 351,197
Contributions – employee	83,161	85,791
Net investment income	1,005,007	146,782
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net plan to plan resource movement	—	(214)
Administrative expense	(8,417)	(7,600)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	896,462	88,895
Plan fiduciary net position – beginning	**5,759,985**	**6,656,447**
Plan fiduciary net position – ending (b)	**$ 6,656,447**	**$ 6,745,342**
State's net pension liability – ending (a) – (b)	**$ 3,403,638**	**$ 3,866,288**
Plan fiduciary net position as a percentage of the total pension liability	66.17%	63.57%
Covered payroll	$ 765,283	$ 809,610
State's net pension liability as a percentage of covered payroll	444.76%	477.55%

2016[3]	2017[3]	2018[3]
$ 210,619	$ 237,064	$ 248,531
809,691	833,062	878,113
125,614	(158,392)	103,283
—	721,972	12,213
(516,723)	(543,456)	(579,080)
629,201	1,090,250	663,060
10,611,630	**11,240,831**	**12,331,081**
$ 11,240,831	**$ 12,331,081**	**$ 12,994,141**
$ 375,928	$ 426,603	$ 978,060
86,111	91,116	95,482
33,918	747,272	639,591
(516,723)	(543,456)	(579,080)
292	1,050	330
(4,111)	(9,923)	(11,583)
—	—	(21,997)
(24,585)	712,662	1,100,803
6,745,342	**6,720,757**	**7,433,419**
$ 6,720,757	**$ 7,433,419**	**$ 8,534,222**
$ 4,520,074	**$ 4,897,662**	**$ 4,459,919**
59.79%	60.28%	65.68%
$ 808,032	$ 851,427	$ 884,197
559.39%	575.23%	504.40%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]
JUDGES'		
Total pension liability		
Service cost	$ 27,581	$ 27,841
Interest on total pension liability	140,256	133,181
Differences between expected and actual experience	—	57,568
Changes of assumptions	—	158,646
Benefit payments, including refunds of employee contributions	(193,935)	(201,868)
Net change in total pension liability	(26,098)	175,368
Total pension liability – beginning	**3,383,310**	**3,357,212**
Total pension liability – ending (a)	**$ 3,357,212**	**$ 3,532,580**
Plan fiduciary net position		
Contributions – employer	$ 191,148	$ 180,910
Contributions – employee	7,248	3,877
Net investment income	59	88
Benefit payments, including refunds of employee contributions	(193,935)	(201,867)
Administrative expense	(1,141)	(1,227)
Other miscellaneous income/(expense)	—	2,198
Net change in plan fiduciary net position	3,379	(16,021)
Plan fiduciary net position – beginning	**53,820**	**57,199**
Plan fiduciary net position – ending (b)	**$ 57,199**	**$ 41,178**
State's net pension liability – ending (a) – (b)	**$ 3,300,013**	**$ 3,491,402**
Plan fiduciary net position as a percentage of the total pension liability	1.70%	1.17%
Covered payroll	$ 163,574	$ 28,770
State's net pension liability as a percentage of covered payroll	2017.44%	12135.56%

2016[3]	2017[3]	2018[3]
$ 29,314	$ 22,733	$ 19,131
107,514	115,067	109,395
(59,421)	(366,200)	(121,259)
384,306	(107,670)	(20,879)
(199,349)	(200,440)	(207,823)
262,364	(536,510)	(221,435)
3,532,580	**3,794,944**	**3,258,434**
$ 3,794,944	**$ 3,258,434**	**$ 3,036,999**
$ 192,287	$ 204,475	$ 199,241
3,559	3,398	3,061
193	424	846
(199,349)	(200,440)	(207,823)
(642)	(1,771)	(2,106)
2,568	2,395	(1,863)
(1,384)	8,481	(8,644)
41,178	**39,794**	**48,275**
$ 39,794	**$ 48,275**	**$ 39,631**
$ 3,755,150	**$ 3,210,159**	**$ 2,997,368**
1.05%	1.48%	1.30%
$ 23,537	$ 26,102	$ 24,007
15954.24%	12298.52%	12485.39%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]
JUDGES' II		
Total pension liability		
Service cost	$ 78,670	$ 79,641
Interest on total pension liability	61,044	69,128
Differences between expected and actual experience	—	(17,319)
Changes of assumptions	—	(16,619)
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)
Net change in total pension liability	130,764	100,790
Total pension liability – beginning	**837,198**	**967,962**
Total pension liability – ending (a)	**$ 967,962**	**$ 1,068,752**
Plan fiduciary net position		
Contributions – employer	$ 57,027	$ 65,629
Contributions – employee	20,413	22,242
Net investment income	150,168	(2,402)
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)
Administrative expense	(785)	(1,127)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	217,873	70,301
Plan fiduciary net position – beginning	**795,967**	**1,013,840**
Plan fiduciary net position – ending (b)	**$ 1,013,840**	**$ 1,084,141**
State's net pension liability/(asset) – ending (a) – (b)	**$ (45,878)**	**$ (15,389)**
Plan fiduciary net position as a percentage of the total pension liability	104.74%	101.44%
Covered payroll	$ 40,476	$ 180,230
State's net pension liability as a percentage of covered payroll	-113.35%	-8.54%

2016[3]		2017[3]		2018[3]	
$	86,635	$	97,679	$	95,843
	78,412		85,654		91,418
	(4,546)		(26,382)		(26,875)
	—		69,233		(41,763)
	(21,704)		(22,406)		(31,795)
	138,797		203,778		86,828
	1,068,752		**1,207,549**		**1,411,327**
$	**1,207,549**	**$**	**1,411,327**	**$**	**1,498,155**
$	65,839	$	67,102	$	79,699
	24,598		25,076		27,514
	20,810		115,057		101,820
	(21,704)		(22,406)		(31,795)
	(732)		(1,682)		(2,370)
	—		—		(5,451)
	88,811		183,147		169,417
	1,084,141		**1,172,952**		**1,356,099**
$	**1,172,952**	**$**	**1,356,099**	**$**	**1,525,516**
$	**34,597**	**$**	**55,228**	**$**	**(27,361)**
	97.13%		96.09%		101.83%
$	192,739	$	192,786	$	202,433
	17.95%		28.65%		-13.52%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]
LEGISLATORS'		
Total pension liability		
Service cost	$ 732	$ 769
Interest on total pension liability	6,465	6,268
Differences between expected and actual experience	—	(4,246)
Changes of assumptions	—	(2,654)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Net change in total pension liability	(285)	(8,950)
Total pension liability – beginning	**115,806**	**115,521**
Total pension liability – ending (a)	**$ 115,521**	**$ 106,571**
Plan fiduciary net position		
Contributions – employer	$ 565	$ 590
Contributions – employee	113	105
Net investment income	15,372	(94)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Administrative expense	(362)	(399)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,206	(8,885)
Plan fiduciary net position – beginning	**122,148**	**130,354**
Plan fiduciary net position – ending (b)	**$ 130,354**	**$ 121,469**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,833)**	**$ (14,898)**
Plan fiduciary net position as a percentage of the total pension liability	112.84%	113.98%
Covered payroll	$ 1,471	$ 1,397
State's net pension liability as a percentage of covered payroll	-1008.36%	-1066.43%

	2016[3]	2017[3]	2018[3]
	$ 608	$ 639	$ 542
	5,978	5,291	4,987
	(3,530)	(5,998)	(2,061)
	—	7,857	(2,529)
	(7,407)	(7,249)	(6,918)
	(4,351)	540	(5,979)
	106,571	**102,220**	**102,760**
	$ 102,220	**$ 102,760**	**$ 96,781**
	$ 549	$ 517	$ 467
	96	94	82
	4,545	5,047	5,486
	(7,407)	(7,249)	(6,918)
	(202)	(575)	(670)
	—	—	(1,454)
	(2,419)	(2,166)	(3,007)
	121,469	**119,050**	**116,884**
	$ 119,050	**$ 116,884**	**$ 113,877**
	$ (16,830)	**$ (14,124)**	**$ (17,096)**
	116.46%	113.74%	117.66%
	$ 1,298	$ 1,270	$ 1,121
	-1296.61%	-1112.13%	-1525.07%

(concluded)

Schedule of State Pension Contributions

For the Past Five Fiscal Years[1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2015	2016
STATE MISCELLANEOUS[2]		
Actuarially determined contribution	$ 2,421,157	$ 2,718,895
Contributions in relation to the actuarially determined contribution	(2,583,400)	(2,814,126)
Contribution deficiency (excess)	**$ (162,243)**	**$ (95,231)**
Covered payroll	$ 10,655,117	$ 11,197,607
Contributions as a percentage of covered payroll	24.25%	25.13%
STATE INDUSTRIAL[2]		
Actuarially determined contribution	$ 92,024	$ 103,293
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)
Contribution deficiency (excess)	**$ (12,745)**	**$ (13,301)**
Covered payroll	$ 577,713	$ 625,220
Contributions as a percentage of covered payroll	18.14%	18.65%
STATE SAFETY[2]		
Actuarially determined contribution	$ 341,509	$ 368,444
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)
Contribution deficiency (excess)	**$ (45,999)**	**$ (36,151)**
Covered payroll	$ 2,003,716	$ 2,100,289
Contributions as a percentage of covered payroll	19.34%	19.26%
STATE PEACE OFFICERS AND FIREFIGHTERS[2]		
Actuarially determined contribution	$ 1,086,102	$ 1,197,160
Contributions in relation to the actuarially determined contribution	(1,148,597)	(1,263,436)
Contribution deficiency (excess)	**$ (62,495)**	**$ (66,276)**
Covered payroll	$ 3,115,364	$ 3,241,763
Contributions as a percentage of covered payroll	36.87%	38.97%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

2017	2018	2019
$ 3,078,232	$ 3,397,736	$ 3,631,721
(3,098,305)	(3,482,291)	(3,794,379)
$ (20,073)	**$ (84,555)**	**$ (162,658)**
$ 11,591,576	$ 12,254,527	$ 12,913,195
26.73%	28.42%	29.38%
$ 116,880	$ 131,131	$ 134,969
(123,789)	(141,832)	(148,790)
$ (6,909)	**$ (10,701)**	**$ (13,821)**
$ 643,295	$ 695,014	$ 728,609
19.24%	20.41%	20.42%
$ 400,379	$ 435,662	$ 466,765
(431,991)	(481,479)	(531,360)
$ (31,612)	**$ (45,817)**	**$ (64,595)**
$ 2,167,429	$ 2,339,642	$ 2,468,018
19.93%	20.58%	21.53%
$ 1,343,177	$ 1,462,630	$ 1,581,049
(1,431,851)	(1,573,299)	(1,667,839)
$ (88,674)	**$ (110,669)**	**$ (86,790)**
$ 3,416,627	$ 3,557,011	$ 3,676,854
41.91%	44.23%	45.36%

(continued)

Schedule of State Pension Contributions (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

	2015	2016
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
CALIFORNIA HIGHWAY PATROL		
Actuarially determined contribution	$ 323,393	$ 363,634
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)
Contribution deficiency (excess)	**$ (28,746)**	**$ (13,900)**
Covered payroll	$ 809,610	$ 808,032
Contributions as a percentage of covered payroll	43.49%	46.72%
SINGLE-EMPLOYER PLANS		
JUDGES'		
Actuarially determined contribution	$ 1,884,555	$ 463,073
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)
Contribution deficiency (excess)	**$ 1,880,957**	**$ 459,821**
Covered payroll	$ 167,542	$ 29,771
Contributions as a percentage of covered payroll	2.15%	10.92%
JUDGES' II		
Actuarially determined contribution	$ 63,193	$ 58,362
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)
Contribution deficiency (excess)	**$ 3,211**	**$ (2,114)**
Covered payroll	$ 41,458	$ 186,505
Contributions as a percentage of covered payroll	144.68%	32.43%
LEGISLATORS'		
Actuarially determined contribution	$ 260	$ 141
Contributions in relation to the actuarially determined contribution	(544)	(549)
Contribution deficiency (excess)	**$ (284)**	**$ (408)**
Covered payroll	$ 1,397	$ 1,298
Contributions as a percentage of covered payroll	38.94%	42.30%

2017	2018	2019
$ 414,975	$ 447,376	$ 484,056
(426,014)	(478,354)	(514,683)
$ (11,039)	**$ (30,978)**	**$ (30,627)**
$ 851,427	$ 884,197	$ 933,689
50.04%	54.10%	55.12%
$ 448,636	$ 438,156	$ 415,110
(202,368)	(197,017)	(194,189)
$ 246,268	**$ 241,139**	**$ 220,921**
$ 23,822	$ 27,003	$ 25,748
849.50%	729.61%	754.19%
$ 66,951	$ 79,181	$ 75,862
(55,965)	(73,916)	(76,155)
$ 10,986	**$ 5,265**	**$ (293)**
$ 195,066	$ 199,438	$ 217,112
28.69%	37.06%	35.08%
$ —	$ 20	$ —
(516)	(467)	(261)
$ (516)	**$ (447)**	**$ (261)**
$ 1,270	$ 1,121	$ 684
40.63%	41.66%	38.16%

(continued)

Schedule of State Pension Contributions (continued)

For the Past Five Fiscal Years[1]
(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Public Employees' Retirement Fund (PERF) and Single-Employer Plans

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered payroll:	Pensionable earnings provided by the employer.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2016 Actuarial Valuation Report.
Asset valuation method	Market value of assets; for details see plan's June 30, 2016 Actuarial Valuation Report.
Inflation	2.75%
Salary increases	PERF – varies by entry age and service
	Judges' – 3.00%
	Judges' II – 3.00%
	Legislators' – varies by entry age and service
Payroll growth	3.00%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation:
	PERF – 7.375%, which is used for contribution purposes
	Judges' – 3.25%
	Judges' II – 6.50%
	Legislators' – 5.00%
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011 adopted by the CalPERS Board and post-retirement mortality rates include 20 years of projected mortality improvements using Scale BB published by the Society of Actuaries.

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Schedule of the State's Proportionate Share of Net Pension Liability – CalSTRS

For the Past Five Fiscal Years[1]

(amounts in thousands)

	2014[2]	2015[2]
State's proportion of CalSTRS' net pension liability	37.65%	34.59%
State's proportionate share of CalSTRS' net pension liability	$ 22,001,531	$ 23,289,391
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of the State's Contributions – CalSTRS

For the Past Five Fiscal Years[1]

(amounts in thousands)

	2015	2016
Statutorily required contribution	$ 1,486,004	$ 1,935,288
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288
Annual contribution deficiency/(excess)	**$ —**	**$ —**

[1] This schedule will be built prospectively until it contains ten years of data.

Notes to Required Supplementary Information for the most recent fiscal year presented:

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954, 22955 and 22955.1, as well as California Public Resources Code section 6217. Additionally, 2019 state contributions include the one-time, supplemental contributions resulting from SB 90.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 30 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.00%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

2016[2]	2017[2]	2018[2]
36.28%	37.17%	36.41 %
$ 29,343,626	$ 34,374,816	$ 33,462,419
70.04%	69.46%	70.99 %

2017	2018	2019
$ 2,472,993	$ 2,790,444	$ 3,082,316
2,472,993	2,790,444	3,082,316
$ —	**$ —**	**$ —**

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]
BARGAINING UNIT 5 PLAN		
Total OPEB liability		
Service cost	$ 168,057	$ 146,042
Interest on total OPEB liability	179,397	195,713
Differences between expected and actual experiences[5]	—	(108,271)
Changes in assumptions	(474,646)	(137,150)
Benefit payments	(95,517)	(77,897)
Net change in total OPEB liability	(222,709)	18,437
Total OPEB liability – beginning	**4,764,812**	**4,542,103**
Total OPEB liability – ending (a)	**$ 4,542,103**	**$ 4,560,540**
Plan fiduciary net position		
Contributions – employer	$ 95,517	$ 77,897
Contributions – prefunding	77,454	59,697
Contributions – employee	12,783	4,089
Net investment income	21,109	20,988
Benefit payments	(95,517)	(77,897)
Administrative expense	(95)	(144)
Other expenses	(290)	—
Net change in plan fiduciary net position	110,961	84,630
Plan fiduciary net position – beginning	**135,701**	**246,662**
Plan fiduciary net position – ending (b)	**$ 246,662**	**$ 331,292**
State's net OPEB liability – ending (a) – (b)	**$ 4,295,441**	**$ 4,229,248**
Plan fiduciary net position as a percentage of the total OPEB liability	5.43%	7.26%
Covered payroll	$ 866,040	$ 895,430
State's net OPEB liability as a percentage of covered payroll	495.99%	472.31%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] The date in the column heading represents the end of the measurement period of the net OPEB liability, which is one year prior to the reporting period.

[3] This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

[4] The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

[5] Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program – GASB No. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, and the actual pay-as-you-go contributions allocated to plans.

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]
BARGAINING UNIT 6 PLAN		
Total OPEB liability		
Service cost	$ 609,551	$ 531,916
Interest on total OPEB liability	574,853	634,360
Differences between expected and actual experiences[5]	—	(1,186,530)
Changes in assumptions	(1,637,897)	(164,236)
Benefit payments	(325,344)	(327,604)
Net change in total OPEB liability	(778,837)	(512,094)
Total OPEB liability – beginning	**15,990,189**	**15,211,352**
Total OPEB liability – ending (a)	**$ 15,211,352**	**$ 14,699,258**
Plan fiduciary net position		
Contributions – employer	$ 325,344	$ 327,604
Contributions – prefunding	146,933	65,245
Contributions – employee	23,181	65,245
Net investment income	15,089	17,235
Benefit payments	(325,344)	(327,604)
Administrative expense	(48)	(128)
Other expenses	—	—
Net change in plan fiduciary net position	185,155	147,597
Plan fiduciary net position – beginning	—	**185,155**
Plan fiduciary net position – ending (b)	**$ 185,155**	**$ 332,752**
State's net OPEB liability – ending (a) – (b)	**$ 15,026,197**	**$ 14,366,506**
Plan fiduciary net position as a percentage of the total OPEB liability	1.22%	2.26%
Covered payroll	$ 2,653,404	$ 2,726,616
State's net OPEB liability as a percentage of covered payroll	566.30%	526.90%

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]

(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]
BARGAINING UNIT 9 PLAN[3]		
Total OPEB liability		
Service cost	$ 166,173	$ 142,954
Interest on total OPEB liability	154,495	174,062
Differences between expected and actual experiences[5]	—	(334,650)
Changes in assumptions	(475,991)	(200,549)
Benefit payments	(82,449)	(85,278)
Net change in total OPEB liability	(237,772)	(303,461)
Total OPEB liability – beginning	**4,640,159**	**4,402,387**
Total OPEB liability – ending (a)	**$ 4,402,387**	**$ 4,098,926**
Plan fiduciary net position		
Contributions – employer	$ 82,449	$ 85,278
Contributions – prefunding	35,210	5,688
Contributions – employee	—	5,688
Net investment income	3,630	3,246
Benefit payments	(82,449)	(85,278)
Administrative expense	(11)	(22)
Other expenses	—	—
Net change in plan fiduciary net position	38,829	14,600
Plan fiduciary net position – beginning	**—**	**38,829**
Plan fiduciary net position – ending (b)	**$ 38,829**	**$ 53,429**
State's net OPEB liability – ending (a) – (b)	**$ 4,363,558**	**$ 4,045,497**
Plan fiduciary net position as a percentage of the total OPEB liability	0.88%	1.30%
Covered payroll	$ 1,366,302	$ 1,376,743
State's net OPEB liability as a percentage of covered payroll	319.37%	293.85%

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]
BARGAINING UNIT 12 PLAN[3]		
Total OPEB liability		
Service cost	$ 167,689	$ 146,732
Interest on total OPEB liability	154,036	172,744
Differences between expected and actual experiences[5]	—	(362,455)
Changes in assumptions	(433,966)	(166,573)
Benefit payments	(110,860)	(114,235)
Net change in total OPEB liability	(223,101)	(323,787)
Total OPEB liability – beginning	**4,540,951**	**4,317,850**
Total OPEB liability – ending (a)	**$ 4,317,850**	**$ 3,994,063**
Plan fiduciary net position		
Contributions – employer	$ 110,860	$ 114,235
Contributions – prefunding	1,076	8,280
Contributions – employee	1,076	8,280
Net investment income	872	1,051
Benefit payments	(110,860)	(114,235)
Administrative expense	(4)	(9)
Other expenses	—	—
Net change in plan fiduciary net position	3,020	17,602
Plan fiduciary net position – beginning	**7,186**	**10,206**
Plan fiduciary net position – ending (b)	**$ 10,206**	**$ 27,808**
State's net OPEB liability – ending (a) – (b)	**$ 4,307,644**	**$ 3,966,255**
Plan fiduciary net position as a percentage of the total OPEB liability	0.24%	0.70%
Covered payroll	$ 627,283	$ 676,752
State's net OPEB liability as a percentage of covered payroll	686.71%	586.07%

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]
OTHER FUNDED PLANS[3, 4]		
Total OPEB liability		
Service cost	$ 92,991	$ 501,028
Interest on total OPEB liability	74,923	523,258
Differences between expected and actual experiences[5]	—	(1,033,520)
Changes in assumptions	(197,059)	(304,299)
Benefit payments	(46,820)	(288,774)
Net change in total OPEB liability	(75,965)	(602,307)
Total OPEB liability – beginning	**2,116,405**	**12,699,917**
Total OPEB liability – ending (a)	**$ 2,040,440**	**$ 12,097,610**
Plan fiduciary net position		
Contributions – employer	$ 46,820	$ 288,774
Contributions – prefunding	10,442	32,759
Contributions – employee	2,323	32,759
Net investment income	1,589	5,578
Benefit payments	(46,820)	(288,774)
Administrative expense	(7)	(47)
Other expenses	—	—
Net change in plan fiduciary net position	14,347	71,049
Plan fiduciary net position – beginning	**4,836**	**57,956** *
Plan fiduciary net position – ending (b)	**$ 19,183**	**$ 129,005**
State's net OPEB liability – ending (a) – (b)	**$ 2,021,257**	**$ 11,968,605**
Plan fiduciary net position as a percentage of the total OPEB liability	0.94%	1.07%
Covered payroll	$ 851,868	$ 3,469,855
State's net OPEB liability as a percentage of covered payroll	237.27%	344.93%

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]
UNFUNDED PLAN[3, 4]		
Total OPEB liability		
Service cost	$ 2,805,040	$ 2,008,794
Interest on total OPEB liability	2,112,139	1,959,522
Differences between expected and actual experiences[5]	—	(4,164,211)
Changes in assumptions	(6,610,919)	(1,766,620)
Benefit payments	(1,457,705)	(1,352,652)
Net change in total OPEB liability	(3,151,445)	(3,315,167)
Total OPEB liability – beginning	**64,144,931**	**50,334,009**
Total OPEB liability – ending (a)	**$ 60,993,486**	**$ 47,018,842**
Plan fiduciary net position		
Contributions – employer	$ 1,457,705	$ 1,352,652
Contributions – prefunding	—	—
Contributions – employee	—	—
Net investment income	—	—
Benefit payments	(1,457,705)	(1,352,652)
Administrative expense	—	—
Other expenses	—	—
Net change in plan fiduciary net position	—	—
Plan fiduciary net position – beginning	**—**	**—**
Plan fiduciary net position – ending (b)	**$ —**	**$ —**
State's net OPEB liability – ending (a) – (b)	**$ 60,993,486**	**$ 47,018,842**
Plan fiduciary net position as a percentage of the total OPEB liability	—%	—%
Covered payroll	$ 12,525,617	$ 10,825,049
State's net OPEB liability as a percentage of covered payroll	486.95%	434.35%
	(concluded)	(concluded)

Schedule of OPEB Contributions

For the Past Fiscal Years[1]

(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]
BARGAINING UNIT 5 PLAN		
Actuarially determined contribution	$ 204,361	$ 210,625
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)
Contribution deficiency	**$ 19,905**	**$ 73,150**
Covered payroll	$ 915,549	$ 942,765
Contributions as a percentage of covered payroll	20.15%	14.58%
BARGAINING UNIT 6 PLAN		
Actuarially determined contribution	$ 743,757	$ 671,262
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)
Contribution deficiency	**$ 240,121**	**$ 226,201**
Covered payroll	$ 2,805,093	$ 2,819,233
Contributions as a percentage of covered payroll	17.95%	15.79%
BARGAINING UNIT 9 PLAN[2]		
Actuarially determined contribution	$ 207,027	$ 191,109
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)
Contribution deficiency	**$ 81,556**	**$ 88,138**
Covered payroll	$ 1,444,410	$ 1,502,529
Contributions as a percentage of covered payroll	8.69%	6.85%
BARGAINING UNIT 12 PLAN[2]		
Actuarially determined contribution	$ 217,883	$ 197,202
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)
Contribution deficiency	**$ 98,515**	**$ 59,444**
Covered payroll	$ 663,143	$ 723,870
Contributions as a percentage of covered payroll	18.00%	19.03%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

[3] The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

Schedule of OPEB Contributions (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]
OTHER FUNDED PLANS[2]		
Actuarially determined contribution	$ 109,630	$ 608,960
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)
Contribution deficiency	**$ 48,566**	**$ 242,910**
Covered payroll	$ 900,567	$ 3,595,234
Contributions as a percentage of covered payroll	6.78%	10.18%
UNFUNDED PLAN[2]		
Actuarially determined contribution	$ 3,199,223	$ 2,552,923
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)
Contribution deficiency	**$ 1,651,234**	**$ 1,059,900**
Covered payroll	$ 13,241,681	$ 11,391,811
Contributions as a percentage of covered payroll	11.69%	13.11%

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2018.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets; for details see the June 30, 2018 Actuarial Valuation Report
Inflation	2.50%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2019, increasing to 7.50% in 2020, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years
	Post-Medicare coverage: Actual rates for 2019, increasing to 8.00% in 2020, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years
	Dental coverage: 0.26% in 2019 and 4.50% thereafter
Salary increases	Varies by entry age and service
Investment rate of return	7.00%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board. Post-retirement mortality rates include 15 years of projected on-going mortality improvements using the Society of Actuaries 90% Scale MP 2016.

(concluded)

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state bridges, roadways, and high-speed rail). Under the modified approach, the State does not report depreciation expense for infrastructure assets but capitalizes all costs that add to the capacity and efficiency of state-owned bridges, roads, and the high-speed rail system. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2019, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling $78.4 billion, land purchased for highway projects totaling $14.3 billion, and infrastructure construction-in-progress (uncompleted highway projects) totaling $9.5 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling $3.0 billion, purchased land totaling $1.1 billion, and land use rights totaling $4 million.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2019, there were no donations of infrastructure land, and relinquishments were $54 million of state highway infrastructure (completed highway projects) and $11 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation (FAST) Act required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection* and the *Caltrans Bridge Element Inspection Manual.*

The State's established condition baseline for fiscal year 2018-19 is to have at least 90% of the State's bridge deck area in fair or better condition.

The following table shows the State's established condition baseline and actual statewide bridge condition for the last three fiscal years:

Fiscal Year Ended June 30	Established Condition[1]	Actual Condition
2017	90.0% Fair or Better	96.6% Fair or Better
2018	90.0% Fair or Better	95.3% Fair or Better
2019	90.0% Fair or Better	95.4% Fair or Better

[1] The actual statewide bridge conditions should not be lower than the baseline condition established by the State.

The following table provides details on the State's actual bridge condition as of June 30, 2019:

Condition	Number of Bridges	Deck Area (sq. ft.)	Deck Area (%)
Good	8,108	148,544,398	57.41 %
Fair	4,669	98,198,812	37.95
Poor	525	12,008,325	4.64
Total	**13,302**	**258,751,535**	**100.00 %**

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway's pavement condition by the following descriptions:

1. Excellent/good condition – few potholes or cracks
2. Fair condition – moderate number of potholes or cracks
3. Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered "distressed lane miles" if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State's established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date	Established Condition Baseline Distressed Lane Miles (maximum)[2]	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
December 2015[1]	18,000	7,889	15.9 %
December 2016[3]	18,000	8,975	17.8
August 2019[1]	18,000	6,166	12.3

[1] Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

[2] The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

[3] Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported in the *Automated Pavement Condition Survey* report as of the end of 2016.

The following table provides details on the State's actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	35,376	—
Fair	8,718	—
Poor	6,166	6,166
Total	**50,260**	**6,166**

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State's scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

1. Bridges

The following table shows the State's budgeted and actual preservation cost information for the State's bridges for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)[1]	Actual Preservation Costs (in millions)[1]
2015	$ 135	$ 135
2016	150	150
2017	200	199
2018	265	258
2019	219	166

[1]Some prior years were updated based on more current information.

2. Roadways

The following table shows the State's budgeted and actual preservation cost information for the State's roadways for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)[1]	Actual Preservation Costs (in millions)[1]
2015	$ 3,297	$ 3,192
2016	4,243	3,682
2017	3,970	3,710
2018	4,085	3,494
2019	4,855	2,277

[1]Some prior years were updated based on more current information.

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2019

(amounts in thousands)

	General			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ 12,330,078	$ 13,774,000	$ 14,014,061	$ 240,061
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	64,572	63,000	61,894	(1,106)
Insurance gross premiums tax	2,606,280	2,643,000	2,722,787	79,787
Vehicle license fees	30,452	30,452	32,629	2,177
Motor vehicle fuel tax	—	—	—	—
Personal income tax	97,719,594	98,304,000	98,776,030	472,030
Retail sales and use taxes	26,243,592	26,100,000	25,853,398	(246,602)
Other major taxes and licenses	382,281	381,000	378,261	(2,739)
Other revenues	1,610,826	1,616,548	1,908,161	291,613
Total revenues	**140,987,675**	**142,912,000**	**143,747,221**	**835,221**
EXPENDITURES				
Business, consumer services, and housing	551,326	552,918	538,505	(14,413)
Transportation	32,751	32,751	32,751	—
Natural resources and environmental protection	4,625,536	5,063,050	4,599,468	(463,582)
Health and human services	39,823,797	39,612,074	34,970,511	(4,641,563)
Corrections and rehabilitation	11,944,604	12,431,902	12,287,695	(144,207)
Education	71,601,948	71,401,717	71,253,906	(147,811)
General government:				
Tax relief	425,421	425,421	411,327	(14,094)
Debt service	5,290,431	5,290,431	4,895,446	(394,985)
Other general government	12,004,098	12,321,621	11,023,207	(1,298,414)
Total expenditures	**146,299,912**	**147,131,885**	**140,012,816**	**(7,119,069)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	524,332	—
Transfers to other funds	—	—	(8,041,023)	—
Other additions (deductions)	—	—	(4,339)	—
Total other financing sources (uses)	**—**	**—**	**(7,521,030)**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses			(3,786,625)	
Fund balances – beginning	**—**	**—**	**13,992,411**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 10,205,786**	**$ —**

Federal				Transportation			
Budgeted Amounts		**Actual**	**Variance with**	**Budgeted Amounts**		**Actual**	**Variance with**
Original	**Final**	**Amounts**	**Final Budget**	**Original**	**Final**	**Amounts**	**Final Budget**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
85,076,699	85,076,699	85,076,699	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	7,693,870	7,620,011	7,492,929	(127,082)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	6,338,014	6,436,359	6,792,002	355,643
132	132	132	—	450,896	500,738	543,182	42,444
85,076,831	**85,076,831**	**85,076,831**	**—**	**14,482,780**	**14,557,108**	**14,828,113**	**271,005**
326,558	326,558	326,558	—	118,569	118,569	112,547	(6,022)
4,101,076	4,101,076	4,101,076	—	9,779,826	15,363,577	13,930,680	(1,432,897)
299,886	299,886	299,886	—	227,488	227,671	216,943	(10,728)
69,707,846	69,707,846	69,707,846	—	7,821	7,821	2,232	(5,589)
61,250	61,250	61,250	—	—	—	—	—
7,918,047	7,918,047	7,918,047	—	9,876	9,876	9,248	(628)
—	—	—	—	—	—	—	—
—	—	—	—	9,922	10,598	10,520	(78)
1,759,196	1,759,196	1,759,196	—	(519,917)	(132,255)	(141,798)	(9,543)
84,173,859	**84,173,859**	**84,173,859**	**—**	**9,633,585**	**15,605,857**	**14,140,372**	**(1,465,485)**
—	—	5,421,026	—	—	—	19,640,902	—
—	—	(6,505,332)	—	—	—	(20,125,939)	—
—	—	179,670	—	—	—	405,441	—
—	**—**	**(904,636)**	**—**	**—**	**—**	**(79,596)**	**—**
		(1,664)	—			608,145	
—	**—**	**2,357**	**—**	**—**	**—**	**6,615,098**	**—**
$ —	**$ —**	**$ 693**	**$ —**	**$ —**	**$ —**	**$ 7,223,243**	**$ —**

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2019

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	189,113	189,113	189,113	—
Other revenues	7,012,987	7,012,987	7,012,987	—
Total revenues	**7,202,100**	**7,202,100**	**7,202,100**	**—**
EXPENDITURES				
Business, consumer services, and housing	185,012	185,330	178,506	(6,824)
Transportation	362,593	362,620	362,489	(131)
Natural resources and environmental protection	5,918,618	6,202,779	5,224,110	(978,669)
Health and human services	70,798	71,509	63,363	(8,146)
Corrections and rehabilitation	—	—	—	—
Education	2,708	2,709	2,530	(179)
General government:				
Tax relief	—	—	—	—
Debt service	4,888	4,888	4,888	—
Other general government	328,388	302,122	264,953	(37,169)
Total expenditures	**6,873,005**	**7,131,957**	**6,100,839**	**(1,031,118)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	679,766	—
Transfers to other funds	—	—	(439,407)	—
Other additions (deductions)	—	—	1,069,067	—
Total other financing sources (uses)	**—**	**—**	**1,309,426**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	2,410,687	—
Fund balances – beginning	**—**	**—**	**11,326,453**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 13,737,140**	**$ —**

* Restated

Health Care Related Programs			
Budgeted Amounts		**Actual**	**Variance with**
Original	**Final**	**Amounts**	**Final Budget**
$ —	$ —	$ —	$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,455,615	2,455,615	2,455,615	—
8,507,963	8,507,963	8,507,963	—
10,963,578	**10,963,578**	**10,963,578**	**—**
—	—	—	—
—	—	—	—
217	234	217	(17)
11,862,174	11,875,229	11,862,174	(13,055)
—	—	—	—
207,528	207,528	207,528	—
—	—	—	—
310	310	310	—
20,477	20,477	20,477	—
12,090,706	**12,103,778**	**12,090,706**	**(13,072)**
—	—	8,291	—
—	—	(1,349)	—
—	—	327,203	—
—	**—**	**334,145**	**—**
—	—	(792,983)	—
—	**—**	**2,902,532** *	**—**
$ —	**$ —**	**$ 2,109,549**	**$ —**

(concluded)

Reconciliation of Budgetary Basis Fund Balances of the General Fund and Major Special Revenue Funds to GAAP Basis Fund Balances

June 30, 2019

(amounts in thousands)

		Major Special Revenue Funds			
	General	**Federal**	**Transportation**	**Environmental and Natural Resources**	**Health Care Related Programs**
Budgetary fund balance reclassified into GAAP statement fund structure	**$ 10,205,786**	**$ 693**	**$ 7,223,243**	**$ 13,737,140**	**$ 2,109,549**
Basis difference:					
Interfund receivables..............................	1,170,670	—	1,242,708	235,000	—
Loans receivable.....................................	31,811	221,900	—	206,486	23,000
Interfund payables..................................	(4,975,156)	—	(1,049,895)	(399,248)	(7,520)
Escheat property.....................................	(1,140,706)	—	—	—	—
Tax revenues...	(5,125,500)	—	—	—	—
Fund classification changes.....................	16,597,474	595	—	—	—
Other...	3,486,906	—	2,258,485	(152,383)	—
Timing difference:					
Liabilities budgeted in subsequent years..................................	(1,683,403)	—	(375,047)	(3,332)	(989,247)
GAAP fund balance – ending.................	**$ 18,567,882**	**$ 223,188**	**$ 9,299,494**	**$ 13,623,663**	**$ 1,135,782**

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State's budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs' expenditures on a budgetary basis, adjustments for encumbrances are made under "other general government," except for Environmental and Natural Resources where adjustments for encumbrances are made under each program's expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Comprehensive Annual Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with

Government Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Comprehensive Annual Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs. The beginning fund balance for Health Care Related Programs Fund is restated for a fund reclassification.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of $1.2 billion in the General Fund, $1.2 billion in the Transportation Fund, and $235 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of $32 million in the General Fund, $222 million in the Federal Fund, $206 million in the Environmental and Natural Resources Fund, and $23 million in the Health Care Related Programs Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of $5.0 billion in the General Fund, $1.0 billion in the Transportation Fund, $399 million in the Environmental and Natural Resources Fund, and $8 million in the Health Care Related Programs Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused a $1.1 billion decrease in the General Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008. However, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused a decrease of $5.1 billion in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of $16.6 billion in the General Fund and $1 million in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused an increase of $3.5 billion in the General Fund, an increase of $2.3 billion in the Transportation Fund, and a decrease of $152 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of $1.7 billion in the General Fund, $375 million in the Transportation Fund, $3 million in the Environmental and Natural Resources Fund, and $989 million in the Health Care Related Programs Fund. The large decrease in the General Fund primarily consists of $1.1 billion for medical assistance, $330 million for workers' compensation claims, and $188 million for rental payments.

Combining Financial Statements and Schedules – Nonmajor and Other Funds

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Nonmajor Governmental Funds

Nonmajor governmental funds account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

Special revenue funds account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted, committed, or assigned to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette, Tobacco, and Cannabis Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs; and cannabis excise and cultivation taxes that are used for various health, youth education, and research programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

Other special revenue programs funds account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

Debt service funds account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

(continued)

(continued)

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

Building authorities are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

Other capital projects funds account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2019
(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
ASSETS			
Cash and pooled investments	$ 1,340,908	$ 1,340,840	$ 1,535,489
Investments	—	—	—
Receivables (net)	158,370	13,832	467,228
Due from other funds	91,634	63,991	2,446
Due from other governments	11,040	955	12
Interfund receivables	119,546	216,632	67,642
Loans receivable	96,298	2,550,073	3,974
Other assets	—	—	—
Total assets	**$ 1,817,796**	**$ 4,186,323**	**$ 2,076,791**
LIABILITIES			
Accounts payable	$ 93,670	$ 23,738	$ 46,687
Due to other funds	71,876	9,756	47,565
Due to component units	—	422	41,668
Due to other governments	6,162	326,588	29,699
Interfund payables	67,064	—	—
Revenues received in advance	54,303	858	—
Deposits	—	—	13
Other liabilities	35,842	151	—
Total liabilities	**328,917**	**361,513**	**165,632**
DEFERRED INFLOWS OF RESOURCES	—	—	279,207
Total liabilities and deferred inflows of resources	**328,917**	**361,513**	**444,839**
FUND BALANCES			
Nonspendable	—	—	—
Restricted	821,802	3,572,307	1,631,952
Committed	667,077	252,503	—
Assigned	—	—	—
Total fund balances	**1,488,879**	**3,824,810**	**1,631,952**
Total liabilities, deferred inflows of resources, and fund balances	**$ 1,817,796**	**$ 4,186,323**	**$ 2,076,791**

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
$ 2,884,188	$ 1,014,968	$ 264,043	$ 2,199,913	$ 10,580,349
—	328,922	278,508	—	607,430
99,011	283,640	195,709	148,673	1,366,463
44,203	52,007	—	534,150	788,431
—	50,526	—	41,192	103,725
51,034	191,631	—	405,332	1,051,817
2,998	5,971	—	69,407	2,728,721
—	12,718	—	—	12,718
$ 3,081,434	**$ 1,940,383**	**$ 738,260**	**$ 3,398,667**	**$ 17,239,654**
$ 2	$ 206,082	$ 79	$ 271,073	$ 641,331
84,768	46,375	—	32,215	292,555
—	—	—	8,200	50,290
2,962,799	100,178	—	432,950	3,858,376
—	—	—	3,071	70,135
—	20,729	—	77,521	153,411
—	424,174	—	28,851	453,038
—	88,998	—	44,969	169,960
3,047,569	**886,536**	**79**	**898,850**	**5,689,096**
—	—	—	—	279,207
3,047,569	**886,536**	**79**	**898,850**	**5,968,303**
—	12,760	—	—	12,760
14,029	942,717	738,181	2,181,190	9,902,178
19,836	79,123	—	318,627	1,337,166
—	19,247	—	—	19,247
33,865	**1,053,847**	**738,181**	**2,499,817**	**11,271,351**
$ 3,081,434	**$ 1,940,383**	**$ 738,260**	**$ 3,398,667**	**$ 17,239,654**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2019

(amounts in thousands)

	Debt Service	
	Transportation Debt Service	**Total Nonmajor Debt Service**
ASSETS		
Cash and pooled investments	$ —	$ —
Investments	—	—
Receivables (net)	—	—
Due from other funds	277,960	277,960
Due from other governments	—	—
Interfund receivables	—	—
Loans receivable	—	—
Other assets	—	—
Total assets	**$ 277,960**	**$ 277,960**
LIABILITIES		
Accounts payable	$ —	$ —
Due to other funds	277,960	277,960
Due to component units	—	—
Due to other governments	—	—
Interfund payables	—	—
Revenues received in advance	—	—
Deposits	—	—
Other liabilities	—	—
Total liabilities	**277,960**	**277,960**
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	**277,960**	**277,960**
FUND BALANCES		
Nonspendable	—	—
Restricted	—	—
Committed	—	—
Assigned	—	—
Total fund balances	—	—
Total liabilities, deferred inflows of resources, and fund balances	**$ 277,960**	**$ 277,960**

Capital Projects						
Higher Education Construction	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
$ 154,955	$ 119,940	$ 254,171	$ 18,296	$ 200,904	$ 748,266	$ 11,328,615
—	—	—	—	—	—	607,430
—	—	—	—	87	87	1,366,550
842	478	1,076	21,176	7,770	31,342	1,097,733
102	—	547	—	—	649	104,374
—	—	—	—	4,725	4,725	1,056,542
—	—	—	—	39,721	39,721	2,768,442
—	—	—	—	—	—	12,718
$ 155,899	**$ 120,418**	**$ 255,794**	**$ 39,472**	**$ 253,207**	**$ 824,790**	**$ 18,342,404**
$ 2	$ 180	$ 47	$ —	$ 3,775	$ 4,004	$ 645,335
1,921	2	2,586	—	2,630	7,139	577,654
—	—	—	—	—	—	50,290
9,816	—	—	—	—	9,816	3,868,192
192	63	539	—	—	794	70,929
—	—	—	—	—	—	153,411
—	—	—	—	—	—	453,038
—	—	—	332	89	421	170,381
11,931	**245**	**3,172**	**332**	**6,494**	**22,174**	**5,989,230**
—	—	—	—	—	—	279,207
11,931	**245**	**3,172**	**332**	**6,494**	**22,174**	**6,268,437**
—	—	—	—	—	—	12,760
143,968	120,173	252,622	39,140	198,503	754,406	10,656,584
—	—	—	—	48,210	48,210	1,385,376
—	—	—	—	—	—	19,247
143,968	**120,173**	**252,622**	**39,140**	**246,713**	**802,616**	**12,073,967**
$ 155,899	**$ 120,418**	**$ 255,794**	**$ 39,472**	**$ 253,207**	**$ 824,790**	**$ 18,342,404**

(concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2019
(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	**Financing for Local Governments and the Public**	**Cigarette, Tobacco, and Cannabis Tax**
REVENUES			
Personal income taxes	$ —	$ 1,774,163	$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	67,904	57,943	—
Other taxes	1,700	642,608	2,265,979
Intergovernmental	—	—	—
Licenses and permits	587,708	18,167	148
Charges for services	36,849	4,559	601
Fees	1,334,851	269,192	12
Penalties	16,587	4	—
Investment and interest	31,528	16,930	8,873
Escheat	2	—	—
Other	11,787	50,252	48
Total revenues	**2,088,916**	**2,833,818**	**2,275,661**
EXPENDITURES			
Current:			
General government	799,160	650,261	29,802
Education	36,077	2,263	12,276
Health and human services	517,959	2,042,149	1,517,737
Natural resources and environmental protection	78,571	80,742	16,673
Business, consumer services, and housing	658,783	393,923	—
Transportation	7,640	—	838
Corrections and rehabilitation	—	109,251	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	—	115,760	—
Interest and fiscal charges	4,725	468	122
Total expenditures	**2,102,915**	**3,394,817**	**1,577,448**
Excess (deficiency) of revenues over (under) expenditures	(13,999)	(560,999)	698,213
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	305,230	—
Refunding debt issued	—	1,650	—
Premium on bonds issued	—	8,458	—
Remarketing bonds issued	—	—	—
Payment to remarket long-term debt	—	—	—
Transfers in	124,520	118,195	1
Transfers out	(7,316)	(24,836)	(136,142)
Total other financing sources (uses)	**117,204**	**408,697**	**(136,141)**
Net change in fund balances	103,205	(152,302)	562,072
Fund balances – beginning	**1,385,674**	**3,977,112**	**1,069,880** *
Fund balances – ending	**$ 1,488,879**	**$ 3,824,810**	**$ 1,631,952**

* Restated

Special Revenue				
Local Revenue and Public Safety	**Trial Courts**	**Golden State Tobacco Securitization Corporation**	**Other Special Revenue Programs**	**Total Nonmajor Special Revenue**
$ —	$ —	$ —	$ —	$ 1,774,163
14,458,391	—	—	—	14,458,391
—	—	—	—	125,847
—	—	—	—	2,910,287
—	815,358	—	—	815,358
2,955,460	—	—	10,500	3,571,983
—	60,100	—	177,330	279,439
—	587,398	—	1,364,272	3,555,725
—	356,809	—	266,464	639,864
11,394	30,713	14,091	56,226	169,755
—	1,355	—	—	1,357
—	167,016	432,371	437,136	1,098,610
17,425,245	**2,018,749**	**446,462**	**2,311,928**	**29,400,779**
4,950,698	3,533,278	653	1,290,203	11,254,055
—	—	—	9,095	59,711
10,900,084	—	—	803,777	15,781,706
—	—	—	69,065	245,051
—	—	—	27,281	1,079,987
—	—	—	1,491	9,969
1,576,902	—	—	37	1,686,190
—	—	—	—	—
—	—	878,094	—	993,854
3	117	288,841	2,545	296,821
17,427,687	**3,533,395**	**1,167,588**	**2,203,494**	**31,407,344**
(2,442)	(1,514,646)	(721,126)	108,434	(2,006,565)
—	—	—	—	305,230
—	—	710,910	—	712,560
—	—	18,355	—	26,813
—	—	—	—	—
—	—	—	—	—
39	1,504,328	—	14,617	1,761,700
(44,616)	(152)	—	(11,579)	(224,641)
(44,577)	**1,504,176**	**729,265**	**3,038**	**2,581,662**
(47,019)	(10,470)	8,139	111,472	575,097
80,884	**1,064,317**	**730,042**	**2,388,345**	**10,696,254**
$ 33,865	**$ 1,053,847**	**$ 738,181**	**$ 2,499,817**	**$ 11,271,351**

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2019

(amounts in thousands)

	Debt Service	
	Transportation Debt Service	Total Nonmajor Debt Service
REVENUES		
Personal income taxes	$ —	$ —
Sales and use taxes	—	—
Motor vehicle excise taxes	—	—
Other taxes	—	—
Intergovernmental	—	—
Licenses and permits	—	—
Charges for services	—	—
Fees	—	—
Penalties	—	—
Investment and interest	—	—
Escheat	—	—
Other	—	—
Total revenues	**—**	**—**
EXPENDITURES		
Current:		
General government	—	—
Education	—	—
Health and human services	—	—
Natural resources and environmental protection	—	—
Business, consumer services, and housing	—	—
Transportation	—	—
Corrections and rehabilitation	—	—
Capital outlay	—	—
Debt service:		
Bond and commercial paper retirement	723,213	723,213
Interest and fiscal charges	809,205	809,205
Total expenditures	**1,532,418**	**1,532,418**
Excess (deficiency) of revenues over (under) expenditures	(1,532,418)	(1,532,418)
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Premium on bonds issued	—	—
Remarketing bonds issued	—	—
Payment to remarket long-term debt	—	—
Transfers in	1,532,418	1,532,418
Transfers out	—	—
Total other financing sources (uses)	**1,532,418**	**1,532,418**
Net change in fund balances	—	—
Fund balances – beginning	**—**	**—**
Fund balances – ending	**$ —**	**$ —**

Capital Projects						
Higher Education Construction	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
$ —	$ —	$ —	$ —	$ —	$ —	$ 1,774,163
—	—	—	—	—	—	14,458,391
—	—	—	—	—	—	125,847
—	—	—	—	—	—	2,910,287
—	—	—	—	—	—	815,358
—	—	—	—	1,974	1,974	3,573,957
—	—	—	—	—	—	279,439
—	—	—	—	—	—	3,555,725
—	—	—	—	—	—	639,864
3,318	1,492	8,299	—	565	13,674	183,429
—	—	—	—	—	—	1,357
—	—	—	—	16,022	16,022	1,114,632
3,318	**1,492**	**8,299**	**—**	**18,561**	**31,670**	**29,432,449**
—	41,608	—	—	—	41,608	11,295,663
—	—	492,942	—	—	492,942	552,653
—	—	—	—	—	—	15,781,706
—	—	—	—	6,490	6,490	251,541
—	—	—	—	—	—	1,079,987
—	—	—	—	—	—	9,969
—	—	—	—	—	—	1,686,190
27,554	479	7,697	—	36,162	71,892	71,892
1,093,090	27,855	1,542,415	31,605	19,780	2,714,745	4,431,812
16,078	25	29,935	6,012	34	52,084	1,158,110
1,136,722	**69,967**	**2,072,989**	**37,617**	**62,466**	**3,379,761**	**36,319,523**
(1,133,404)	(68,475)	(2,064,690)	(37,617)	(43,905)	(3,348,091)	(6,887,074)
—	98,620	663,580	—	81,830	844,030	1,149,260
982,555	5	1,285,055	—	—	2,267,615	2,980,175
126,608	4,439	257,635	—	72	388,754	415,567
—	—	311,340	—	—	311,340	311,340
—	—	(311,340)	—	—	(311,340)	(311,340)
—	—	—	38,327	42,646	80,973	3,375,091
—	—	(339)	—	—	(339)	(224,980)
1,109,163	**103,064**	**2,205,931**	**38,327**	**124,548**	**3,581,033**	**7,695,113**
(24,241)	34,589	141,241	710	80,643	232,942	808,039
168,209	**85,584**	**111,381**	**38,430**	**166,070**	**569,674**	**11,265,928**
$ 143,968	**$ 120,173**	**$ 252,622**	**$ 39,140**	**$ 246,713**	**$ 802,616**	**$ 12,073,967**

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds[1]

Year Ended June 30, 2019

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	$ 372,635	$ 372,635	$ —
Vehicle license fees	2,232,635	2,232,635	—
Personal income tax	1,774,163	1,774,163	—
Retail sales and use taxes	14,458,834	14,458,834	—
Other major taxes and licenses	14,463	14,463	—
Other revenues	7,183,595	7,183,595	—
Total revenues	**26,036,325**	**26,036,325**	**—**
EXPENDITURES			
Business, consumer services, and housing	1,157,176	1,040,188	(116,988)
Transportation	1,543,153	1,542,139	(1,014)
Natural resources and environmental protection	307,372	253,011	(54,361)
Health and human services	18,967,698	18,808,363	(159,335)
Corrections and rehabilitation	234	(311)	(545)
Education	769,831	718,611	(51,220)
General government:			
Tax relief	3,525	3,525	—
Other general government	8,909,509	8,447,553	(461,956)
Total expenditures	**31,658,498**	**30,813,079**	**(845,419)**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	32,080,541	—
Transfers to other funds	—	(28,220,435)	—
Other additions	—	1,557,058	—
Total other financing sources (uses)	**—**	**5,417,164**	**—**
Excess of revenues and other sources over expenditures and other uses	—	640,410	—
Fund balances – beginning, restated	**—**	**7,427,991**	**—**
Fund balances – ending	**$ —**	**$ 8,068,401**	**$ —**

[1]On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, Health Care Related Programs Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, Environmental and Natural Resources Fund, and Health Care Related Programs Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Comprehensive Annual Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the Department of Technology.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2019
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 653,220
Restricted assets:		
Cash and pooled investments	581,464	—
Net investment in direct financing leases	486,012	—
Receivables (net)	—	53
Due from other funds	244,255	92,701
Due from other governments	—	—
Prepaid items	—	75,480
Inventories	—	—
Total current assets	1,311,731	821,454
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	143,195	—
Net investment in direct financing leases	7,829,752	—
Interfund receivables	—	—
Loans receivable	—	—
Long-term prepaid charges	590	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	271
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(271)
Construction/development in progress	934,056	—
Total noncurrent assets	8,907,593	—
Total assets	**10,219,324**	**821,454**
DEFERRED OUTFLOWS OF RESOURCES	159,775	14,036
Total assets and deferred outflows of resources	**$ 10,379,099**	**$ 835,490**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 214,443	$ 237,656	$ 19,134	$ 65,626	$ 22,719	$ 469,657	$ 1,682,455
—	—	—	—	—	—	581,464
—	—	—	—	—	—	486,012
1,758	1,764	5	11,642	6,020	66,851	88,093
44,315	1,795	222	52,400	83,027	89,476	608,191
368	101	—	380	—	13,158	14,007
125,807	770	4,527	1,063	7,092	2,052	216,791
5,738	43,289	—	—	1,059	19,883	69,969
392,429	285,375	23,888	131,111	119,917	661,077	3,746,982
—	—	—	—	—	—	143,195
—	—	—	—	—	—	7,829,752
—	—	—	—	—	38,536	38,536
—	—	—	—	—	3,770	3,770
—	—	—	—	—	—	590
—	—	—	—	—	2,080	2,080
171,775	216,964	2,977	161,744	38,552	82,632	674,915
11,464	4,448	2,763	50,542	4,645	1,862	75,724
(113,175)	(143,322)	(3,996)	(160,067)	(36,654)	(75,113)	(532,598)
—	8,509	339,287	—	—	645	1,282,497
70,064	86,599	341,031	52,219	6,543	54,412	9,518,461
462,493	**371,974**	**364,919**	**183,330**	**126,460**	**715,489**	**13,265,443**
123,371	32,750	—	54,519	—	129,939	514,390
$ 585,864	**$ 404,724**	**$ 364,919**	**$ 237,849**	**$ 126,460**	**$ 845,428**	**$ 13,779,833**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2019

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	$ 34,913	$ 5,723
Due to other funds	62,491	9,295
Due to other governments	55,467	—
Revenues received in advance	—	801,854
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	96,538	—
Current portion of long-term obligations	591,322	—
Other liabilities	14,805	1,591
Total current liabilities	855,536	818,463
Noncurrent liabilities:		
Interfund payables	883,277	10,788
Compensated absences payable	—	7,653
Workers' compensation benefits payable	—	770
Revenue bonds payable	8,424,622	—
Net other postemployment benefits liability	—	53,150
Net pension liability	—	52,660
Other noncurrent liabilities	—	—
Total noncurrent liabilities	9,307,899	125,021
Total liabilities	**10,163,435**	**943,484**
DEFERRED INFLOWS OF RESOURCES	7,565	11,911
Total liabilities and deferred inflows of resources	**10,171,000**	**955,395**
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	208,099	—
Total expendable	208,099	—
Unrestricted	—	(119,905)
Total net position (deficit)	**208,099**	**(119,905)**
Total liabilities, deferred inflows of resources, and net position	**$ 10,379,099**	**$ 835,490**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 21,630	$ 13,371	$ 1,059	$ 40,174	$ 22,592	$ 270,142	$ 409,604
64,354	14,272	5,198	1,145	2,187	169,711	328,653
279	—	—	—	34	2,273	58,053
105,542	818	—	—	567	99,409	1,008,190
1,282	—	—	—	—	—	1,282
4,581	—	—	14,134	4,726	—	23,441
—	—	—	—	—	—	96,538
—	2,870	—	—	—	5,156	599,348
50	1,081	—	—	20	386	17,933
197,718	32,412	6,257	55,453	30,126	547,077	2,543,042
60,883	5,658	37,650	11,542	94,791	6,494	1,111,083
57,889	11,402	—	29,262	—	38,629	144,835
25,226	17,697	—	766	—	1,865	46,324
—	—	—	—	—	—	8,424,622
806,910	256,771	—	315,411	—	595,823	2,028,065
421,281	60,013	—	194,271	—	477,848	1,206,073
—	—	—	24,747	4,882	—	29,629
1,372,189	351,541	37,650	575,999	99,673	1,120,659	12,990,631
1,569,907	**383,953**	**43,907**	**631,452**	**129,799**	**1,667,736**	**15,533,673**
165,755	52,987	—	67,315	—	127,846	433,379
1,735,662	**436,940**	**43,907**	**698,767**	**129,799**	**1,795,582**	**15,967,052**
70,063	86,600	341,031	25,130	—	12,055	534,879
—	—	—	—	—	—	208,099
—	—	—	—	—	—	208,099
(1,219,861)	(118,816)	(20,019)	(486,048)	(3,339)	(962,209)	(2,930,197)
(1,149,798)	**(32,216)**	**321,012**	**(460,918)**	**(3,339)**	**(950,154)**	**(2,187,219)**
$ 585,864	**$ 404,724**	**$ 364,919**	**$ 237,849**	**$ 126,460**	**$ 845,428**	**$ 13,779,833**

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year Ended June 30, 2019

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	$ —	$ 554,360
Investment and interest	24,348	—
Rent	417,092	—
Total operating revenues	**441,440**	**554,360**
OPERATING EXPENSES		
Personal services	—	16,188
Supplies	—	—
Services and charges	1,945	512,518
Depreciation	—	—
Interest expense	363,983	—
Amortization of long-term prepaid charges	129	—
Total operating expenses	**366,057**	**528,706**
Operating income (loss)	75,383	25,654
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	582	—
Interest expense and fiscal charges	—	(165)
Other	(109,104)	—
Total nonoperating revenues (expenses)	**(108,522)**	**(165)**
Income (loss) before transfers	(33,139)	25,489
Transfers in	—	—
Transfers out	—	—
Change in net position	(33,139)	25,489
Total net position (deficit) – beginning	**241,238** *	**(145,394)**
Total net position (deficit) – ending	**$ 208,099**	**$ (119,905)**

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 709,546	$ 338,131	$ 14,297	$ 383,302	$ 570,485	$ 1,005,172	$ 3,575,293
—	—	—	—	—	—	24,348
—	—	—	—	—	—	417,092
709,546	**338,131**	**14,297**	**383,302**	**570,485**	**1,005,172**	**4,016,733**
459,156	118,582	—	125,785	—	409,721	1,129,432
—	6,043	—	—	24,590	—	30,633
250,871	218,228	22,469	228,461	540,761	616,679	2,391,932
17,042	9,854	894	16,762	5,511	14,943	65,006
—	—	—	522	—	—	364,505
—	—	—	—	—	—	129
727,069	**352,707**	**23,363**	**371,530**	**570,862**	**1,041,343**	**3,981,637**
(17,523)	(14,576)	(9,066)	11,772	(377)	(36,171)	35,096
—	806	—	1,578	—	2,297	5,263
(1,203)	(211)	—	(575)	—	(177)	(2,331)
—	(755)	—	(2,792)	—	—	(112,651)
(1,203)	**(160)**	**—**	**(1,789)**	**—**	**2,120**	**(109,719)**
(18,726)	(14,736)	(9,066)	9,983	(377)	(34,051)	(74,623)
—	—	—	—	—	2,220	2,220
(33,693)	—	—	—	—	(15,588)	(49,281)
(52,419)	(14,736)	(9,066)	9,983	(377)	(47,419)	(121,684)
(1,097,379)	**(17,480)**	**330,078** *	**(470,901)**	**(2,962)**	**(902,735)***	**(2,065,535)**
$ (1,149,798)	**$ (32,216)**	**$ 321,012**	**$ (460,918)**	**$ (3,339)**	**$ (950,154)**	**$ (2,187,219)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2019
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 14,045	$ —
Receipts from interfund services provided	930,500	428,121
Payments to suppliers	(240)	(508,149)
Payments to employees	—	(33,923)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(420,707)	904
Net cash provided by (used in) operating activities	**523,598**	**(113,047)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	628,897	625
Interest paid	—	(165)
Transfers in	—	—
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	**628,897**	**460**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(666,438)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	139,506	—
Retirement of revenue bonds	(518,640)	—
Interest paid	—	—
Net cash used in capital and related financing activities	**(1,045,572)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in loans receivable	—	—
Earnings on investments	582	—
Net cash provided by (used in) investing activities	**582**	**—**
Net increase (decrease) in cash and pooled investments	107,505	(112,587)
Cash and pooled investments – beginning	**617,154**	**765,807**
Cash and pooled investments – ending	**$ 724,659**	**$ 653,220**

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ 14,045
822,555	344,208	—	368,164	570,497	1,165,306	4,629,351
(330,970)	(215,415)	—	(217,878)	(16,085)	(646,753)	(1,935,490)
(385,798)	(105,806)	—	(123,594)	—	(336,400)	(985,521)
—	(14,710)	(994)	—	—	—	(15,704)
—	—	—	—	(540,761)	—	(540,761)
1,656	(188)	—	1,587	(708)	448	(417,008)
107,443	**8,089**	**(994)**	**28,279**	**12,943**	**182,601**	**748,912**
—	—	—	(1,624)	—	330,178	328,554
(4,091)	—	—	185	(87)	(450,601)	174,928
(1,203)	(50)	—	—	—	(3)	(1,421)
—	—	—	—	—	2,220	2,220
(33,693)	—	—	—	—	(15,588)	(49,281)
(38,987)	**(50)**	**—**	**(1,439)**	**(87)**	**(133,794)**	**455,000**
(19,035)	(26,536)	(18,938)	(17,224)	(4,290)	(8,452)	(760,913)
1,871	384	957	110	—	—	3,322
—	—	—	—	—	—	139,506
—	—	—	—	—	—	(518,640)
—	—	—	(575)	—	—	(575)
(17,164)	**(26,152)**	**(17,981)**	**(17,689)**	**(4,290)**	**(8,452)**	**(1,137,300)**
—	—	—	—	—	—	—
—	842	—	1,578	—	2,297	5,299
—	**842**	**—**	**1,578**	**—**	**2,297**	**5,299**
51,292	(17,271)	(18,975)	10,729	8,566	42,652	71,911
163,151	**254,927**	**38,109**	**54,897**	**14,153**	**427,005**	**2,335,203**
$ 214,443	**$ 237,656**	**$ 19,134**	**$ 65,626**	**$ 22,719**	**$ 469,657**	**$ 2,407,114**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2019

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ 75,383	$ 25,654
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(91,239)	—
Amortization of long-term prepaid charges	129	—
Other	14,179	—
Change in account balances:		
Receivables	—	37
Due from other funds	11,645	(80,965)
Due from other governments	—	—
Prepaid items	—	6,040
Inventories	—	—
Net investment in direct financing leases	512,666	—
Deferred outflow of resources	—	6,375
Accounts payable	269	(1,671)
Due to other funds	3,582	(25,439)
Due to component units	—	—
Due to other governments	—	(300)
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(4,640)	—
Revenues received in advance	—	(19,872)
Other current liabilities	1,624	1,204
Benefits payable	—	—
Compensated absences payable	—	(54)
Other noncurrent liabilities	—	(27,639)
Deferred inflow of resources	—	3,583
Total adjustments	448,215	(138,701)
Net cash provided by (used in) operating activities	**$ 523,598**	**$ (113,047)**
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	$ —	$ —

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ (17,523)	$ (14,576)	$ (9,066)	$ 11,772	$ (377)	$ (36,171)	$ 35,096
17,042	9,854	894	16,762	5,511	14,943	65,006
—	—	—	—	—	—	(91,239)
—	—	—	—	—	—	129
—	(188)	—	—	—	(174)	13,817
320	1,090	2	(144)	1,145	7,849	10,299
10,415	(3,882)	10,029	(17,460)	(1,051)	(1,157)	(72,426)
1,165	(14)	—	(245)	—	2,164	3,070
10,135	145	(14)	133	254	283	16,976
(2,987)	398	—	—	(40)	5,149	2,520
—	—	—	—	—	—	512,666
64,985	10,962	—	31,741	—	76,645	190,708
(87,247)	(1,494)	(6,370)	10,450	8,291	(32,332)	(110,104)
27,249	4,108	3,531	2,466	(240)	156,975	172,232
—	—	—	—	—	98	98
234	—	—	—	29	15	(22)
(673)	—	—	—	—	—	(673)
948	—	—	(904)	822	—	866
—	—	—	—	—	—	(4,640)
75,025	492	—	—	158	(6,533)	49,270
(18)	(170)	—	—	19	(1,829)	830
—	—	—	—	—	18	18
(926)	407	—	266	—	4,918	4,611
(78,509)	(25,648)	—	(57,588)	(1,578)	(55,041)	(246,003)
87,808	26,605	—	31,030	—	46,781	195,807
124,966	22,665	8,072	16,507	13,320	218,772	713,816
$ 107,443	**$ 8,089**	**$ (994)**	**$ 28,279**	**$ 12,943**	**$ 182,601**	**$ 748,912**

(concluded)

$ —	$ —	$ —	$ —	$ —	$ 109,984	$ 109,984

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

The **Safe Drinking Water State Revolving Fund** accounts for loans to finance the construction of publicly owned water systems for drinking water infrastructure projects.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2019

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	$ 512,651	$ 272,794
Restricted assets:		
Cash and pooled investments	310,296	887
Due from other governments	281,146	11,209
Receivables (net)	—	7,762
Due from other funds	8,815	18,144
Due from other governments	138,281	57,755
Prepaid items	—	—
Inventories	—	—
Total current assets	1,251,189	368,551
Noncurrent assets:		
Restricted assets:		
Loans receivable	1,806,258	148,438
Investments	—	—
Interfund receivables	6,364	—
Loans receivable	2,614,209	1,484,933
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	—
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	—
Construction/development in progress	—	—
Other noncurrent assets	—	—
Total noncurrent assets	4,426,831	1,633,371
Total assets	**5,678,020**	**2,001,922**
DEFERRED OUTFLOWS OF RESOURCES	—	—
Total assets and deferred outflows of resources	**$ 5,678,020**	**$ 2,001,922**

Housing Loan	Other Enterprise Programs	Total
$ 310,607	$ 263,622	$ 1,359,674
—	—	311,183
—	—	292,355
36,433	528	44,723
2,049	3,250	32,258
—	629	196,665
—	29	29
—	3,240	3,240
349,089	271,298	**2,240,127**
—	—	1,954,696
19,582	—	19,582
—	6,075	12,439
1,007,947	92,247	5,199,336
443	829	1,272
16,260	9,714	25,974
—	1,761	1,761
(16,259)	(3,289)	(19,548)
—	106	106
3,154	—	3,154
1,031,127	107,443	7,198,772
1,380,216	**378,741**	**9,438,899**
4,972	10,119	15,091
$ 1,385,188	**$ 388,860**	**$ 9,453,990**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2019
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	$ —	$ 250
Due to other funds	—	16,596
Due to other governments	—	—
Revenues received in advance	—	—
Interest payable	15,190	805
Current portion of long-term obligations	100,473	5,134
Other current liabilities	—	—
Total current liabilities	115,663	22,785
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,329,849	95,233
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,329,849	95,233
Total liabilities	**1,445,512**	**118,018**
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	**1,445,512**	**118,018**
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	258,323	—
Security for revenue bonds	2,087,404	—
Other purposes	—	1,883,904
Total expendable	2,345,727	1,883,904
Unrestricted	1,886,781	—
Total net position	**4,232,508**	**1,883,904**
Total liabilities, deferred inflows of resources, and net position	**$ 5,678,020**	**$ 2,001,922**

Housing Loan		Other Enterprise Programs		Total	
$	—	$	7,667	$	7,917
	3,571		2,667		22,834
	—		602		602
	—		47		47
	15,346		—		31,341
	37,150		11,373		154,130
	—		5		5
	56,067		22,361		**216,876**
	1,849		20,150		21,999
	—		9,527		9,527
	—		2,118		2,118
	796,912		—		796,912
	382,040		—		1,807,122
	5,801		23,036		28,837
	17,234		21,973		39,207
	651		20,029		20,680
	1,204,487		96,833		2,726,402
	1,260,554		**119,194**		**2,943,278**
	24,843		5,440		30,283
	1,285,397		**124,634**		**2,973,561**
	444		3,110		3,554
	—		—		258,323
	—		—		2,087,404
	99,347		197,137		2,180,388
	99,347		197,137		4,526,115
	—		63,979		1,950,760
	99,791		**264,226**		**6,480,429**
$	**1,385,188**	**$**	**388,860**	$	9,453,990

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Enterprise Funds

Year Ended June 30, 2019
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	$ 8,022	$ —
Investment and interest	67,243	22,477
Other	—	—
Total operating revenues	**75,265**	**22,477**
OPERATING EXPENSES		
Personal services	—	11,421
Supplies	—	—
Services and charges	12,041	—
Depreciation	—	—
Interest expense	—	—
Other	435	6,804
Total operating expenses	**12,476**	**18,225**
Operating income (loss)	62,789	4,252
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	12,504	68,129
Investment and interest income	20,438	3,285
Interest expense and fiscal charges	(37,384)	(1,146)
Other	—	—
Total nonoperating revenues (expenses)	(4,442)	70,268
Income (loss) before capital contributions and transfers	58,347	74,520
Transfers in	—	—
Transfers out	—	—
Change in net position	58,347	74,520
Total net position – beginning	**4,174,161**	**1,809,384** *
Total net position – ending	**$ 4,232,508**	**$ 1,883,904**

* Restated

Housing Loan	Other Enterprise Programs	Total
$ 2,052	$ 101,574	$ 111,648
54,922	1,150	145,792
2,769	360	3,129
59,743	**103,084**	**260,569**
4,391	43,316	59,128
—	44,152	44,152
15,857	20,497	48,395
19	1,068	1,087
34,135	—	34,135
—	—	7,239
54,402	**109,033**	**194,136**
5,341	(5,949)	66,433
—	—	80,633
—	3,603	27,326
—	(80)	(38,610)
259	—	259
259	3,523	69,608
5,600	(2,426)	136,041
—	1,750	1,750
—	(5,144)	(5,144)
5,600	(5,820)	132,647
94,191 *	**270,046** *	**6,347,782**
$ 99,791	**$ 264,226**	**$ 6,480,429**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2019
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	$ 62,221	$ 19,485
Receipts from interfund services provided	—	—
Payments to suppliers	(12,505)	(10,547)
Payments to employees	—	—
Payments for interfund services used	(58)	—
Other receipts (payments)	(384,993)	(116,824)
Net cash provided by (used in) operating activities	**(335,335)**	**(107,886)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	1,794	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	100,806
Retirement of revenue bonds	(58,845)	—
Interest paid	(63,629)	(530)
Transfers in	—	—
Transfers out	—	—
Grants received	9,473	59,930
Net cash provided by (used in) noncapital financing activities	**(111,207)**	**160,206**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	—
Proceeds from maturity and sale of investments	—	—
Earnings on investments	20,424	2,601
Net cash provided by (used in) investing activities	**20,424**	**2,601**
Net increase (decrease) in cash and pooled investments	(426,118)	54,921
Cash and pooled investments – beginning	**1,249,065**	**218,760**
Cash and pooled investments – ending	**$ 822,947**	**$ 273,681**

* Restated

Housing Loan	Other Enterprise Programs	Total
$ 173,928	$ 98,052	$ 353,686
—	3,678	3,678
(10,001)	(59,315)	(92,368)
(4,391)	(27,718)	(32,109)
(1,849)	(939)	(2,846)
(233,166)	(13,361)	(748,344)
(75,479)	**397**	**(518,303)**
—	615	2,409
1,849	5,088	6,937
277,960	—	277,960
(14,830)	—	(14,830)
—	—	100,806
(6,435)	—	(65,280)
—	(70)	(64,229)
—	1,750	1,750
—	(5,144)	(5,144)
—	—	69,403
258,544	**2,239**	**309,782**
—	(6,864)	(6,864)
—	83	83
—	**(6,781)**	**(6,781)**
(16,265)	—	(16,265)
14,898	—	14,898
—	3,603	26,628
(1,367)	**3,603**	**25,261**
181,698	(542)	(190,041)
128,909	**264,164** *	1,860,898
$ 310,607	**$ 263,622**	**$ 1,670,857**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2019
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ 62,789	$ 4,252
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(14,495)	—
Change in account balances:		
Receivables	—	—
Due from other funds	(58)	—
Due from other governments	2,146	(2,991)
Prepaid items	—	—
Inventories	—	—
Other current assets	—	—
Other noncurrent assets	—	—
Loans receivable	(385,685)	(116,824)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	(30)	7,677
Due to other governments	—	—
Interest payable	—	—
Revenues received in advance	(2)	—
Other current liabilities	—	—
Benefits payable	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	—
Deferred inflows of resources	—	—
Total adjustments	(398,124)	(112,138)
Net cash provided by (used in) operating activities	**$ (335,335)**	**$ (107,886)**
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	$ —	$ —

Housing Loan	Other Enterprise Programs	Total
$ 5,341	$ (5,949)	$ 66,433
19	1,068	1,087
(111)	—	(111)
(458)	—	(458)
—	—	(14,495)
150	506	656
(2,204)	(2,463)	(4,725)
—	(243)	(1,088)
—	62	62
—	69	69
—	—	—
977	—	977
(78,617)	(1,549)	(582,675)
26,068	3,966	30,034
249	2,878	3,127
3,338	1,226	12,211
—	5	5
1,038	—	1,038
—	(12)	(14)
—	471	471
—	6,122	6,122
—	551	551
(6,023)	(10,212)	(16,235)
(25,246)	3,901	(21,345)
(80,820)	6,346	(584,736)
(75,479)	**397**	**(518,303)**
		(concluded)
$ 355	$ 1,900	$ 2,255

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Private Purpose Trust Funds

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

The **Scholarshare Program Trust Fund** accounts for money received from participants to fund their beneficiaries' higher-education expenses at certain postsecondary educational institutions.

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

Other private purpose trust funds account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2019

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	$ 32	$ 106,643	$ 6,522	$ 113,197
Investments, at fair value:				
Equity securities	4,700,510	—	—	4,700,510
Debt securities	2,931,223	—	—	2,931,223
Real estate	289,136	—	—	289,136
Other	1,437,831	—	6,037	1,443,868
Total investments	9,358,700	—	6,037	9,364,737
Receivables (net)	19,231	9,382	518	29,131
Due from other funds	—	—	38	38
Other assets	—	245,011	—	245,011
Total assets	**9,377,963**	**361,036**	**13,115**	**9,752,114**
LIABILITIES				
Accounts payable	19,942	21,853	5,848	47,643
Deposits	—	245,011	—	245,011
Other liabilities	—	8,396	—	8,396
Total liabilities	**19,942**	**275,260**	**5,848**	**301,050**
NET POSITION				
Held in trust for individuals, organizations, or other governments	**$ 9,358,021**	**$ 85,776**	**$ 7,267**	**$ 9,451,064**

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2019

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	$ 102,037	$ —	$ 189	$ 102,226
Interest, dividends, and other investment income	441,196	—	16	441,212
Less: investment expense	(3,898)	—	(2)	(3,900)
Net investment income	539,335	—	203	539,538
Receipts from depositors	4,243,668	897,392	7,698	5,148,758
Total additions	**4,783,003**	**897,392**	**7,901**	**5,688,296**
DEDUCTIONS				
Administrative expenses	—	366	7	373
Interest expense	—	143	—	143
Payments to and for depositors	4,014,759	897,851	1,343	4,913,953
Total deductions	**4,014,759**	**898,360**	**1,350**	**4,914,469**
Change in net position	768,244	(968)	6,551	773,827
Net position – beginning	**8,589,777**	**86,744**	**716**	**8,677,237**
Net position – ending	**$ 9,358,021**	**$ 85,776**	**$ 7,267**	**$ 9,451,064**

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Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

(continued)

(continued)

The **Defined Benefit Other Postemployment Benefits (OPEB) Plan** provides defined benefit OPEB, other than pensions, to employees after separation from service:

> The **Annuitants' Health Care Coverage Fund** is administered by CalPERS as the California Employers' Retiree Benefit Trust Fund (CERBTF), an agent multiple-employer plan for employers to prefund health, dental, and other nonpension postemployment benefits for state and local government annuitants, and to pay related administrative costs.

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Teachers' Health Benefits Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2019

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	**State Teachers' Retirement**	**Judges' Retirement**
ASSETS			
Cash and pooled investments	$ 2,787,933	$ 383,888	$ 2,546
Investments, at fair value:			
Short-term	7,749,531	5,448,287	15,797
Equity securities	185,020,907	114,667,170	—
Debt securities	114,168,333	41,533,402	—
Real estate	40,768,569	32,704,503	—
Securities lending collateral	4,334,507	22,795,316	—
Other	26,471,325	43,935,485	—
Total investments	378,513,172	261,084,163	15,797
Receivables (net)	3,496,686	5,569,736	2,182
Due from other funds	850,157	2,246,341	85
Loans receivable	—	2,778,564	—
Other assets	422,242	317,147	—
Total assets	**386,070,190**	**272,379,839**	**20,610**
DEFERRED OUTFLOWS OF RESOURCES	108,084	68,561	452
Total assets and deferred outflows of resources	**386,178,274**	**272,448,400**	**21,062**
LIABILITIES			
Accounts payable	8,939	5,410,909	79
Due to other governments	—	11	—
Benefits payable	2,055,524	1,513,853	—
Securities lending obligations	4,324,097	22,786,907	—
Loans payable	—	2,787,387	—
Other liabilities	7,160,029	969,662	10,705
Total liabilities	**13,548,589**	**33,468,729**	**10,784**
DEFERRED INFLOWS OF RESOURCES	18,252	117,783	109
Total liabilities and deferred inflows of resources	**13,566,841**	**33,586,512**	**10,893**
NET POSITION			
Restricted for pension and other postemployment benefits	372,611,433	238,861,888	10,169
Held in trust for:			
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	**$ 372,611,433**	**$ 238,861,888**	**$ 10,169**

Pension Plans		Defined Benefit OPEB Plan			
Judges' Retirement II	**Legislators' Retirement**	**Annuitants' Health Care Coverage**	**Deferred Compensation**	**Other Pension and Other Employee Benefit Trust**	**Total**
$ 9,393	$ 1,964	$ 39,099	$ 22,010	$ 18,111	$ 3,264,944
37	5	25,654	2,606,951	10,833	15,857,095
1,067,523	39,992	6,389,552	10,150,237	64,551	317,399,932
627,952	74,446	3,388,355	1,957,385	39,119	161,788,992
—	—	—	—	—	73,473,072
—	—	—	—	—	27,129,823
—	—	—	3,085,322	—	73,492,132
1,695,512	114,443	9,803,561	17,799,895	114,503	669,141,046
10,558	49	43,170	34,819	2,899	9,160,099
43	—	41	121	24	3,096,812
—	—	—	4,757	—	2,783,321
—	—	—	—	—	739,389
1,715,506	**116,456**	**9,885,871**	**17,861,602**	**135,537**	**688,185,611**
579	165	956	871	157	179,825
1,716,085	**116,621**	**9,886,827**	**17,862,473**	**135,694**	**688,365,436**
63	25	—	4,905	1,803	5,426,723
—	—	—	—	—	11
—	605	61,073	751	786	3,632,592
—	—	—	—	—	27,111,004
—	—	—	—	11	2,787,398
5,808	1,560	10,244	15,465	3,366	8,176,839
5,871	**2,190**	**71,317**	**21,121**	**5,966**	**47,134,567**
125	27	205	1,067	488	138,056
5,996	**2,217**	**71,522**	**22,188**	**6,454**	**47,272,623**
1,710,089	114,404	9,815,305	—	114,051	623,237,339
—	—	—	17,840,285	—	17,840,285
—	—	—	—	15,189	15,189
$ 1,710,089	**$ 114,404**	**$ 9,815,305**	**$ 17,840,285**	**$ 129,240**	**$ 641,092,813**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2019

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer	$ 15,612,678	$ 5,644,472	$ 195,903
Plan member	4,664,618	3,647,999	2,679
Non-employer	—	5,334,860	—
Total contributions	20,277,296	14,627,331	198,582
Investment income:			
Net appreciation (depreciation) in fair value of investments	18,571,211	9,744,897	—
Interest, dividends, and other investment income	5,658,637	6,063,360	1,174
Less: investment expense	(1,155,841)	(910,424)	(8)
Net investment income (loss)	23,074,007	14,897,833	1,166
Other	6,736	127,603	2,776
Total additions	**43,358,039**	**29,652,767**	**202,524**
DEDUCTIONS			
Distributions to beneficiaries	24,209,283	15,196,087	221,954
Refunds of contributions	280,266	99,893	—
Administrative expense	252,558	258,228	10,032
Interest expense	—	105,306	—
Payments to and for depositors	—	—	—
Total deductions	**24,742,107**	**15,659,514**	**231,986**
Change in net position	18,615,932	13,993,253	(29,462)
Net position – beginning	**353,995,501**	**224,868,635**	**39,631**
Net position – ending	**$ 372,611,433**	**$ 238,861,888**	**$ 10,169**

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust	
Judges' Retirement II	**Legislators' Retirement**	**Annuitants' Health Care Coverage**	**Deferred Compensation**		**Total**
$ 84,099	$ 250	$ 4,007,941	$ 1,092	$ 27,977	$ 25,574,412
31,376	91	—	990,386	47,278	9,384,427
—	—	—	—	—	5,334,860
115,475	341	4,007,941	991,478	75,255	40,293,699
107,358	7,911	572,416	912,323	5,219	29,921,335
388	19	837	33,296	229	11,757,940
(965)	(70)	(4,452)	(796)	(59)	(2,072,615)
106,781	7,860	568,801	944,823	5,389	39,606,660
—	—	7,490	21,909	2,803	169,317
222,256	**8,201**	**4,584,232**	**1,958,210**	**83,447**	**80,069,676**
36,045	7,005	2,985,226	69,431	69,117	42,794,148
159	344	—	5,895	—	386,557
1,477	324	1,882	20,655	4,461	549,617
—	—	—	—	3	105,309
—	—	75,991	526,346	7,749	610,086
37,681	**7,673**	**3,063,099**	**622,327**	**81,330**	**44,445,717**
184,575	528	1,521,133	1,335,883	2,117	35,623,959
1,525,514	**113,876**	**8,294,172**	**16,504,402**	**127,123**	**605,468,854**
$ 1,710,089	**$ 114,404**	**$ 9,815,305**	**$ 17,840,285**	**$ 129,240**	**$ 641,092,813**

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Agency Funds

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Following are brief descriptions of agency funds.

The **Receipting and Disbursing Fund** accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from many state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The **Deposit Fund** accounts for various deposits, such as those from condemnation and litigation proceedings.

Other agency activity funds account for other assets held by the State, which acts as an agent for individuals, private organizations, and other governments.

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2019

(amounts in thousands)

	Receipting and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	$ 3,068,160	$ 1,186,990	$ 29,366	$ 4,284,516
Receivables (net)	3,869,318	713,812	1,487	4,584,617
Due from other funds	27,260,281	60,665	1,414	27,322,360
Due from other governments	140,365	—	—	140,365
Interfund receivable	15,874	181,491	1,698	199,063
Loans receivable	933	10,663	3,549	15,145
Other assets	—	805,929	—	805,929
Total assets	**$ 34,354,931**	**$ 2,959,550**	**$ 37,514**	**$ 37,351,995**
LIABILITIES				
Accounts payable	$ 21,144,521	$ 87,615	$ 3,265	$ 21,235,401
Due to other governments	13,155,916	21,573	7,060	13,184,549
Tax overpayments	7,613	—	—	7,613
Revenues received in advance	—	679	—	679
Deposits	31,262	2,066,654	11,899	2,109,815
Other liabilities	15,619	783,029	15,290	813,938
Total liabilities	**$ 34,354,931**	**$ 2,959,550**	**$ 37,514**	**$ 37,351,995**

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2019

(amounts in thousands)

Receipting and Disbursing Fund	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and pooled investments	$ 3,178,764	$ 217,836,312	$ 217,946,916	$ 3,068,160
Receivables (net)	4,177,966	6,241,423	6,550,071	3,869,318
Due from other funds	22,758,821	39,349,978	34,848,518	27,260,281
Due from other governments	35,854	104,515	4	140,365
Interfund receivable	18,941	—	3,067	15,874
Loan receivable	—	933	—	933
Other assets	33	—	33	—
Total assets	**$ 30,170,379**	**$ 263,533,161**	**$ 259,348,609**	**$ 34,354,931**
LIABILITIES				
Accounts payable	$ 20,690,688	$ 66,995,291	$ 66,541,458	$ 21,144,521
Due to other governments	9,430,935	128,598,845	124,873,864	13,155,916
Tax overpayments	487	97,169	90,043	7,613
Deposits	35,077	163,797	167,612	31,262
Other liabilities	13,192	28,271	25,844	15,619
Total liabilities	**$ 30,170,379**	**$ 195,883,373**	**$ 191,698,821**	**$ 34,354,931**

Deposit Fund	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and pooled investments	$ 1,173,977	$ 27,888,011	$ 27,874,998	$ 1,186,990
Receivables (net)	435,109	2,836,718	2,558,015	713,812
Due from other funds	48,921	91,311	79,567	60,665
Interfund receivable	226,524	—	45,033	181,491
Loan receivables	—	10,663	—	10,663
Other assets	37,015	805,914	37,000	805,929
Total assets	**$ 1,921,546**	**$ 31,632,617**	**$ 30,594,613**	**$ 2,959,550**
LIABILITIES				
Accounts payable	$ 51,760	$ 2,943,885	$ 2,908,030	$ 87,615
Due to other governments	3,593	18,462	482	21,573
Revenues received in advance	728	—	49	679
Deposits	1,150,571	14,906,596	13,990,513	2,066,654
Other liabilities	714,894	10,611,005	10,542,870	783,029
Total liabilities	**$ 1,921,546**	**$ 28,479,948**	**$ 27,441,944**	**$ 2,959,550**

Other Agency Activity Funds

		Balance July 1, 2018		Additions		Deductions		Balance June 30, 2019
ASSETS								
Cash and pooled investments	$	26,343	$	33,800	$	30,777	$	29,366
Receivables (net)		4,385		—		2,898		1,487
Due from other funds		2,471		1,136		2,193		1,414
Interfund receivable		3,076		—		1,378		1,698
Loans receivable		3,636		629		716		3,549
Total assets	**$**	**39,911**	**$**	**35,565**	**$**	**37,962**	**$**	**37,514**
LIABILITIES								
Accounts payable	$	6,595	$	2,165	$	5,495	$	3,265
Due to other governments		6,992		12,357		12,289		7,060
Deposits		11,758		3,998		3,857		11,899
Other liabilities		14,566		1,439		715		15,290
Total liabilities	**$**	**39,911**	**$**	**19,959**	**$**	**22,356**	**$**	**37,514**

Total Agency Funds

		Balance July 1, 2018		Additions		Deductions		Balance June 30, 2019
ASSETS								
Cash and pooled investments	$	4,379,084	$	245,758,123	$	245,852,691	$	4,284,516
Receivables (net)		4,617,460		9,078,141		9,110,984		4,584,617
Due from other funds		22,810,213		39,442,425		34,930,278		27,322,360
Due from other governments		35,854		104,515		4		140,365
Interfund receivable		248,541		—		49,478		199,063
Loans receivable		3,636		12,225		716		15,145
Other assets		37,048		805,914		37,033		805,929
Total assets	**$**	**32,131,836**	**$**	**295,201,343**	**$**	**289,981,184**	**$**	**37,351,995**
LIABILITIES								
Accounts payable	$	20,749,043	$	69,941,341	$	69,454,983	$	21,235,401
Due to other governments		9,441,520		128,629,664		124,886,635		13,184,549
Tax overpayments		487		97,169		90,043		7,613
Revenues received in advance		728		—		49		679
Deposits		1,197,406		15,074,391		14,161,982		2,109,815
Other liabilities		742,652		10,640,715		10,569,429		813,938
Total liabilities	**$**	**32,131,836**	**$**	**224,383,280**	**$**	**219,163,121**	**$**	**37,351,995**

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

California State University Auxiliary Organizations provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2018.

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2019

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	$ 5,416	$ 482,984
Investments	—	579,283
Restricted assets:		
Cash and pooled investments	267,684	—
Investments	37,052	—
Receivables (net)	23,074	481,053
Prepaid items	364	—
Other current assets	—	42,187
Total current assets	333,590	1,585,507
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	55,798
Investments	67,257	—
Investments	—	2,168,732
Receivables (net)	—	223,837
Loans receivable	424,742	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	132,976
Collections – nondepreciable	—	9,213
Buildings and other depreciable property	9	1,242,965
Intangible assets – amortizable	—	8,044
Less: accumulated depreciation/amortization	(7)	(636,204)
Construction/development in progress	—	145,552
Intangible assets – nonamortizable	—	10,031
Other noncurrent assets	—	39,612
Total noncurrent assets	492,001	3,400,556
Total assets	**825,591**	**4,986,063**
DEFERRED OUTFLOWS OF RESOURCES	5,819	32,520
Total assets and deferred outflows of resources	**$ 831,410**	**$ 5,018,583**

District Agricultural Associations	Other Component Units	Total
$ 104,846	$ 656,876	$ 1,250,122
—	—	579,283
16,261	4,617	288,562
3,290	—	40,342
25,251	30,979	560,357
1,071	2,673	4,108
410	—	42,597
151,129	695,145	2,765,371
—	—	55,798
3,327	—	70,584
—	79,036	2,247,768
—	1,569	225,406
—	74	424,816
—	134	134
22,246	5,089	160,311
—	421	9,634
773,274	123,947	2,140,195
—	515	8,559
(503,596)	(52,362)	(1,192,169)
12,855	7,639	166,046
197	116	10,344
—	11,245	50,857
308,303	177,423	4,378,283
459,432	**872,568**	**7,143,654**
48,469	29,561	116,369
$ 507,901	**$ 902,129**	**$ 7,260,023**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2019
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,082	$ 112,912
Revenues received in advance	100	92,184
Deposits	—	—
Contracts and notes payable	—	11,245
Interest payable	3,485	—
Current portion of long-term obligations	14,294	172,527
Other current liabilities	57,381	104,649
Total current liabilities	77,342	493,517
Noncurrent liabilities:		
Compensated absences payable	281	6,065
Workers' compensation benefits payable	—	23,121
Loans payable	910	—
Commercial paper and other borrowings	—	1,854
Capital lease obligations	—	226,301
Revenue bonds payable	320,921	58,998
Net other postemployment benefits liability	12,891	119,708
Net pension liability	9,015	83,557
Revenues received in advance	—	—
Other noncurrent liabilities	36,964	515,109
Total noncurrent liabilities	380,982	1,034,713
Total liabilities	**458,324**	**1,528,230**
DEFERRED INFLOWS OF RESOURCES	2,842	52,189
Total liabilities and deferred inflows of resources	**461,166**	**1,580,419**
NET POSITION		
Net investment in capital assets	—	295,177
Restricted:		
Nonexpendable – endowments	—	1,336,916
Expendable:		
Endowments and gifts	—	—
Education	—	1,146,945
Statute	370,640	—
Other purposes	4	—
Total expendable	370,644	1,146,945
Unrestricted	(400)	659,126
Total net position	**370,244**	**3,438,164**
Total liabilities, deferred inflows of resources, and net position	**831,410**	**$ 5,018,583**

District Agricultural Associations	Other Component Units	Total
$ 10,422	$ 658,417	$ 783,833
8,289	944	101,517
1,851	301	2,152
36	—	11,281
505	—	3,990
1,796	1,884	190,501
2,561	3,194	167,785
25,460	664,740	1,261,059
10,889	—	17,235
384	—	23,505
11,354	—	12,264
—	—	1,854
—	—	226,301
42,141	19,057	441,117
201,821	78,672	413,092
115,973	68,580	277,125
12,215	—	12,215
15,198	12,388	579,659
409,975	178,697	2,004,367
435,435	**843,437**	**3,265,426**
19,328	22,834	97,193
454,763	**866,271**	**3,362,619**
256,123	66,002	617,302
—	24,773	1,361,689
—	26,786	26,786
—	12,946	1,159,891
—	—	370,640
17,871	—	17,875
17,871	39,732	1,575,192
(220,856)	(94,649)	343,221
53,138	**35,858**	**3,897,404**
$ 507,901	**$ 902,129**	**$ 7,260,023**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2019

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	$ 11,896	$ 367,640
Scholarships and fellowships	—	92,095
Supplies	—	—
Services and charges	5,041	1,223,377
Depreciation	2	54,043
Interest expense and fiscal charges	10,898	23,033
Other	—	55,182
Total operating expenses	**27,837**	**1,815,370**
PROGRAM REVENUES		
Charges for services	2,623	738,367
Operating grants and contributions	861	699,439
Capital grants and contributions	—	31,413
Total program revenues	**3,484**	**1,469,219**
Net revenues (expenses)	(24,353)	(346,151)
GENERAL REVENUES		
Investment and interest income	21,342	126,171
Other	2,710	445,956
Total general revenues	**24,052**	**572,127**
Change in net position	(301)	225,976
Net position – beginning	**370,545**	**3,212,188**
Net position – ending	**$ 370,244**	**$ 3,438,164**

* Restated

District Agricultural Associations	Other Component Units	Total
$ 136,688	$ 44,507	$ 560,731
—	3,807	95,902
—	13,044	13,044
121,795	20,039	1,370,252
20,044	3,217	77,306
1,571	596	36,098
727	13,456	69,365
280,825	**98,666**	**2,222,698**
267,053	54,848	1,062,891
—	23,527	723,827
135	731	32,279
267,188	**79,106**	**1,818,997**
(13,637)	(19,560)	(403,701)
285	12,071	159,869
5,181	10,585	464,432
5,466	**22,656**	**624,301**
(8,171)	3,096	220,600
61,309 *	**32,762**	**3,676,804**
$ 53,138	**$ 35,858**	**$ 3,897,404**

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Statistical Section

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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. This section includes the following financial trend schedules.

Schedule of Net Position by Component

Schedule of Changes in Net Position

Schedule of Fund Balances – Governmental Funds

Schedule of Changes in Fund Balances – Governmental Funds

Source: The information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2010	2011 [2]	2012	2013
Governmental activities				
Net investment in capital assets	$ 84,085,632	$ 85,460,957	$ 80,768,527	$ 84,931,030
Restricted – Expendable	14,987,867	27,865,821	24,871,510	24,315,913
Unrestricted [1]	(103,272,097)	(123,783,314)	(123,897,753)	(117,383,903)
Total governmental activities net position (deficit)	**$ (4,198,598)**	**$ (10,456,536)**	**$ (18,257,716)**	**$ (8,136,960)**
Business-type activities				
Net investment in capital assets	$ 89,334	$ 1,382,957	$ 1,561,258	$ 1,718,648
Restricted – Nonexpendable	—	21,812	21,584	20,627
Restricted – Expendable	3,404,682	3,615,945	4,571,036	5,151,915
Unrestricted	(4,250,609)	(4,214,494)	(3,346,849)	(2,824,738)
Total business-type activities net position (deficit)	**$ (756,593)**	**$ 806,220**	**$ 2,807,029**	**$ 4,066,452**
Primary government				
Net investment in capital assets	$ 84,174,966	$ 86,843,914	$ 82,329,785	$ 86,649,678
Restricted – Nonexpendable	—	21,812	21,584	20,627
Restricted – Expendable	18,392,549	31,481,766	29,442,546	29,467,828
Unrestricted	(107,522,706)	(127,997,808)	(127,244,602)	(120,208,641)
Total primary government net position (deficit)	**$ (4,955,191)**	**$ (9,650,316)**	**$ (15,450,687)**	**$ (4,070,508)**

[1] Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities and unfunded employee-related obligations—net pension liability, net other postemployment benefits (OPEB) liability and compensated absences.

[2] In fiscal year 2011, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $1.2 billion beginning net position of the California State University Fund from a governmental fund to an enterprise fund.

[3] In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

[4] In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

[5] In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.

	2014 [3]	2015 [4]	2016	2017	2018 [5]	2019
	$ 94,001,659	$ 100,694,652	$ 104,596,917	$ 107,042,274	$ 109,614,321	$ 112,279,950
	24,950,740	26,632,502	29,060,971	33,832,232	35,053,202	41,371,805
	(116,948,128)	(169,744,967)	(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)
	$ 2,004,271	**$ (42,417,813)**	**$ (34,884,973)**	**$ (28,625,177)**	**$ (68,648,510)**	**$ (54,725,510)**
	$ 2,065,550	$ 2,278,252	$ 2,520,621	$ 2,295,270	$ 2,469,723	$ 2,534,257
	16,219	13,448	8,653	1,746	1,708	1,693
	4,897,314	4,523,496	5,750,634	6,307,218	12,083,737	12,945,567
	(1,661,692)	(5,360,817)	(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)
	$ 5,317,391	**$ 1,454,379**	**$ 4,572,502**	**$ 7,283,102**	**$ (1,909,405)**	**$ (1,237,343)**
	$ 96,067,209	$ 102,972,904	$ 107,117,538	$ 109,337,544	$ 112,084,044	$ 114,814,207
	16,219	13,448	8,653	1,746	1,708	1,693
	29,848,054	31,155,998	34,811,605	40,139,450	47,136,939	54,317,372
	(118,609,820)	(175,105,784)	(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)
	$ 7,321,662	**$ (40,963,434)**	**$ (30,312,471)**	**$ (21,342,075)**	**$ (70,557,915)**	**$ (55,962,853)**

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2010	2011 [4]	2012	2013
Governmental activities				
Expenses				
General government	$ 12,454,969	$ 13,520,557	$ 14,411,737	$ 15,390,100
Education	61,764,385	56,486,944	51,288,647	50,586,387
Health and human services	80,799,454	92,475,364	89,939,730	94,069,749
Natural resources and environmental protection	6,019,104	5,853,278	5,950,635	5,670,922
Business, consumer services, and housing	979,962	1,405,019	1,241,269	1,475,486
Transportation	14,155,767	11,119,644	13,719,927	12,836,192
Corrections and rehabilitation	10,310,229	10,295,564	10,343,574	10,081,736
Interest on long-term debt	4,146,259	4,377,064	4,365,181	4,349,632
Total expenses	**190,630,129**	**195,533,434**	**191,260,700**	**194,460,204**
Program revenues				
Charges for services:				
General government	4,918,132	5,057,082	6,841,334	6,196,586
Education	4,231,692	110,423	81,212	64,480
Health and human services	3,769,794	8,471,261	4,940,650	8,761,781
Natural resources and environmental protection	2,597,712	2,797,264	2,866,232	3,269,315
Business, consumer services, and housing	654,034	660,196	724,222	682,503
Transportation	5,420,261	4,010,433	4,342,668	4,082,616
Corrections and rehabilitation	18,097	14,981	16,757	45,153
Operating grants/contributions	75,469,783	67,849,215	58,777,006	60,943,536
Capital grants/contributions	962,388	1,272,326	2,193,189	1,669,021
Total program revenues	**98,041,893**	**90,243,181**	**80,783,270**	**85,714,991**
Total governmental activities net program expenses	**(92,588,236)**	**(105,290,253)**	**(110,477,430)**	**(108,745,213)**
General revenues and other changes in net position				
General revenues:				
Personal income taxes	43,866,857	51,719,107	54,368,347	67,502,738
Sales and use taxes	33,784,106	33,521,221	31,216,438	33,839,065
Corporation taxes	9,472,611	9,384,416	8,629,935	7,289,910
Motor vehicle excise taxes [1]	—	—	5,263,435	5,219,605
Insurance taxes	2,235,251	2,311,880	2,408,473	2,295,579
Managed care organization enrollment tax [2]	—	—	—	—
Other taxes [1]	5,234,531	7,768,010	2,368,748	2,498,248
Investment and interest	114,933	62,946	72,237	57,285
Escheat	149,996	229,146	372,215	551,580
Gain (loss) on early extinguishment of debt [3]	—	—	—	—
Transfers	(13,441,875)	(3,251,598)	(2,031,032)	(1,997,759)
Total general revenues and other changes in net position	**81,416,410**	**101,745,128**	**102,668,796**	**117,256,251**
Total governmental activities change in net position	**$ (11,171,826)**	**$ (3,545,125)**	**$ (7,808,634)**	**$ 8,511,038**

[1] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[2] In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with "insurance taxes" in prior years.

[3] In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds.

[4] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[5] In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

[6] In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

2014 [5]	2015	2016	2017	2018 [6]	2019
$ 14,292,179	$ 15,804,281	$ 16,686,037	$ 17,400,482	$ 18,378,216	$ 17,900,629
54,719,677	59,521,018	65,467,497	67,377,805	70,280,444	75,643,779
105,037,102	122,063,805	127,543,288	135,090,171	137,828,737	144,936,676
5,854,685	6,419,591	6,988,442	7,342,079	8,304,162	9,774,290
589,715	903,782	814,676	1,163,511	1,258,104	2,133,480
13,427,229	12,897,591	12,120,820	12,947,296	14,259,461	17,022,071
11,234,705	11,483,573	11,875,294	13,086,499	14,921,295	15,153,502
4,699,265	4,880,625	4,231,581	4,191,283	4,154,485	3,995,597
209,854,557	**233,974,266**	**245,727,635**	**258,599,126**	**269,384,904**	**286,560,024**
5,994,608	6,502,363	6,525,736	5,825,533	5,726,900	5,755,165
67,165	53,498	66,298	74,548	37,147	78,445
7,961,897	8,259,696	10,630,859	11,638,503	12,968,379	13,874,296
3,403,524	4,546,413	4,823,861	3,998,751	6,319,879	6,644,917
586,055	626,960	823,189	844,445	957,885	1,206,126
4,247,258	4,382,901	4,532,300	4,611,244	6,053,140	7,093,122
13,645	18,557	19,411	17,988	39,887	10,993
69,861,130	84,896,237	86,628,827	89,497,290	87,812,627	94,501,862
1,515,890	1,319,430	1,480,351	3,027,780	1,882,595	1,561,483
93,651,172	**110,606,055**	**115,530,832**	**119,536,082**	**121,798,439**	**130,726,409**
(116,203,385)	**(123,368,211)**	**(130,196,803)**	**(139,063,044)**	**(147,586,465)**	**(155,833,615)**
68,793,292	78,098,865	80,303,076	85,712,013	94,460,551	100,657,551
36,477,724	38,224,080	39,121,061	38,726,332	39,784,494	41,006,121
9,102,128	10,720,647	9,213,173	11,128,198	12,608,756	14,625,724
5,777,167	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365
3,359,043	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068
—	—	—	2,282,313	2,397,531	2,562,919
2,302,231	2,235,498	2,158,874	2,574,456	3,573,848	3,790,987
80,969	58,016	131,615	149,135	297,782	706,637
487,937	400,807	304,960	325,755	378,180	447,401
(54,537)	—	40,516	30,986	—	—
(2,296,010)	(2,554,970)	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)
124,029,944	**136,503,256**	**137,705,648**	**145,444,193**	**158,596,061**	**170,232,867**
$ 7,826,559	**$ 13,135,045**	**$ 7,508,845**	**$ 6,381,149**	**$ 11,009,596**	**$ 14,399,252**

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2010	2011	2012	2013
Business-type activities				
Expenses				
Electric Power	$ 3,908,000	$ 2,317,000	$ 915,000	$ 488,000
Water Resources	1,069,662	1,115,793	1,047,574	1,127,195
Public Buildings Construction [5]	494,332	390,173	403,853	410,404
State Lottery	3,166,447	3,507,524	4,431,709	4,499,451
Unemployment Programs	29,614,598	25,619,138	21,111,658	17,599,219
California State University [4]	—	5,851,355	6,181,397	6,196,541
High Technology Education	15,025	9,590	7,778	6,568
State University Dormitory Building Maintenance and Equipment	856,106	—	—	—
State Water Pollution Control Revolving	16,893	10,953	8,780	3,698
Safe Drinking Water State Revolving [6]	—	—	—	—
Housing Loan	122,114	104,667	89,570	70,356
Other enterprise programs	130,329	118,006	78,601	58,578
Total expenses	**39,393,506**	**39,044,199**	**34,275,920**	**30,460,010**
Program revenues				
Charges for services:				
Electric Power	3,908,000	2,317,000	915,000	488,000
Water Resources	1,069,662	1,115,793	1,047,574	1,127,195
Public Buildings Construction [5]	430,069	456,467	428,260	616,041
State Lottery	3,145,259	3,484,689	4,484,291	4,445,921
Unemployment Programs	11,255,098	24,678,783	21,947,781	18,597,962
California State University [4]	—	2,505,545	2,915,123	2,891,432
High Technology Education	13,015	10,498	8,452	5,585
State University Dormitory Building Maintenance and Equipment	599,571	—	—	—
State Water Pollution Control Revolving	56,121	55,957	57,540	60,173
Safe Drinking Water State Revolving [6]	—	—	—	—
Housing Loan	85,321	89,224	84,830	66,050
Other enterprise programs	98,957	105,676	74,693	80,540
Operating grants/contributions	—	1,216,808	1,249,995	1,323,345
Capital grants/contributions	91,808	86,272	106,057	142,304
Total program revenues	**20,752,881**	**36,122,712**	**33,319,596**	**29,844,548**
Total business-type activities net program revenues (expenses)	**(18,640,625)**	**(2,921,487)**	**(956,324)**	**(615,462)**
Other changes in net position				
Gain (loss) on early extinguishment of debt [3]	—	—	—	—
Transfers	13,441,875	3,251,598	2,031,032	1,997,759
Total business-type activities change in net position	**(5,198,750)**	**330,111**	**1,074,708**	**1,382,297**
Total primary government change in net position	**$ (16,370,576)**	**$ (3,215,014)**	**$ (6,733,926)**	**$ 9,893,335**

2014	2015	2016	2017	2018 [6]	2019
$ 835,000	$ 799,000	$ 728,000	$ 945,000	$ 952,000	$ 913,000
983,048	1,019,378	1,086,650	1,223,340	1,221,866	1,199,823
—	—	—	—	—	—
5,078,935	5,560,299	6,315,957	6,271,875	7,006,591	7,435,755
13,673,403	11,390,227	11,458,966	11,907,623	12,133,531	13,229,332
6,544,936	6,847,789	7,199,277	8,001,396	9,806,114	9,779,084
847	—	—	—	—	—
—	—	—	—	—	—
5,072	9,082	11,814	17,112	32,335	49,860
—	—	—	—	21,994	19,371
57,206	58,280	55,627	62,885	57,088	54,402
79,641	77,475	84,188	75,397	96,078	109,113
27,258,088	**25,761,530**	**26,940,479**	**28,504,628**	**31,327,597**	**32,789,740**
835,000	799,000	728,000	945,000	952,000	913,000
983,048	1,019,378	1,086,650	1,223,340	1,221,866	1,172,134
—	—	—	—	—	—
5,077,976	5,553,418	6,367,902	6,213,074	6,975,168	7,473,452
15,167,258	13,402,902	13,866,028	14,437,094	15,594,045	14,039,030
3,014,030	3,113,988	3,172,154	3,224,919	3,387,420	3,529,083
424	—	—	—	—	—
—	—	—	—	—	—
62,985	65,959	70,245	75,912	86,789	95,703
—	—	—	—	22,675	25,762
65,247	57,742	53,617	52,842	52,735	60,002
77,671	78,625	82,029	93,177	86,911	106,687
1,491,559	1,666,292	1,764,962	1,805,406	2,132,665	2,125,362
80,903	107,746	66,914	61,027	—	—
26,856,101	**25,865,050**	**27,258,501**	**28,131,791**	**30,512,274**	**29,540,215**
(401,987)	**103,520**	**318,022**	**(372,837)**	**(815,323)**	**(3,249,525)**
(26,913)	—	—	—	—	—
2,296,010	2,554,970	2,800,101	3,083,437	4,339,995	3,930,906
1,867,110	**2,658,490**	**3,118,123**	**2,710,600**	**3,524,672**	**681,381**
$ 9,693,669	**$ 15,793,535**	**$ 10,626,968**	**$ 9,091,749**	**$ 14,534,268**	**$ 15,080,633**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2010	2011 [1]	2012	2013
General Fund				
Reserved	$ 1,320,782	$ —	$ —	$ —
Unreserved	(20,929,640)	—	—	—
Nonspendable	—	148,019	7,614	140,107
Restricted	—	156,496	80,849	178,643
Committed	—	29,850	19,600	22,879
Unassigned	—	(20,273,606)	(23,069,351)	(14,596,085)
Total General Fund	**$ (19,608,858)**	**$ (19,939,241)**	**$ (22,961,288)**	**$ (14,254,456)**
All other governmental funds				
Reserved	$ 41,087,578	$ —	$ —	$ —
Unreserved, reported in:				
Special revenue funds	(8,554,611)	—	—	—
Capital projects funds	838,879	—	—	—
Nonspendable	—	39,448	—	15,022
Restricted	—	27,709,325	24,790,661	24,137,270
Committed	—	2,701,702	2,109,089	2,318,035
Assigned	—	268,888	3	209,171
Unassigned	—	(21,847)	(103,177)	(176,066)
Total all other governmental funds	**$ 33,371,846**	**$ 30,697,516**	**$ 26,796,576**	**$ 26,503,432**

Note: In fiscal year 2011, the State implemented GASB Statement No. 54, which significantly changed the fund balance classifications. Fiscal year 2011 and subsequent fund balance classifications are not comparable to prior years' classifications.

[1] In fiscal year 2011, the California State University Fund, which consisted of a $1.2 billion beginning fund balance, was reclassified from a governmental fund to an enterprise fund.

2014	2015	2016	2017	2018	2019
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
128,609	53,431	75,939	103,903	559,644	1,180,575
394,246	2,266,635	4,044,911	7,429,825	9,807,729	14,834,597
125,120	102,793	68,102	180,755	171,020	1,787,142
(8,092,571)	(4,651,491)	(3,827,224)	(1,904,097)	1,648,511	765,568
$ (7,444,596)	**$ (2,228,632)**	**$ 361,728**	**$ 5,810,386**	**$ 12,186,904**	**$ 18,567,882**

$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
27,260	5,620	11,188	20,172	69,868	12,760
24,269,093	24,224,167	24,885,166	26,233,389	25,051,548	26,329,109
2,914,747	4,090,563	5,652,478	5,847,879	7,897,362	9,994,978
18,857	16,767	14,622	12,033	26,346	19,247
(20,145)	(6,456)	(1,037)	(15,152)	—	—
$ 27,209,812	**$ 28,330,661**	**$ 30,562,417**	**$ 32,098,321**	**$ 33,045,124**	**$ 36,356,094**

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2010	2011 [3]	2012	2013
Revenues				
Personal income taxes	$ 43,884,798	$ 51,691,153	$ 54,442,733	$ 67,424,576
Sales and use taxes	33,696,412	33,488,805	31,205,183	33,869,961
Corporation taxes	9,467,611	9,433,416	8,609,935	7,261,910
Motor vehicle excise taxes [1]	—	—	5,263,435	5,219,605
Insurance taxes	2,235,251	2,311,881	2,408,473	2,295,579
Managed care organization enrollment tax [2]	—	—	—	—
Other taxes [1]	5,235,801	7,829,662	2,306,717	2,425,184
Intergovernmental	79,183,291	69,160,916	62,235,671	64,418,808
Licenses and permits	6,900,747	6,767,437	6,600,001	6,659,078
Charges for services	974,181	1,008,647	728,980	741,201
Fees and penalties	7,291,894	10,262,387	8,315,452	10,673,104
Investment and interest	281,881	212,116	175,898	135,928
Escheat	149,996	229,146	372,215	551,580
Other	3,555,282	2,941,484	2,542,505	3,227,347
Total revenues	**192,857,145**	**195,337,050**	**185,207,198**	**204,903,861**
Expenditures				
General government	12,036,503	12,997,651	13,484,305	15,748,069
Education	59,229,726	55,547,139	50,362,337	49,692,763
Health and human services	80,321,470	91,941,309	89,473,391	94,621,630
Natural resources and environmental protection	5,456,904	5,254,757	5,358,575	5,318,332
Business, consumer services, and housing	1,088,494	1,183,536	1,219,499	1,259,392
Transportation	14,083,790	13,181,390	15,684,611	15,008,671
Corrections and rehabilitation	9,553,992	9,253,791	9,805,846	9,681,086
Capital outlay	1,691,674	1,128,011	1,296,413	1,222,342
Debt service:				
Bond and commercial paper retirement	3,259,203	3,118,906	4,435,992	5,189,150
Interest and fiscal charges	4,022,922	4,355,110	4,453,643	4,363,260
Total expenditures	**190,744,678**	**197,961,600**	**195,574,612**	**202,104,695**
Excess (deficiency) of revenues over (under) expenditures	2,112,467	(2,624,550)	(10,367,414)	2,799,166
Other financing sources (uses)				
General obligation bonds and commercial paper issued	12,039,472	4,525,000	4,165,515	4,038,095
Refunding/remarketing debt issued	4,176,050	—	4,300,555	4,634,365
Payment to refund/remarket long-term debt	(4,221,604)	—	(4,508,834)	(3,174,613)
Premium on bonds issued	267,980	32,607	667,931	964,211
Proceeds from loans	1,996,737	35,538	—	—
Capital leases	811,816	204,631	528,804	710,440
Transfers in	6,548,447	8,705,229	5,523,644	2,957,762
Transfers out	(19,952,766)	(11,902,800)	(7,499,131)	(4,898,754)
Total other financing sources	**1,666,132**	**1,600,205**	**3,178,484**	**5,231,506**
Total change in fund balance	**$ 3,778,599**	**$ (1,024,345)**	**$ (7,188,930)**	**$ 8,030,672**
Debt service as a percentage of noncapital expenditures	3.9%	3.9%	4.7%	4.9%

[1] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

[2] In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with “insurance taxes” in prior years.

[3] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

2014	2015	2016	2017	2018	2019
$ 68,771,667	$ 78,245,616	$ 79,934,285	$ 85,737,905	$ 94,484,443	$ 96,801,076
36,409,311	38,389,972	39,136,040	38,741,715	39,777,069	41,085,626
9,242,454	10,780,647	9,214,173	11,125,198	12,597,928	14,038,348
5,777,167	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365
3,359,043	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068
—	—	—	2,282,313	2,397,531	2,562,919
2,297,025	2,312,875	2,185,690	2,565,928	3,548,182	3,688,531
73,000,600	87,740,667	91,069,753	95,709,784	92,904,469	99,867,750
6,957,117	7,270,994	7,612,551	8,113,542	8,761,620	9,186,945
769,302	849,895	870,142	860,241	975,314	956,032
9,757,476	10,510,727	11,882,699	11,571,934	13,548,471	14,187,698
137,754	119,690	232,285	318,502	607,418	1,321,143
488,945	406,899	305,394	327,614	382,793	448,756
2,903,335	3,975,144	4,049,789	2,934,157	5,318,739	5,594,587
219,871,196	**249,923,439**	**255,725,275**	**267,887,275**	**284,738,891**	**300,105,844**
14,778,214	16,202,395	16,715,892	17,250,720	18,978,389	19,263,146
53,309,436	62,952,621	65,213,542	67,224,796	69,902,627	75,071,188
104,781,494	122,259,036	127,201,314	134,372,094	138,018,275	144,543,589
5,508,860	6,006,446	6,278,363	6,712,838	7,987,878	9,069,777
621,037	670,774	1,130,213	1,103,694	1,189,365	2,013,409
15,721,532	15,137,217	14,814,829	15,007,639	17,169,040	17,893,338
10,395,234	11,182,926	11,450,980	12,276,391	14,665,524	14,055,766
1,909,010	1,019,335	1,492,442	1,238,700	612,769	287,487
7,002,941	8,482,380	6,929,866	9,364,550	8,598,856	10,444,825
4,321,040	4,473,799	4,057,907	3,986,270	3,961,704	3,971,353
218,348,798	**248,386,929**	**255,285,348**	**268,537,692**	**281,084,427**	**296,613,878**
1,522,398	1,536,510	439,927	(650,417)	3,654,464	3,491,966
5,082,305	4,343,165	4,074,980	4,325,075	5,283,365	3,626,765
2,077,330	5,086,100	5,220,320	7,074,225	6,681,855	5,683,865
(328,024)	(3,865,093)	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)
505,026	1,116,811	1,037,920	1,309,254	1,036,320	1,003,337
—	—	—	—	—	—
1,486,204	625,282	1,148,774	988,680	405,930	50,506
4,041,250	5,344,134	4,385,123	4,586,199	4,266,596	4,414,250
(6,304,047)	(7,934,754)	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)
6,560,044	**4,715,645**	**4,358,647**	**7,693,525**	**5,392,268**	**6,069,288**
$ 8,082,442	**$ 6,252,155**	**$ 4,798,574**	**$ 7,043,108**	**$ 9,046,732**	**$ 9,561,254**
5.3%	5.4%	4.4%	5.1%	4.6%	5.0%

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State's capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

Schedule of Revenue Base

Schedule of Revenue Payers by Income Level/Industry

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2009	2010	2011	2012
Personal Income by Industry				
(items restated as footnoted) [1]				
Farm earnings	$ 12,353,918	$ 13,158,193	$ 15,198,140	$ 17,356,593
Forestry, fishing, and other natural resources	5,843,512	6,400,497	6,693,485	7,504,590
Mining	4,407,806	4,620,076	5,251,493	6,041,129
Construction and utilities	63,527,010	64,196,131	62,972,017	67,862,415
Manufacturing	113,311,993	115,565,437	119,852,946	124,666,659
Wholesale trade	51,178,861	52,651,124	56,488,847	59,067,338
Retail trade	66,566,961	69,564,024	72,732,632	77,323,055
Transportation and warehousing	31,539,745	33,579,755	36,376,555	37,949,820
Information, finance, and insurance	119,984,148	130,737,220	135,321,324	144,204,507
Real estate and rental and leasing	33,474,649	36,963,992	47,395,981	55,245,202
Services	417,996,629	439,206,312	467,337,237	506,565,209
Federal, civilian	23,413,156	25,736,809	26,083,443	26,157,961
Military	15,579,596	16,264,215	16,062,725	15,933,633
State and local government	177,405,543	177,461,935	181,063,132	179,834,589
Other [2]	417,429,816	442,351,917	489,110,047	526,684,790
Total personal income	**$ 1,554,013,343**	**$ 1,628,457,637**	**$ 1,737,940,004**	**$ 1,852,397,490**
Average effective rate [3]	5.2%	4.7%	5.3%	5.0%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

[1] Prior years were updated based on more current information.

[2] Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

[3] The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

2013	2014	2015	2016	2017	2018
$ 20,049,107	$ 22,100,446	$ 21,140,127	$ 18,207,023	$ 19,695,227	$ 18,228,024
7,928,931	8,378,306	9,304,980	9,960,317	10,386,057	10,995,364
6,522,865	6,770,753	5,042,780	3,786,868	3,252,036	3,442,228
75,578,567	81,241,524	89,598,172	94,736,928	103,861,204	111,945,082
126,302,825	133,278,056	139,710,893	145,404,219	154,331,338	161,095,679
61,598,279	65,993,637	70,507,415	70,393,157	74,206,012	75,987,684
79,202,104	82,432,879	86,342,497	86,107,392	88,899,708	91,985,096
39,849,739	42,802,161	46,662,759	49,857,652	54,428,384	58,936,812
157,149,112	160,266,822	174,937,678	191,615,538	208,307,514	223,085,494
52,971,172	50,460,373	52,973,346	55,427,907	57,084,695	58,030,619
515,553,620	553,482,528	590,438,877	612,351,541	643,375,177	687,113,403
25,771,225	26,450,856	27,623,700	28,497,552	29,390,087	30,659,199
15,353,761	15,071,057	14,921,123	15,418,110	15,113,243	15,984,344
190,303,808	200,322,926	212,291,869	222,341,036	230,774,025	240,179,083
512,243,937	571,986,145	630,451,160	659,784,607	677,007,649	726,461,151
$ 1,886,379,052	**$ 2,021,038,469**	**$ 2,171,947,376**	**$ 2,263,889,847**	**$ 2,370,112,356**	**$ 2,514,129,262**
6.1%	5.6%	6.1%	6.0%	5.9%	6.1%

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2009	2010	2011	2012
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	$ 44,488,198	$ 47,355,568	$ 53,303,501	$ 61,547,848
Furniture and home furnishings stores	8,481,020	8,742,984	9,280,688	9,937,187
Electronics and appliance stores	13,384,338	13,749,019	14,297,402	14,744,723
Building materials, garden equipment, and supplies	23,978,313	24,750,865	26,064,428	27,438,083
Food and beverage	22,546,285	22,787,407	23,606,132	24,511,714
Health and personal care stores	9,244,958	9,525,910	10,309,491	10,787,801
Gasoline stations	39,077,835	45,226,491	55,210,076	58,006,168
Clothing and clothing accessories stores	25,641,272	27,267,430	29,600,057	32,357,516
Sporting goods, hobby, book, and music stores	10,294,172	10,365,480	10,602,711	10,751,814
General merchandise stores	44,921,639	46,323,804	48,219,018	49,996,451
Miscellaneous store retailers	16,385,169	16,569,690	17,187,402	17,880,765
Nonstore retailers	2,849,864	2,830,615	3,081,188	4,375,432
Food services and drinking places	49,921,543	51,282,453	54,755,944	59,037,320
All other outlets	145,278,339	150,570,269	165,050,017	177,014,427
Total taxable sales	**$ 456,492,945**	**$ 477,347,985**	**$ 520,568,055**	**$ 558,387,249**
Direct sales tax rate [1]	7.25% [2]	7.25%	6.25% [3]	6.25%

Source: California Department of Tax and Fee Administration (CDTFA)

[1] The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund. It does not include the 1% local tax rate that is allocated to cities and counties.

[2] Rate change was effective on April 1, 2009.

[3] Rate change was effective on July 1, 2011.

[4] Rate change was effective on January 1, 2013.

[5] Updated based on more current information.

[6] Rate change was effective on January 1, 2017.

2013	2014	2015 [5]	2016 [5]	2017 [5]	2018
$ 67,986,436	$ 73,232,242	$ 80,346,595	$ 84,225,652	$ 86,983,280	$ 89,696,669
10,645,523	11,408,837	12,169,888	12,790,041	13,035,340	13,578,685
14,765,485	15,148,893	16,349,542	17,120,030	17,170,671	17,520,474
29,680,053	31,299,110	33,601,538	35,238,333	37,504,347	39,469,798
25,289,203	26,298,414	27,134,034	27,678,056	28,799,044	29,697,424
11,294,049	11,640,870	12,364,559	13,163,569	13,669,415	14,384,602
56,860,585	55,733,384	48,203,175	43,273,182	47,434,923	54,302,232
34,918,036	36,822,241	38,438,074	39,698,156	40,206,581	42,233,560
11,113,831	11,056,024	11,341,328	11,441,556	10,900,749	10,467,200
51,431,094	52,013,855	53,119,200	53,032,357	54,684,182	56,416,293
18,382,224	19,024,905	19,852,685	19,617,820	19,719,301	20,503,078
7,296,839	8,292,788	9,531,606	11,717,407	13,599,808	15,663,789
62,776,360	67,864,614	73,889,708	78,494,623	82,355,474	85,226,197
184,399,899	195,985,698	202,290,022	206,365,477	211,760,378	217,675,199
$ 586,839,617	**$ 615,821,875**	**$ 638,631,954**	**$ 653,856,259**	**$ 677,823,493**	**$ 706,835,200**
6.50% [4]	6.50%	6.50%	6.50%	6.00% [6]	6.00%

(concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2009 and 2017

Personal Income Tax Filers and Liability by Income Level [1]

2009

	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,396,715	64.2 %	$ 1,829,435	4.7 %
50,000 to 99,999	3,066,723	21.0	6,049,084	15.6
100,000 to 149,999	1,159,986	7.9	5,750,127	14.8
150,000 to 199,999	458,919	3.1	4,038,552	10.4
200,000 to 299,999	312,487	2.1	4,524,642	11.6
300,000 to 399,999	99,302	0.7	2,344,826	6.0
400,000 to 499,999	45,461	0.3	1,493,756	3.8
500,000 to 599,999	25,037	0.2	1,050,952	2.7
600,000 to 699,999	15,901	0.1	801,884	2.1
700,000 to 799,999	10,612	0.1	621,855	1.6
800,000 to 899,999	7,689	0.1	524,240	1.3
900,000 to 999,999	5,446	0.0	421,440	1.1
1,000,000 to 1,999,999	21,493	0.2	2,479,372	6.4
2,000,000 to 2,999,999	5,377	0.0	1,163,585	3.0
3,000,000 to 3,999,999	2,299	0.0	717,284	1.8
4,000,000 to 4,999,999	1,282	0.0	525,317	1.4
$ 5,000,000 and over	3,475	0.0	4,533,250	11.7
Total	**14,638,204**	**100.0 %**	**$ 38,869,601**	**100.0 %**

2017

	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,714,437	57.5 %	$ 1,524,496	1.9 %
50,000 to 99,999	3,684,090	21.8	6,181,642	7.7
100,000 to 149,999	1,548,198	9.2	7,306,253	9.1
150,000 to 199,999	749,574	4.4	6,388,990	8.0
200,000 to 299,999	609,547	3.6	8,704,832	10.9
300,000 to 399,999	229,053	1.4	5,286,825	6.6
400,000 to 499,999	110,576	0.6	3,613,841	4.5
500,000 to 599,999	62,474	0.4	2,632,098	3.3
600,000 to 699,999	39,414	0.2	2,049,199	2.6
700,000 to 799,999	26,424	0.2	1,654,225	2.1
800,000 to 899,999	18,774	0.1	1,382,082	1.7
900,000 to 999,999	14,203	0.1	1,195,958	1.5
1,000,000 to 1,999,999	51,074	0.3	6,762,397	8.4
2,000,000 to 2,999,999	12,747	0.1	3,351,023	4.2
3,000,000 to 3,999,999	5,525	0.0	2,147,084	2.7
4,000,000 to 4,999,999	3,141	0.0	1,612,789	2.0
$ 5,000,000 and over	9,217	0.1	18,205,236	22.8
Total	**16,888,468**	**100.0 %**	**$ 79,998,970**	**100.0 %**

Source: California Franchise Tax Board

[1] For California resident tax returns. Calendar year 2017 is the most recent year for which data is available.

[2] Amounts are in thousands.

For Calendar Years 2009 and 2018

Sales Tax Permits and Tax Liability by Industry

	2009			
	Number of Permits	Percent of Total	Tax Liability [1]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	32,050	3.3 %	$ 3,225,394	9.7 %
Furniture and home furnishings stores	17,913	1.9	614,874	1.9
Electronics and appliance stores	20,838	2.2	970,365	2.9
Building materials, garden equipment, and supplies	16,335	1.7	1,738,428	5.3
Food and beverage	28,205	3.0	1,634,606	4.9
Health and personal care stores	18,115	1.9	670,259	2.0
Gasoline stations	10,506	1.1	2,833,143	8.6
Clothing and clothing accessories stores	60,999	6.4	1,858,992	5.6
Sporting goods, hobby, book, and music stores	26,148	2.7	746,327	2.3
General merchandise stores	15,024	1.6	3,256,819	9.9
Miscellaneous store retailers	119,441	12.5	1,187,925	3.6
Nonstore retailers	168,518	17.7	206,615	0.6
Food services and drinking places	90,797	9.5	3,619,312	10.9
All other outlets	328,962	34.5	10,532,680	31.8
Total	**953,851**	**100.0 %**	**$ 33,095,739**	**100.0 %**

	2018			
	Number of Permits	Percent of Total	Tax Liability [1]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	37,108	3.0 %	$ 5,381,800	12.7 %
Furniture and home furnishings stores	21,064	1.7	814,721	1.9
Electronics and appliance stores	25,579	2.1	1,051,228	2.5
Building materials, garden equipment, and supplies	18,399	1.5	2,368,188	5.6
Food and beverage	36,978	3.0	1,781,845	4.2
Health and personal care stores	47,560	3.8	863,076	2.0
Gasoline stations	10,263	0.8	3,258,134	7.7
Clothing and clothing accessories stores	114,115	9.2	2,534,014	6.0
Sporting goods, hobby, book, and music stores	35,520	2.9	628,032	1.5
General merchandise stores	26,738	2.2	3,384,978	8.0
Miscellaneous store retailers	181,264	14.6	1,230,185	2.9
Nonstore retailers	64,444	5.2	939,827	2.2
Food services and drinking places	115,856	9.3	5,113,572	12.0
All other outlets	503,557	40.7	13,060,512	30.8
Total	**1,238,445**	**100.0 %**	**$ 42,410,112**	**100.0 %**

Source: California Department of Tax and Fee Administration (CDTFA)

[1] Calculated by multiplying the taxable sales by industry shown on pages 308 and 309 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2009-2018

Married Filing Jointly and Surviving Spouse				
	2009	2010	2011	2012
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $14,120	Up to $14,248	Up to $14,632	Up to $14,910
2.0	14,121 – 33,478	14,249 – 33,780	14,633 – 34,692	14,911 – 35,352
4.0	33,479 – 52,838	33,781 – 53,314	34,693 – 54,754	35,353 – 55,794
6.0	52,839 – 73,350	53,315 – 74,010	54,755 – 76,008	55,795 – 77,452
8.0	73,351 – 92,698	74,011 – 93,532	76,009 – 96,058	77,453 – 97,884
9.3	92,699 – 1,000,000	93,533 –1,000,000	96,059 – 1,000,000	97,885 – 500,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	500,001 – 600,000
11.3	—	—	—	600,001 – 1,000,000
12.3	—	—	—	$1,000,001 and over
13.3	—	—	—	—

Single and Married Filing Separately				
	2009	2010	2011	2012
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $7,060	Up to $7,124	Up to $7,316	Up to $7,455
2.0	7,061 – 16,739	7,125 – 16,890	7,317 – 17,346	7,456 – 17,676
4.0	16,740 – 26,419	16,891 – 26,657	17,347 – 27,377	17,677 – 27,897
6.0	26,420 – 36,675	26,658 – 37,005	27,378 – 38,004	27,898 – 38,726
8.0	36,676 – 46,349	37,006 – 46,766	38,005 – 48,029	38,727 – 48,942
9.3	46,350 – 1,000,000	46,767 – 1,000,000	48,030 –1,000,000	48,943 – 250,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	250,001 – 300,000
11.3	—	—	—	300,001 – 500,000
12.3	—	—	—	500,001 – 1,000,000
13.3	—	—	—	$1,000,001 and over

Head of Household				
	2009	2010	2011	2012
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $14,130	Up to $14,257	Up to $14,642	Up to $14,920
2.0	14,131 – 33,479	14,258 – 33,780	14,643 – 34,692	14,921 – 35,351
4.0	33,480 – 43,157	33,781 – 43,545	34,693 – 44,721	35,352 – 45,571
6.0	43,158 – 53,412	43,546 – 53,893	44,722 – 55,348	45,572 – 56,400
8.0	53,413 – 63,089	53,894 – 63,657	55,349 – 65,376	56,401 – 66,618
9.3	63,090 – 1,000,000	63,658 – 1,000,000	65,377 – 1,000,000	66,619 – 340,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	340,001 – 408,000
11.3	—	—	—	408,001 – 680,000
12.3	—	—	—	680,001 – 1,000,000
13.3	—	—	—	$1,000,001 and over

Source: California Franchise Tax Board (FTB)

[1] FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2009	2010	2011	2012
Personal income tax revenue [1]	$ 45,482,726	$ 43,884,798	$ 51,691,153	$ 54,442,733
Adjusted gross income [2]	$ 881,160,200	$ 939,888,500	$ 980,167,100	$ 1,087,823,400
Average effective rate [3]	5.2%	4.7%	5.3%	5.0%

[1] Personal income tax revenue is reported on a fiscal year basis.

[2] Source: California Franchise Tax Board. Fiscal year 2018 information reflects returns processed as of December 2019.

[3] The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse					
2013	2014	2015	2016	2017	2018
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $15,164	Up to $15,498	Up to $15,700	Up to $16,030	Up to $16,446	Up to $17,088
15,165 – 35,952	15,499 – 36,742	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510
35,953 – 56,742	36,743 – 57,990	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938
56,743 – 78,768	57,991 – 80,500	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754
78,769 – 99,548	80,501 – 101,738	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170
99,549 – 508,500	101,739 – 519,688	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984
508,501 – 610,200	519,689 – 623,624	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576
610,201 – 1,000,000	623,625 – 1,000,000	631,733 – 1,000,000	644,999 – 1,000,000	661,769 – 1,000,000	687,577 – 1,000,000
1,000,001 – 1,017,000	1,000,001 – 1,039,374	1,000,001 – 1,052,886	1,000,001 – 1,074,996	1,000,001 – 1,102,946	1,000,001 – 1,145,960
$1,017,001 and over	$1,039,375 and over	$1,052,887 and over	$1,074,997 and over	$1,102,946 and over	$1,145,961 and over

Single and Married Filing Separately					
2013	2014	2015	2016	2017	2018
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $7,582	Up to $7,749	Up to $7,850	Up to $8,015	Up to $8,223	Up to $8,544
7,583 – 17,976	7,750 – 18,371	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255
17,977 – 28,371	18,372 – 28,995	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969
28,372 – 39,384	28,996 – 40,250	29,373 – 40,773	29.990 – 41,629	30,770 – 42,711	31,970 – 44,377
39,385 – 49,774	40,251 – 50,869	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085
49,775 – 254,250	50,870 – 259,844	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492
254,251 – 305,100	259,845 – 311,812	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788
305,101 – 508,500	311,813 – 519,687	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980
508,501 – 1,000,000	519,688 – 1,000,000	526,444 – 1,000,000	537,499 – 1,000,000	551,474 – 1,000,000	572,981 – 1,000,000
$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,000 and over

Head of Household					
2013	2014	2015	2016	2017	2018
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $15,174	Up to $15,508	Up to $15,710	Up to $16,040	Up to $16,457	Up to $16,457
15,175 – 35,952	15,509 – 36,743	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991
35,953 – 46,346	36,744 – 47,366	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264
46,347 – 57,359	47,367 – 58,621	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206
57,360 – 67,751	58,622 – 69,242	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477
67,752 – 345,780	69,243 – 353,387	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478 – 375,002
345,781 – 414,936	353,388 – 424,065	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003
414,937 – 691,560	424,066 – 706,774	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003
691,561 – 1,000,000	706,775 – 1,000,000	715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	750,004 – 1,000,000
$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over

2013	2014	2015	2016	2017	2018
$ 66,220,132	$ 67,584,256	$ 76,879,115	$ 78,510,777	$ 84,253,851	$ 92,808,996
$ 1,091,080,300	$ 1,216,002,700	$ 1,265,341,200	$ 1,318,362,700	$ 1,430,332,000	$ 1,531,670,000
6.1%	5.6%	6.1%	6.0%	5.9%	6.1%

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2010	2011	2012	2013
Governmental activities				
General obligation bonds [1]	$ 77,745,789	$ 79,469,085	$ 81,060,111	$ 82,346,211
Revenue bonds [2]	7,611,939	7,511,092	7,421,198	7,735,053
Certificates of participation and commercial paper [3]	1,342,119	1,335,340	46,098	538,593
Capital lease obligations [4]	4,967,290	4,882,233	5,176,341	5,319,487
Total governmental activities	**91,667,137**	**93,197,750**	**93,703,748**	**95,939,344**
Business-type activities				
General obligation bonds [1]	1,477,663	1,218,639	1,118,634	887,053
Revenue bonds [2]	24,538,094	23,290,315	24,790,918	25,558,129
Commercial paper	64,518	139,974	67,325	77,560
Capital lease obligations	—	791,489	817,687	909,871
Total business-type activities	**26,080,275**	**25,440,417**	**26,794,564**	**27,432,613**
Total primary government	**$ 117,747,412**	**$ 118,638,167**	**$ 120,498,312**	**$ 123,371,957**
Debt as a percentage of personal income [5, 7]	7.6%	7.3%	6.9%	6.7%
Amount of debt per capita [6, 7]	$ 3,186	$ 3,179	$ 3,202	$ 3,251

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

[1] Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

[3] All certificates of participation were retired in fiscal year 2016.

[4] Prior to fiscal year 2014, governmental activities reported a capital lease obligation to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

[5] Ratio calculated using personal income data shown on pages 325 and 326 for the prior calendar year.

[6] Amount calculated using population data shown on pages 325 and 326 for the prior calendar year.

[7] Some prior years were updated based on more current information.

2014	2015	2016	2017	2018	2019
$ 83,276,347	$ 80,509,802	$ 79,043,295	$ 79,503,871	$ 79,663,028	$ 78,772,850
18,917,443	18,409,971	17,210,499	16,879,900	16,364,255	15,711,660
598,094	493,770	771,215	1,158,080	859,695	1,032,760
260,088	274,760	370,182	416,468	481,261	434,876
103,051,972	**99,688,303**	**97,395,191**	**97,958,319**	**97,368,239**	**95,952,146**
674,394	650,133	794,369	703,754	694,100	850,762
12,991,827	12,670,619	13,928,374	14,955,858	14,319,372	14,521,460
204,647	237,186	47,416	147,765	749,877	799,643
1,250,274	1,210,409	389,385	353,453	309,928	315,322
15,121,142	**14,768,347**	**15,159,544**	**16,160,830**	**16,073,277**	**16,487,187**
$ 118,173,114	**$ 114,456,650**	**$ 112,554,735**	**$ 114,119,149**	**$ 113,441,516**	**$ 112,439,333**
6.3%	5.7%	5.2%	5.0%	4.8%	4.5%
$ 3,089	$ 2,965	$ 2,892	$ 2,914	$ 2,882	$ 2,849

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2010	2011	2012	2013
Net general bonded debt				
General obligation bonds [1]	$ 71,284,447	$ 73,516,674	$ 75,791,795	$ 78,001,049
Economic Recovery bonds	7,939,005	7,171,050	6,386,950	5,232,215
Less: restricted debt service fund	113,172	143,777	330,297	278,425
Net Economic Recovery bonds [2]	**7,825,833**	**7,027,273**	**6,056,653**	**4,953,790**
Net general bonded debt	**$ 79,110,280**	**$ 80,543,947**	**$ 81,848,448**	**$ 82,954,839**
Net general bonded debt as a percentage of personal income [3, 5]	5.1%	4.9%	4.7%	4.5%
Amount of net general bonded debt per capita [4, 5]	$ 2,140	$ 2,158	$ 2,175	$ 2,186

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

[1] Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] In fiscal year 2016, the outstanding balance of the Economic Recovery bonds was defeased and the balance in the restricted debt service fund was transferred out.

[3] Ratio calculated using personal income data shown on pages 325 and 326 for the prior calendar year.

[4] Amount calculated using population data shown on pages 325 and 326 for the prior calendar year.

[5] Some prior years were updated based on more current information.

2014	2015	2016	2017	2018	2019
$ 79,368,794	$ 80,215,650	$ 79,837,664	$ 79,503,871	$ 80,357,128	$ 79,623,612
4,581,745	944,285	—	—	—	—
318,171	818,321	—	—	—	—
4,263,574	**125,964**	**—**	**—**	**—**	**—**
$ 83,632,368	**$ 80,341,614**	**$ 79,837,664**	**$ 79,503,871**	**$ 80,357,128**	**$ 79,623,612**
4.4%	4.0%	3.7%	3.5%	3.4%	3.2%
$ 2,186	$ 2,082	$ 2,051	$ 2,030	$ 2,042	$ 2,018

Schedule of General Obligation Bonds Outstanding

June 30, 2019
(amounts in thousands)

Governmental activity		
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	$	1,893,575
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All		12,540
California Library Construction and Renovation		213,335
California Park and Recreational Facilities		7,215
California Parklands		1,410
California Safe Drinking Water		35,375
California Stem Cell Research and Cures		1,175,770
California Wildlife, Coastal, and Park Land Conservation		70,195
Children's Hospital		1,252,400
Class Size Reduction Public Education Facilities		4,379,350
Clean Air and Transportation Improvement		505,685
Clean Water		5,205
Clean Water and Water Conservation		2,730
Clean Water and Water Reclamation		12,610
Community Parklands		1,435
County Correctional Facility Capital Expenditure		7,685
County Correctional Facility Capital Expenditure and Youth Facility		36,775
Disaster Preparedness and Flood Prevention		2,573,585
Earthquake Safety and Public Buildings Rehabilitation		28,150
Fish and Wildlife Habitat Enhancement		3,750
Higher Education Facilities		220,555
Highway Safety, Traffic Reduction, Air Quality, and Port Security		16,126,740
Housing Emergency Shelter		1,347,690
Housing and Homeless		880
Kindergarten-University Public Education Facilities		27,731,495
New Prison Construction		6,745
Passenger Rail and Clean Air		5,840
Public Education Facilities		1,014,625
Safe, Clean, Reliable Water Supply		410,685
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,142,280
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		3,223,755
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection		1,233,830
Safe, Reliable High-Speed Passenger Train		3,170,970
School Building and Earthquake		9,310
School Facilities		586,650
Seismic Retrofit		875,900
State, Urban, and Coastal Park		2,415
Veterans' Homes		32,170
Veterans Housing and Homeless Prevention		26,550
Water Conservation		12,170
Water Conservation and Water Quality		15,900
Water Quality, Supply, and Infrastructure		834,590
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,400,905
Total governmental activity		**72,651,425**
Business-type activity		
California Water Resources Development		28,090
Veterans' Farm and Home Building		813,165
Total business-type activity		**841,255**
Total outstanding general obligation bonds		**73,492,680**
Unamortized bond premiums/discounts		6,130,932
Total general obligation bonds payable	**$**	**79,623,612**

Source: California State Treasurer's Office

Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Housing Loans	2010	$ 85,321	$ 16,404	$ 68,917	$ 111,085	$ 34,874	$ 145,959	0.47
	2011	89,224	15,802	73,422	130,770	32,619	163,389	0.45
	2012	84,830	20,322	64,508	88,105	24,914	113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016	53,428	21,916	31,512	64,085	21,525	85,610	0.38
	2017	52,117	30,926	21,191	118,685	11,368	130,053	0.16
	2018	52,480	25,943	26,537	8,290	10,380	18,670	1.42
	2019	59,743	20,248	39,495	4,665	11,401	16,066	2.46
Water Resources	2010	$ 1,042,843	$ 837,459	$ 205,384	$ 97,360	$ 124,296	$ 221,656	0.93
	2011	1,096,196	880,540	215,656	108,870	117,668	226,538	0.95
	2012	1,045,812	852,404	193,408	116,150	121,804	237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
	2017	1,223,340	941,984	281,356	134,185	34,408	168,593	1.67
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
	2019	1,172,134	784,173	387,961	129,400	86,809	216,209	1.79
Water Pollution Control	2010	$ 53,365	$ 9,880	$ 43,485	$ 23,655	$ 6,928	$ 30,583	1.42
	2011	49,585	4,876	44,709	24,390	5,996	30,386	1.47
	2012	50,183	2,849	47,334	24,285	4,984	29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86
	2017	65,635	350	65,285	12,940	12,458	25,398	2.57
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37
	2019	86,828	435	86,393	58,845	37,384	96,229	0.90

(continued)

Source: California State Controller's Office

[1] Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

[2] Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges and refunding gains/losses. Prior to fiscal year 2012, bond issuance costs were amortized over the term of the bond. Beginning fiscal year 2012, bond issuance costs are operating expenses in the fiscal year incurred.

[3] Debt service requirements include principal and interest of revenue bonds.

[4] All revenue bonds have been redeemed.

[5] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[6] Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years
(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Electric Power	2010	$ 3,908,000	$ 3,007,000	$ 901,000	$ 518,000	$ 373,000	$ 891,000	1.01
	2011	2,317,000	1,427,000	890,000	460,000	344,000	804,000	1.11
	2012	915,000	29,000	886,000	556,000	354,000	910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
	2017	945,000	(29,000)	974,000	690,000	215,000	905,000	1.08
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
	2019	923,000	(5,000)	928,000	753,000	139,000	892,000	1.04
Public Buildings Construction	2010	$ 430,069	$ 120,565	$ 309,504	$ 377,998	$ 367,055	$ 745,053	0.42
	2011	423,775	507	423,268	394,490	383,185	777,675	0.54
	2012	426,960	13,211	413,749	405,585	384,400	789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
	2017	447,238	6,899	440,339	481,680	402,201	883,881	0.50
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
	2019	442,022	1,945	440,077	518,640	363,983	882,623	0.50
High Technology Education [4]	2010	$ 13,015	$ 5,009	8,006	$ 19,665	$ 9,977	$ 29,642	0.27
	2011	10,498	681	9,817	19,995	8,878	28,873	0.34
	2012	8,452	—	8,452	21,105	7,754	28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University [5]	2010	$ 599,572	$ 577,765	$ 21,807	$ 47,815	$ 151,988	$ 199,803	0.11
	2011	3,722,414	5,455,059	(1,732,645)	56,344	172,231	228,575	(7.58)
	2012	4,165,118	5,770,880	(1,605,762)	138,535	174,914	313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)
	2017	5,030,325	7,479,645	(2,449,320)	120,570	200,678	321,248	(7.62)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)
	2019	5,573,812	9,139,677	(3,565,865)	237,971	297,486	535,457	(6.66)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Building Authorities	2010	$ 76,535	$ —	$ 76,535	$ 50,948	$ 34,058	$ 85,006	0.90
	2011	63,168	—	63,168	51,957	20,071	72,028	0.88
	2012	57,386	—	57,386	36,473	22,889	59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
	2017	40,718	—	40,718	27,420	10,096	37,516	1.09
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
	2019	38,327	—	38,327	31,605	6,012	37,617	1.02
Golden State Tobacco Securitization Corporation	2010	$ 393,487	$ —	$ 393,487	$ 138,260	$ 316,038	$ 454,298	0.87
	2011	361,974	—	361,974	60,230	315,268	375,498	0.96
	2012	368,853	—	368,853	65,765	312,815	378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	394	414,598	133,900	292,173	426,073	0.97
	2016	365,300	586	364,714	70,535	299,935	370,470	0.98
	2017	370,612	462	370,150	745,888	308,638	1,054,526	0.35
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
	2019	446,462	653	445,809	878,094	288,841	1,166,935	0.38
Grant Anticipation Revenue Vehicles [6]	2010	$ 83,272	$ —	$ 83,272	$ 62,335	$ 20,937	$ 83,272	1.00
	2011	84,294	—	84,294	64,785	19,509	84,294	1.00
	2012	84,290	—	84,290	67,730	16,560	84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00
	2017	11,390	—	11,390	9,360	2,030	11,390	1.00
	2018	11,393	—	11,393	9,830	1,563	11,393	1.00
	2019	11,390	—	11,390	10,320	1,070	11,390	1.00

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Demographic and Economic Information

The ***demographic and economic*** schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2009	2010	2011	2012
Population (in thousands) [1]				
California	36,961	37,320	37,638	37,949
% Change	1.0%	1.0%	0.9%	0.8%
United States	306,772	309,322	311,557	313,831
% Change	0.9%	0.8%	0.7%	0.7%
Total personal income (in millions) [1]				
California	$ 1,554,013	$ 1,628,458	$ 1,737,940	$ 1,852,398
% Change	-3.3%	4.8%	6.7%	6.6%
United States	$ 12,051,307	$ 12,541,995	$ 13,315,478	$ 13,998,383
% Change	-3.1%	4.1%	6.2%	5.1%
Per capita personal income [1, 2]				
California	$ 42,044	$ 43,636	$ 46,175	$ 48,813
% Change	-4.2%	3.8%	5.8%	5.7%
United States	$ 39,284	$ 40,547	$ 42,739	$ 44,605
% Change	-4.0%	3.2%	5.4%	4.4%
Labor force and employment (in thousands)				
California				
Civilian labor force	18,208	18,316	18,385	18,511
Employed	16,145	16,052	16,227	16,740
Unemployed	2,064	2,265	2,158	1,771
Unemployment rate	11.3 %	12.4 %	11.7 %	9.6%
United States employment rate	9.3%	9.6%	8.9%	8.1%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of March 2020.

[1] Some prior years were updated based on more current information.

[2] Calculated by dividing total personal income by population.

2013	2014	2015	2016	2017	2018
38,261	38,597	38,918	39,167	39,358	39,462
0.8%	0.9%	0.8%	0.6%	0.5%	0.3%
315,994	318,301	320,635	322,941	324,986	326,688
0.7%	0.7%	0.7%	0.7%	0.6%	0.5%
$ 1,886,379	$ 2,021,039	$ 2,171,947	$ 2,263,890	$ 2,370,112	$ 2,514,129
1.8%	7.1%	7.5%	4.2%	4.7%	6.1%
$ 14,175,503	$ 14,982,715	$ 15,709,242	$ 16,111,636	$ 16,870,106	$ 17,813,035
1.3%	5.7%	4.8%	2.6%	4.7%	5.6%
$ 49,303	$ 52,363	$ 55,808	$ 57,801	$ 60,219	$ 63,711
1.0%	6.2%	6.6%	3.6%	4.2%	5.8%
$ 44,860	$ 47,071	$ 48,994	$ 49,890	$ 51,910	$ 54,526
0.6%	4.9%	4.1%	1.8%	4.0%	5.0%
18,573	18,941	18,996	19,099	19,319	19,534
17,044	17,600	17,894	18,141	18,515	18,740
1,530	1,341	1,102	957	804	794
8.2%	7.1%	5.8%	5.0%	4.2%	4.1%
7.4%	6.2%	5.3%	4.9%	4.4%	3.9%

Schedule of Employment by Industry

For Calendar Years 2009 and 2018

	2009		2018	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Industry				
Services	6,172,400	41.5 %	7,956,500	45.1 %
Government				
Federal	251,200	1.7	246,200	1.4
Military	58,000	0.4	61,100	0.3
State and Local	2,228,500	15.0	2,335,300	13.2
Retail trade	1,522,000	10.2	1,684,300	9.5
Manufacturing	1,285,500	8.6	1,323,100	7.5
Information, finance, and insurance	970,000	6.5	1,086,600	6.2
Construction and utilities	682,700	4.6	916,800	5.2
Wholesale trade	632,200	4.3	698,900	4.0
Transportation and warehousing	415,500	2.8	608,000	3.4
Farming	371,900	2.5	421,800	2.4
Real estate	255,000	1.7	294,600	1.7
Natural resources and mining	24,000	0.2	22,400	0.1
Total	**14,868,900**	**100.0 %**	**17,655,600**	**100.0 %**

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The ***operating information*** schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

Fiscal Year	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
2010	30,390	133,642	43,663	22,223	15,868	40,590	59,401	345,777
2011	32,535	138,017	48,638	23,611	17,043	44,844	67,272	371,960
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808

Fiscal Year	General Government[1]	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing[1]	Transportation[1]	Corrections and Rehabilitation	Total
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319
2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680
2017	44,844	154,479	41,350	23,880	5,153	38,375	53,662	361,743
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520
2019	44,989	164,337	40,761	24,447	5,644	39,670	57,140	376,988

Source: Annual Governor's Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

[1] Effective July 1, 2013, under the Governor's 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees' Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2010	2011	2012	2013
General Government				
State Lottery				
Total revenue [1]	$ 3,041	$ 3,439	$ 4,371	$ 4,446
Allocation to Education Fund [1]	$ 1,072	$ 1,103	$ 1,300	$ 1,262
Judicial Council of California				
Supreme Court [2, 9]				
Cases filed	9,760	10,329	9,232	8,029
Cases disposed	9,529	10,196	9,720	8,492
Courts of Appeal [9]				
Notices of appeal filed [3]				
Civil	6,122	6,258	6,505	6,052
Criminal	6,857	6,877	6,387	6,004
Juvenile	2,759	2,106	2,830	2,713
Trial Courts [9]				
Total civil cases [4]				
Filings	1,639,631	1,564,977	1,458,898	1,358,481
Dispositions	1,530,314	1,591,033	1,436,658	1,327,078
Department of Food and Agriculture				
Milk production (million lbs.) [5, 9]	40,385	41,462	41,801	41,256
Farm land (thousand acres) [5, 9]	25,500	25,600	25,600	25,300
Education				
Public Colleges and Universities				
Fall enrollment [9]				
Community Colleges	1,747,231	1,655,072	1,582,302	1,582,452
California State University	412,372	426,534	436,560	446,530
University of California	234,464	236,691	238,617	244,126
K-12 Schools				
Fall enrollment				
Public	6,190,425	6,217,002	6,220,993	6,226,989
Private	531,111	515,143	497,019	516,119

Sources: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; and Franchise Tax Board.

Note: This schedule presents data available as of May 2020.

[1] Dollars in millions.

[2] Includes death penalty cases, habeas related to automatic appeals, petitions for review, original proceedings, and State Bar matters.

[3] Includes only one notice of appeal per case.

[4] Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.

[5] Data based on calendar year.

[6] Total nonfarm and farm.

[7] Data compiled from a 10% sample of California licensed drivers.

[8] A center-line mile is measured by the yellow dividing strip that runs down the middle of the road, regardless of the number of lanes on each side.

[9] Some prior years were updated based on more current information.

[10] The amount for fiscal year 2019 is projected.

N/A = Not Available

2014	2015	2016	2017	2018	2019
$ 5,035	$ 5,525	$ 6,276	$ 6,233	$ 6,966	$ 7,388
$ 1,328	$ 1,364	$ 1,563	$ 1,499	$ 1,665	$ 1,825
7,907	7,860	8,081	7,317	6,812	N/A
7,774	7,549	7,951	6,992	6,761	N/A
5,983	6,062	5,935	5,975	6,002	N/A
6,373	7,113	6,714	5,593	5,221	N/A
2,857	3,036	3,025	3,029	3,068	N/A
1,264,983	1,145,892	1,148,205	1,198,072	1,235,428	N/A
1,216,185	1,118,443	1,031,105	1,115,470	984,938	N/A
42,339	40,897	40,469	39,798	40,404	40,564
25,200	24,900	24,800	24,500	24,300	24,300
1,578,779	1,593,894	1,591,276	1,595,904	1,591,584	1,564,112
460,200	474,571	478,638	484,297	481,210	N/A
252,263	257,438	270,112	278,996	286,271	285,216
6,236,672	6,235,520	6,226,737	6,228,235	6,220,413	N/A
511,286	503,295	500,543	490,966	488,854	495,525

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2010	2011	2012	2013
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births [5, 9, 10]	509,979	502,023	503,788	494,392
Department of Social Services				
Calfresh programs households (avg. per month)	1,340,857	1,576,042	1,757,387	1,898,283
Employment Development Department				
Number of employed [5, 6, 9]	14,476,400	14,614,600	15,240,400	16,109,200
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold [5, 9]	2,410,950	2,484,667	2,581,840	2,540,439
Hunting licenses sold [5, 9]	1,678,597	1,864,005	1,989,196	2,033,573
California Energy Commission				
Electrical energy generation plus net imports (gigawatt hours) [9]	291,047	293,774	302,180	296,257
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax [5, 9]				
Number of tax returns filed	14,814,427	15,042,359	15,152,800	15,487,100
Taxable income [1]	$ 794,758	$ 838,347	$ 948,523	$ 949,655
Total tax liability [1]	$ 44,472	$ 43,921	$ 58,652	$ 55,679
Corporation Tax [5, 9]				
Number of tax returns filed	738,224	754,315	784,086	801,045
Income reported for taxation [1]	$ 96,965	$ 93,456	$ 96,772	$ 101,913
Total tax liability [1]	$ 8,604	$ 7,808	$ 6,921	$ 7,166
Transportation				
California Highway Patrol				
Total number of DUI arrests [5]	89,814	86,901	79,993	76,860
Department of Motor Vehicles				
Motor vehicle registration [5, 9]	31,987,821	31,802,483	31,946,422	32,903,847
License issued by age [5, 7, 9]				
Under age 18	218,997	227,069	224,809	221,385
Between 18-80	23,001,119	23,150,222	23,462,971	23,824,697
Over age 80	579,397	579,207	602,508	597,350
Department of Transportation				
Highway center-line miles – rural [5, 8, 9]	10,785	10,780	10,784	10,315
Highway center-line miles – urban [5, 8, 9]	4,375	4,353	4,363	4,789
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year	162,200	147,181	132,768	134,333
Division of Juvenile Justice				
Institution population at June 30 each year	1,474	1,263	922	712

2014	2015	2016	2017	2018	2019
502,973	491,789	488,925	471,806	454,244	464,300
2,004,016	2,102,031	2,130,583	2,032,818	1,979,526	1,782,500
16,062,300	16,474,800	16,904,100	17,240,200	17,594,500	17,849,200
2,491,578	2,485,400	2,508,490	2,502,863	2,498,077	2,371,827
1,980,655	2,131,655	2,143,146	2,143,026	2,113,888	2,034,063
296,148	295,929	290,791	292,083	285,490	N/A
15,877,000	16,257,600	16,547,100	16,868,000	17,074,000	N/A
$ 1,064,347	$ 1,107,474	$ 1,154,906	$ 1,254,483	$ 1,352,592	N/A
$ 66,583	$ 68,498	$ 71,348	$ 79,927	$ 86,902	N/A
828,080	865,593	900,358	936,211	N/A	N/A
$ 122,976	$ 140,534	$ 129,452	$ 127,290	N/A	N/A
$ 8,593	$ 9,235	$ 9,276	$ 8,822	N/A	N/A
73,425	65,016	60,202	58,195	60,336	65,765
33,550,486	34,346,325	35,310,563	35,391,347	35,707,821	N/A
223,024	221,250	225,569	219,572	213,402	N/A
24,195,705	25,089,910	25,639,270	26,078,773	26,275,559	N/A
595,739	603,691	619,807	659,530	647,831	N/A
10,312	10,407	10,259	10,259	10,259	N/A
4,787	4,685	4,833	4,833	4,833	N/A
134,431	127,815	129,415	130,263	127,709	124,027
675	681	690	638	629	720

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2010	2011	2012	2013
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment	746	809	804	792
Square footage of structures (in thousands)	466	466	466	455
Department of Justice				
Vehicles and mobile equipment	816	677	531	527
Department of Military				
Vehicles and mobile equipment	208	249	233	211
Square footage of structures (in thousands)	3,154	3,530	3,511	3,623
Department of Veterans Affairs				
Veterans homes	6	6	6	8
Vehicles and mobile equipment	113	132	143	267
Square footage of structures (in thousands)	1,600	2,086	2,086	2,488
Education				
California State University				
Vehicles and mobile equipment	4,338	4,415	4,326	4,467
Campuses	23	23	23	23
Square footage of structures (in thousands)	69,049	71,287	73,785	73,866
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	569	818	789	632
Developmental centers	5	5	5	4
Square footage of structures (in thousands)	5,185	5,294	5,294	5,279
Department of State Hospitals [1]				
Vehicles and mobile equipment	665	709	718	699
State hospitals	5	5	5	7
Square footage of structures (in thousands)	6,331	6,331	6,336	6,457

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of May 2020.

[1] In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

2014	2015	2016	2017	2018	2019
747	747	752	677	823	633
455	455	455	462	384	384
520	520	484	511	509	495
211	211	217	218	261	221
4,019	3,977	3,965	3,954	3,770	3,268
8	8	8	8	8	8
285	285	235	280	292	247
2,543	2,541	2,541	2,552	2,552	2,536
4,555	4,619	4,945	4,838	5,216	5,246
23	23	23	23	23	23
73,316	73,988	75,292	75,786	76,227	76,969
424	571	640	559	616	600
4	3	3	3	3	2
5,308	4,699	3,664	3,664	3,595	3,578
886	752	678	674	728	820
7	7	8	5	5	5
6,460	6,445	6,445	5,944	5,944	6,425

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2010	2011	2012	2013
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	2,630	3,180	3,012	2,896
Square footage of structures (in thousands)	1,301	1,313	1,317	1,317
Department of Forestry and Fire Protection				
Vehicles and mobile equipment	2,598	2,804	2,810	2,845
Square footage of structures (in thousands)	3,947	3,943	3,935	3,641
Department of Parks and Recreation				
Vehicles and mobile equipment	3,102	3,715	4,200	3,311
State Parks	278	279	280	280
Acres of state park land (in thousands)	1,365	1,334	1,333	1,590
Square footage of structures (in thousands)	6,350	6,433	6,623	6,598
State Lands Commission				
Vehicles and mobile equipment	47	50	42	42
Acres of land (in thousands)	4,491	4,491	4,491	4,489
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	574	578	574	518
Department of General Services				
Vehicles and mobile equipment	5,761	5,670	4,991	5,226
Square footage of structures (in thousands)	18,394	18,602	19,180	19,098
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,422	5,337	5,013	5,341
Square footage of structures (in thousands)	1,135	1,135	1,149	1,149
Department of Motor Vehicles				
Vehicles and mobile equipment	366	366	366	294
Square footage of structures (in thousands)	1,855	1,842	1,842	1,842
Department of Transportation				
Vehicles and mobile equipment	11,302	12,759	12,690	11,767
Square footage of structures (in thousands)	6,444	6,519	8,131	8,170
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment	5,787	5,985	5,952	5,156
Prisons and juvenile facilities	39	39	39	37
Square footage of structures (in thousands)	41,228	41,399	41,399	40,606

2014	2015	2016	2017	2018	2019
2,954	2,954	3,104	3,126	2,970	3,266
1,311	1,311	1,297	1,322	1,322	1,333
2,748	2,748	3,151	3,073	3,115	3,144
3,632	3,664	3,666	3,677	3,640	3,626
3,489	3,489	3,538	3,542	3,804	3,571
279	280	280	280	280	280
1,590	1,605	1,605	1,617	1,619	1,618
6,751	6,761	6,790	7,363	7,360	7,544
41	41	41	43	48	42
4,489	4,482	4,480	4,480	4,480	4,480
554	554	588	596	600	622
5,053	5,053	4,697	4,476	4,465	4,552
19,367	19,448	19,311	19,487	19,565	19,490
5,170	5,170	5,167	5,336	4,912	4,946
1,166	1,169	1,211	1,191	1,182	1,199
295	295	287	276	283	266
1,845	1,786	1,780	1,777	1,785	1,785
11,596	11,596	11,776	11,585	11,494	11,483
7,960	7,965	7,968	7,960	7,933	8,074
5,137	5,968	5,291	8,079	7,571	7,139
37	39	39	40	39	39
40,726	40,590	40,485	42,198	42,209	42,605

(concluded)

Part Two

State of California Internal Control and State and Federal Compliance Audit Report for the Year Ended June 30, 2019

Contents

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*

Independent Auditor's Report

The Governor and the Legislature of the State of California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements, and have issued our report thereon dated October 23, 2020. Our report includes a reference to other auditors who audited the financial statements of the following, as described in our report on the State of California's financial statements.

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent less than two percent of the assets and deferred outflows, and less than one percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 74 percent of the assets and deferred outflows, and 51 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving, the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 85 percent of the assets and deferred outflows, and 49 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.
- The discretely presented component units noted above.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction fund, the State Lottery fund, the 1943 Veterans Farm and Home Building fund, and the Campus Foundations of the University of California, which represent 12 percent of the university's total assets and deferred outflows of resources and 4 percent of its revenues, were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements as items 2019-1 and 2019-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements as item 2019-3 and 2019-4 to be significant deficiencies.

Compliance and Other Matters

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

State of California's Response to Findings

The State of California's responses to the findings identified in our audit are described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements. The State of California's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

CALIFORNIA STATE AUDITOR

MICHAEL S. TILDEN, CPA
Deputy State Auditor

October 23, 2020

STATE OF CALIFORNIA
SCHEDULE OF FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements

MULTIPLE DEPARTMENTS USING FI$CAL

Reference Number: 2019-1

Condition:

During fiscal year 2018–19 numerous departments using the Financial Information System for California (FI$Cal) for financial reporting did not complete bank reconciliations, or reconcile their accounts to the State Controller's Office's (State Controller) records, in a timely manner. Ultimately, many departments also submitted late year-end financial reports to the State Controller, which delayed the completion of our audit procedures and the publication of the State's Comprehensive Annual Financial Report (CAFR). For example, the Employment Development Department (EDD) did not complete all of its June 2019 bank reconciliations until late September 2019, and did not perform them properly. It reconciled to a legacy accounting system, rather than to the FI$Cal system used to prepare its year-end financial reports. Similarly, the California Department of Tax and Fee Administration (CDTFA) did not perform its reconciliations to FI$Cal. Finally, the Department of Health Care Services (DHCS) is still in the process of completing its bank reconciliations, 16 months after fiscal year 2018–19 ended. In addition to preparing bank reconciliations, departments must reconcile their accounts to the records of the State Controller. During fiscal year 2018–19, we found that 12 departments of material importance to the State's overall financial reporting did not perform these monthly reconciliations in a timely manner, with many departments deciding to perform annual rather than monthly reconciliations. Furthermore, EDD completed these reconciliations after submitting its initial financial reports to the State Controller. The reconciliations noted above constitute an important internal control because they enable departments to detect fraud, as well as, to identify and resolve errors or omissions in the financial information that is ultimately reported in the State's CAFR.

EDD's Fiscal Programs Division chief stated that the department reconciled its banking activity to a system other than FI$Cal (the system that contains the department's official accounting records) because it was unaware that continuing to follow the reconciliation process it used prior to the implementation of FI$Cal would not meet state requirements. While performing a bank reconciliation in this manner may allow the department to mitigate the potential for fraud, the value of this control is compromised when departments do not reconcile to their official accounting records, thereby reducing the assurance that their financial reports are complete and accurate. EDD also stated that it submitted its initial financial reports prior to reconciling to accounts maintained by the State Controller due to the pressure it felt to meet the State Controller's reporting deadlines. Because EDD did not complete its bank reconciliations to FI$Cal, in September 2020, it resubmitted its unemployment program financial reports to the State Controller using its legacy accounting system. In addition, EDD provided additional information from this legacy accounting system to support the financial reports for its disability program, which were prepared using FI$Cal. These actions resulted in material revisions to its previously provided reports for the unemployment program.

Similarly, CDTFA's controller stated that the department did not reconcile its banking activity to its official accounting records maintained in FI$Cal believing that the process it followed historically would comply with state requirements. CDTFA also stated that although the Department of Finance (Finance) had advised it to start transitioning to reconciling to FI$Cal, there was some uncertainty by the department as to whether this requirement was to take effect immediately. However, we believe that Finance made it clear that departments were to begin reconciling to FI$Cal as soon as this system became the source of their official accounting records. CDTFA further commented on a lack of detailed written instructions from Finance addressing the unique needs of the department, instructions that Finance later revised in February 2020 to provide more detail. CDTFA also acknowledged that it had access to Finance staff in which to seek any additional guidance. CDTFA did not finish revising its bank reconciliations to properly reconcile to FI$Cal until August 2020, resulting in adjustments to its cash balance reported in its accounting records maintained in FI$Cal of $104.5 million.

DHCS's Financial Reporting and Accounting Operations chief stated that the submission of timely financial reports took precedence over the completion of the bank reconciliations. The chief also stated that the department relied upon other reconciliations, including reconciliations to accounts maintained by the State Controller, FI$Cal year-end processes, and the State Controller's year-end instructions, to ensure the accuracy of its financial reports. Although these other reconciliations, processes and instructions are important to ensuring the quality of the financial reports, they do not address the unique role departments play in the collection and reporting of accurate cash receipts. DHCS stated that it struggled with completing its bank reconciliations due to staffing issues and the inherent complexity of the FI$Cal environment. Similar to CDTFA, the department commented on the lack of sufficiently detailed written instructions from Finance, while acknowledging that it had access to Finance staff from whom to seek further guidance. As described above, Finance has since revised these instructions to provide more detail. Although DHCS made significant progress towards completing its bank reconciliations near the end of our fieldwork, the department was still not able to complete these reconciliations. Consequently, we had to perform additional detailed audit procedures to mitigate the risk of any material misstatements that were not detected because the department did not complete these important reconciliations.

The steps taken by these three departments to rectify the control deficiencies described above and to address the risks these issues posed to the State's financial statements were done at our request. Management is responsible for the design and operating effectiveness of internal control over financial reporting to ensure that the financial statements are free from material error, and should not rely upon the auditor to be a part of its system of internal control.

Finally, the departments listed below, all of which are of material importance to the State's overall financial reporting, did not complete timely monthly reconciliations to accounts maintained by the State Controller, with many departments choosing to prepare annual reconciliations. Some of the explanations that departments provided for not performing timely reconciliations included a lack of staff resources, the need for staff training, unfamiliarity with the FI$Cal system, complexity of the FI$Cal system, challenges encountered during the conversion of prior year balances from legacy systems, and the additional strain placed on resources by running FI$Cal in parallel with legacy systems. Each of these departments also submitted late financial reports to the State Controller.

Departments That Performed Untimely Reconciliations To Accounts Maintained By The State Controller	*Dates Financial Reports Were Submitted To The State Controller*
Employment Development Department	9/6/2020 – 9/9/2020
California Department of Education	7/6/2020 – 7/7/2020
State Water Resources Control Board	6/29/2020
California Department of Forestry and Fire Protection	3/12/2020
California Highway Patrol	3/2/2020
California Community Colleges Chancellor's Office	2/24/2020
California Department of Public Health	1/28/2020
California Air Resources Board	12/13/2019
Department of Health Care Services	9/13/2019 – 11/20/2019
Department of Developmental Services	10/25/2019
California Department of Tax and Fee Administration	10/16/2019
Department of State Hospitals	10/3/2019

Notes: Multiple dates listed indicate a range for different funds used by the department.

State Administrative Manual Section 7930 required that departments submit their year-end financial reports for fiscal year 2018–19 to the State Controller by July 31, 2019 for the general fund and by August 20, 2019 for all other funds.

Reflects only the late submission of financial reports for funds of material importance to the State's overall financial reporting.

Criteria:

Government Code sections 13400 through 13407 state that agency heads are responsible for the establishment and maintenance of a system or systems of internal control, and effective and objective ongoing monitoring of the internal controls within their state agencies. This responsibility includes documenting the system, communicating system requirements to employees, and ensuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

State Administrative Manual Section 7923 requires departments to reconcile their bank account balance with the like account maintained in the State's Centralized Treasury System (CTS). Departments are to reconcile their General Cash, Revolving Fund Cash, and Agency Trust Fund Cash accounts with their State Controller's CTS Account Statement bank balance, adjusted for deposits in-transit, outstanding checks, and other reconciling items. Departments are to file the CTS Statements and monthly reconciliations in date order.

State Administrative Manual Section 7901 requires that departments reconcile their accounts to those accounts maintained by the State Controller to disclose errors as they occur. Departments are to analyze differences and make corrections to their accounts or request corrections to the State Controller's accounts so that information in both systems is complete and accurate. Corrections to errors should be made before financial reports are prepared to ensure the accuracy of departments' financial reports. Reconciliations are to be prepared monthly within 30 days of the preceding month.

Department of Finance Budget Letter 18-30, dated October 29, 2018, provided a temporary exemption from SAM 7901 due to a variety of transitional issues posed by FI$Cal implementation for some departments. Specifically, reconciliations were due as follows:

- July 2018 and August 2018 were due by November 30, 2018,
- September 2018 and October 2018 were due by December 31, 2018,
- November 2018 and December 2018 were due by January 31, 2019.

In addition, FI$Cal departments were required to:

- Report their progress in completing month end close tasks, including reconciliations
- Assess their current status and determine next steps to meet deadlines, including making necessary resources available, prioritizing workload, and working overtime.

The Budget Letter offered departments a variety of support options to assist departments in meeting deadlines. Departments who were unable to meet deadlines were required to send a request for an extension to Finance prior to a deadline. Departments were to include the reasons for the request and a plan of action to comply with any remaining deadlines.

State Administrative Manual Section 7930 requires that departments submit their year-end financial reports to the State Controller by July 31st for the general fund and by August 20th for all other funds.

Recommendations:

EDD should develop a process to reconcile its banking activity to its official accounting records maintained in FI$Cal.

DHCS should complete its bank reconciliations and reflect any needed adjusting entries in its official accounting records maintained in FI$Cal.

Departments should perform their monthly bank reconciliations and reconciliations to the accounts maintained by the State Controller in a timely manner, and before submitting financial reports to the State Controller.

Departments should work with Finance and the State Controller to obtain any additional training and/or clarification needed to ensure monthly reconciliations are performed properly and in a timely manner.

Departments' Views and Corrective Actions:

Each of the departments stated that they agreed with the findings and recommendations, and would institute necessary corrective actions. Many departments also reiterated some of the challenges they experienced with FI$Cal.

DEPARTMENT OF FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI$CAL)

Reference Number: 2019-2

Condition:

We identified pervasive findings in the overall information technology (IT) general controls environment of the Financial Information System for California (FI$Cal). Details of these findings are being withheld pursuant to Government Code section 8592.45 which prohibits disclosure of certain information related to the FI$Cal IT infrastructure. Accordingly, and consistent with applicable auditing standards, we decided not to publish these details. Thirty-six (36) out of forty (40) control deficiencies have Plans of Action and Milestones (POAMs) which were not remediated as of the end of the audit period. Further, sufficient compensating controls were not in place to reduce the impact of these findings on the IT general controls environment. Of the applicable open POAMs, a majority of the items were identified in March of 2018 and had not been remediated as of the end of the audit period, June 30, 2019.

The primary cause of these issues was insufficient planning to incorporate appropriate governance and control requirements over financial systems prior to implementing FI$Cal. This, in turn, resulted in inadequate resources and oversight to properly implement, monitor, and maintain IT controls that support FI$Cal's financial reporting function.

The deficiencies result in pervasive risks at the entity and system-level to automated controls and configurations of the FI$Cal system, which impact the ability to rely on FI$Cal data used for financial reporting. Lack of IT general controls could compromise the reliability and integrity of financial data and increases the risk of misstatements in the financial reports.

Criteria:

The Financial Audit Manual (FAM) 240-4 states in relevant part:

(.12) Information system controls consist of those internal controls that are dependent on information system processing and include general controls, application controls, and user controls. Information system general controls (implemented at the entitywide, system, and application levels) are the structure, policies and procedures that apply to all or a large segment of an entity's information systems. General controls help ensure the proper operation of information systems by creating the environment for effective operation of application controls. An effective information system general control environment:

- provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls (security management);
- limits or detects access to computer resources, such as data, programs, equipment, and facilities, thereby protecting them against unauthorized modification, loss, or disclosure (logical and physical access);

- prevents unauthorized changes to information system resources, such as software programs and hardware configurations, and provides reasonable assurance that systems are configured and operating securely and as intended (configuration management);
- includes policies, procedures, and an organizational structure to manage who can control key aspects of computer-related operations (segregation of duties); and
- protects critical and sensitive data, and provides for critical operations to continue without disruption or be promptly resumed when unexpected events occur (contingency planning).

(.13) Application controls, sometimes referred to as business process controls, are those controls incorporated directly into information systems to help ensure the validity, completeness, accuracy, and confidentiality of transactions and data during information system processing. An effective application control environment includes:

- general controls implemented at the application level (i.e., security management, access controls, configuration management, segregation of duties, and contingency planning);
- controls over transaction data input, processing, and output as well as master data maintenance; interface controls over the timely, accurate, and complete processing of information between information systems; and
- controls over the data management systems.

The California State Administrative Manual (SAM), section 5300.5, states:

"California has adopted the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 as minimum information security control requirements to support implementation and compliance with the Federal Information Processing Standards (FIPS). Each state entity shall use the FIPS and NIST SP 800-53 in the planning, development, implementation, and maintenance of their information security programs."

The SAM, section 5305, states:

"Each state entity is responsible for establishing an information security program. The program shall include planning, oversight, and coordination of its information security program activities to effectively manage risk, provide for the protection of information assets, and prevent illegal activity, fraud, waste, and abuse in the use of information assets.

Each state entity shall:

1. Align the information security program, its activities, and staff with the requirements of this Chapter;
2. Establish a governance body to direct the development of state entity specific information security plans, policies, standards, and other authoritative documents;
3. Oversee the creation, maintenance, and enforcement of established information security policies, standards, procedures, and guidelines;

4. Ensure the state entity's security policies and procedures are fully documented and state entity staff is aware of, has agreed to comply with, and understands the consequences of failure to comply with policies and procedures;

5. Identify and integrate or align information security goals and objectives to the state entity's strategic and tactical plans;

6. Develop and track information security and privacy risk key performance indicators;

7. Develop and disseminate security and privacy metrics and risk information to state entity executives and other managers for decision making purposes; and

8. Coordinate state entity security efforts with local government entities and other branches of government as applicable."

Recommendations:

We recommend that the Department of FI$Cal:

- Perform a comprehensive risk assessment to re-evaluate FI$Cal governance in accordance with SAM, NIST SP 800-53, FIPS, financial reporting, and other State and Federal requirements. Results should include, but are not limited to:
  - Updated System Security Plan (SSP), which accurately documents critical policies and procedures associated with the execution and monitoring of controls;
  - Updated policies and procedures which demonstrate management's controls in place to monitor and prevent risk as designed within the SSP.
- Generate a project plan for remediation and establish a control environment, which reflects the strategic goals identified as part of the comprehensive risk assessment.
- Incorporate a process to make consistent progress against open POAMs and to actively pursue remediation of findings which incorporates post-implementation monitoring.
- Coordinate and establish validation and verification of controls identified in the SSP.
- Conduct information, communication, and monitoring activities to promote awareness of updated processes.

Department's View and Corrective Actions:

The Department of FI$Cal agrees with the findings and is committed to addressing them immediately. The security of the system is our highest priority and we greatly value the State Auditor's Office (State Auditor) feedback and take the concerns stated in the report seriously. To continuously improve the IT general controls environment, there are yearly independent security assessments and/or audits, updates to the POAMs, and actions taken to implement solutions to remediate findings. To safeguard the system and data, the department emphasizes external threats including emerging threats and operational security and has made progress in closing POAMs. Further, the California Department of Military's independent security assessment of August 2019 reported that its targeted external attacks were unsuccessful.

The State Auditor also conducted an audit for fiscal year 2017–18 and did not report any deficiencies in IT controls. As a result, the department continued its approach of emphasizing external threats and operational security of the system. During the fiscal year 2018–19 audit the department learned that our risk tolerances are different in some areas than what is expected by the State Auditor. Going forward, the department will enhance its risk assessment and governance processes, internal controls, policies, procedures and documentation with the same emphasis it has placed on external threats in accordance with these recommendations.

Auditor's Comments on Department's View

To provide clarity and perspective, we are commenting on the Department of FI$Cal's response to our report.

In planning and performing our audit of the State of California's fiscal year 2017–18 financial statements, we considered the State's internal controls over financial reporting in order to design audit procedures that were appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of those controls. During these efforts, the State Auditor did not inform the Department of FI$Cal that the general IT controls over the FI$Cal system were effective. Further, the Department of FI$Cal is responsible for the design and operating effectiveness of internal controls over financial reporting and should not rely upon the State Auditor to be a part of its system of internal control. Lastly, we performed our work in accordance with applicable state requirements as described in the criteria section of this finding.

CALIFORNIA DEPARTMENT OF PUBLIC HEALTH

Reference Number: 2019-3

Condition:

The Department of Public Health (CDPH) did not accrue drug manufacturer rebate revenues receivable in the AIDS Drug Assistance Program (ADAP) Rebate Fund as of June 30, 2018 and June 30, 2019 in the amount of $294 million and $266.8 million respectively, resulting in an understatement of beginning fund balance of $294 million, an understatement of accounts receivable of $266.8 million, and a net overstatement of revenues in fiscal year 2018–19 of $27.2 million.

CDPH invoices drug manufacturers for rebates on drugs purchased through the ADAP on a quarterly basis. Drug manufacturers calculate the rebate owed in accordance with its contracted price per unit and submits payment to CDPH typically within 6 months from the end of the quarter invoiced. CDPH failed to record the outstanding drug rebates from purchases occurring before year-end for both fiscal year 2018–19 and fiscal year 2017–18.

Criteria:

California Government Code Section 12461 requires the State Controller to issue a comprehensive annual financial report (CAFR) that is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The State Controller provides guidance to departments on the preparation of their year-end financial statements in its Year End Financial Reports Procedures Manual. To prepare the State's CAFR, the State Controller annually requests that departments submit revenue accruals for the funds they manage.

Codification of Governmental Accounting and Financial Reporting Standards Section 1600 states that financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus and modified accrual basis of accounting require revenues to be reported when they become available and measurable.

Recommendations:

To ensure that its financial statements are properly presented and comply with GAAP at fiscal year-end, CDPH should do the following:

- Develop written procedures, including a methodology for estimating outstanding manufacturer drug rebates receivable at year-end based on annual drug purchases and historical rebate collections data, to ensure CDPH records accounts receivable and related revenue for the ADAP rebate fund in accordance with GAAP.
- Provide guidance and training to staff to ensure that all accrual procedures comply with GAAP.

Department's View and Corrective Actions:

CDPH agrees with the above finding. CDPH has already trained staff on procedures for revenue deposits and accruals, and will formally document the procedures to ensure revenue deposits are attributed to the year the expenditure occurred (invoice period) in accordance with GAAP. Additionally, CDPH will draft procedures to document a methodology to estimate uncollected revenues in order to properly complete the year-end revenue accruals in accordance with GAAP. These procedures will be fully operational prior to year-end closeout beginning with fiscal year 2019–20.

DEPARTMENT OF PARKS AND RECREATION

Reference Number: 2019-4

Condition:

The Department of Parks and Recreation (State Parks) is unable to reconcile its capital asset account balances for buildings and related improvements to a subsidiary inventory ledger, and therefore it cannot ensure that it is reporting complete and accurate information in the State's comprehensive annual financial report (CAFR). Prior to implementing the Financial Information System for California (FI$Cal) in fiscal year 2017–18, State Parks reported its capital assets based on historical account balances reflected in the California State Accounting and Reporting System (CalSTARS)—the department's previous accounting system. However, according to its chief of accounting, State Parks does not have a subsidiary ledger listing the buildings and related improvements making up the account balance. State Parks lacks such a ledger because it does not have adequate policies and procedures in place to ensure that its records for buildings and related improvements are maintained in compliance with generally accepted accounting principles (GAAP).

In order to establish such a ledger, in February 2020 State Parks engaged its districts to conduct an inventory of these assets; however, the data resulting from this inventory did not comply with GAAP. Specifically, State Parks used records contained in its asset management system (Maximo) as a starting point and instructed district personnel to verify their completeness and accuracy. However, because State Parks does not use Maximo for accounting purposes, the data did not always comply with GAAP. Specifically, assets were not always recorded at historical cost (or acquisition value for donated assets).

Similarly, Maximo data did not contain accurate acquisition dates for a significant number of assets. Given the State depreciates building and related improvements over a period of 40 years, such inaccuracies would cause errors in depreciation calculations. Further, State Parks management at its headquarters office did not provide sufficient guidance to districts on GAAP requirements and did not allow districts sufficient time to gather and correct missing or inaccurate information. As a result, the districts' inventory listings often did not correct known issues with the Maximo data. Based upon the level of funding historically made available to State Parks, the issues described above do not currently pose a risk of a material misstatement to the State's CAFR.

Criteria:

Codification of Governmental Accounting and Financial Reporting Standards Section 1400.102 states that capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their acquisition value plus ancillary charges, if any.

Codification of Governmental Accounting and Financial Reporting Standards Section 1400.104 states that capital assets should be depreciated over their estimated useful lives unless they are inexhaustible, are intangible assets with indefinite useful lives, or are infrastructure assets reported using the modified approach.

State Administrative Manual Section 8650 states that to maintain accountability of state assets, departments are to maintain a record of state property, whether capitalized or not, in a property accounting or inventory system. When property is acquired, departments are to record information in the system including, but not limited to the date acquired, property description, owner fund, and cost.

State Administrative Manual Section 7924 states that departments are to reconcile the acquisitions and dispositions of capitalized property with the amounts recorded in the property ledger. The reconciliation should be done monthly or at least quarterly, depending on the volume of transactions.

State Administrative Manual Section 8652 states that departments are to make a physical count of all property and reconcile the count with accounting records at least once every three years.

Recommendations:

To ensure the proper reporting of its buildings and related improvements within its year-end financial statements, State Parks should:

- Develop policies and procedures for capital asset accounting and reporting that comply with GAAP, including but not limited to the following:
  - Define the roles and responsibilities of management and staff involved in the process of accounting for and reporting capital assets.
  - Develop detailed processes that incorporate instructions on how to identify capitalizable versus non-capitalizable costs, as well as, the type of source documentation that should be used to support such costs.
  - Develop detailed processes to account for and report any changes in capital assets, including additions, deductions, and impairments, if any.
- Conduct a comprehensive inventory to ensure that its buildings and related improvements are accurately reported in a subsidiary ledger. This would entail:
  - Developing a sound methodology for identifying and compiling relevant capital asset information, including asset values based on historical cost (or acquisition value for donated assets) and asset acquisition dates.
  - Communicating the methodology to staff and providing guidance on key GAAP requirements related to capital asset reporting.
  - Developing a process to review inventory results to ensure they are accurate and complete.
- Update building and related improvements records in FI$Cal to reflect the results of the inventory, and ensure the year-end financial reports reflect any necessary restatements.
- Conduct a physical count of all property and reconcile the count with accounting records at least once every three years in accordance with State Administrative Manual Section 8652.

Department's View and Corrective Actions:

State Parks agrees with the findings and will implement the following corrective actions:

- Develop policies and procedures for reporting capital assets.
- Develop a sound methodology for conducting a capital asset inventory and communicate that methodology to staff with guidance on key GAAP requirements.
- Develop a review process to ensure that the capital asset inventory results are accurate.
- Update accounting records in FI$Cal based on the inventory results.
- Conduct a physical count of all property and reconcile with accounting records at least once every three years in accordance with State Administrative Manual Section 8652.

Part Three

Federal Compliance Audit Report
for the Year Ended June 30, 2019

Contents

Auditor's Section

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Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Governor and the Legislature of the State of California:

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2019, and the related notes to the Schedule (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of California for the fiscal year ended June 30, 2019, in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As described in Note 1 to the Schedule, the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported $5.9 billion, $2.6 billion, $33.9 million, $70.0 million, and $50.6 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2019. Our audit, described above, did not include the federal awards of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 23, 2020 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance of the financial statement, and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance of the financial statement.

Macias Gini & O'Connell LLP

Sacramento, California
October 23, 2020

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance With *Government Auditing Standards*

The Governor and the Legislature of the State of California:

We have audited, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2019, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated October 23, 2020. Our report includes an emphasis of matter paragraph to describe those entities which are audited by other auditors and whose federal award expenditures are not included in the Schedule. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

State of California's Response to Finding

The State of California's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of California's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

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

Macias Gini & O'Connell LLP

Sacramento, California
October 23, 2020

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Governor and the Legislature of the State of California:

Report on Compliance for Each Major Federal Program

We have audited the State of California's (State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the fiscal year ended June 30, 2019. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As described in Note 1 to the Schedule of Expenditures of Federal Awards (Schedule), the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$5.9 billion, \$2.6 billion, \$33.9 million, \$70.0 million, and \$50.6 million, respectively, in federal awards, which are not included in the State's Schedule for the fiscal year ended June 30, 2019. Our audit, described below, did not include the federal awards of the University of California system, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance.

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the State'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in the table below and in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2019-003	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed	Department of Health Care Services
2019-003	93.778	Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services
2019-004	93.991	Preventive Health and Health Services Block Grant	Allowable Costs/Cost Principles	Department of Public Health
2019-005	93.767	Children's Health Insurance Program	Eligibility	Department of Health Care Services
2019-005	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services
2019-006	93.917	HIV Care Formula Grants	Eligibility	Department of Public Health
2019-008	93.268	Immunization Cooperative Agreements	Special Tests and Provisions	Department of Public Health

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the Basis for Qualified Opinion paragraph for the fiscal year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the table below and in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2019-002	20.205	Highway Planning and Construction (Highway Planning and Construction Cluster)	Special Tests and Provisions	Department of Transportation
2019-007	93.658	Foster Care Title IV-E	Subrecipient Monitoring	Department of Social Services

The State's responses to the noncompliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, and 2019-009 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-007 to be a significant deficiency.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Macias Gini & O'Connell LLP

Sacramento, California
October 23, 2020

Schedule of Findings and Questioned Costs

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STATE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor's 2019-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2019.*

Schedule of Expenditures of Federal Awards (Schedule)

Type of auditor's report issued on whether the Schedule audited was prepared in accordance with generally accepted accounting principles:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to the Schedule noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major federal programs:	Refer to the tables that follow

Qualified CFDA Number	Federal Program or Cluster
93.268	Immunization Cooperative Agreements
93.767	Children's Health Insurance Program

Qualified CFDA Number	Federal Program or Cluster
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.991	Preventive Health and Health Services Block Grant

Unmodified CFDA Number	Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
39.003	Donation of Federal Surplus Property Program
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants
93.667	Social Services Block Grant
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

CFDA Number	**Federal Program or Cluster**
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
39.003	Donation of Federal Surplus Property Program
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants
93.268	Immunization Cooperative Agreements
93.667	Social Services Block Grant
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.991	Preventive Health and Health Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$142,367,134
Auditee qualified as low-risk auditee?	No

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Schedule of Expenditures of Federal Awards Finding

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DEPARTMENT OF PUBLIC HEALTH

Reference Number: 2019-001

Type of Finding: Significant Deficiency and Instance of Noncompliance

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart F - Audit Requirements. §200.510 Financial statements (2 CFR 200.510):

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:
   (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
   (4) Include the total amount provided to subrecipients from each Federal program.

Condition

The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of 2 CFR 200.510, Finance developed the Single Audit Expenditures Reporting Database (Database) to include all relevant data fields necessary to compile and produce the Schedule. Finance also created a Single Audit Database User Manual, which provides specific guidance to users for accessing and navigating through the database. Departments are given access to the centralized Database by Finance in order to upload and report federal award information for all of their federal award programs which they administer.

During our testing of the Schedule, we noted the following:

- The Immunization Cooperative Agreements program (CFDA No. 93.268) under-reported its total expenditures by $211,247.
- The HIV Care Formula Grants (CFDA No. 93.917) under-reported its total expenditures by $22,224,797.

The errors, which were subsequently corrected, are indicative of a lack of sufficient controls for ensuring the Schedule's completeness and accuracy prior to submission to Finance.

Cause

During the fiscal year ended June 30, 2019, the Department of Public Health (Public Health) implemented the Financial Information System for California (FI$Cal) to replace the CALSTARS accounting system. As part of the conversion, remaining encumbrance balances from CALSTARS were converted into FI$Cal as prior year encumbrance reversals. These transactions were included as negative balances in the expenditure reports used by Public Health to report federal expenditures to Finance, and effectively resulted in the understatement of federal expenditures on the cash basis of accounting.

Effect

Insufficient communication and oversight controls create an increased risk for material errors to occur in the Schedule that may not be prevented, or detected and corrected on a timely basis.

Questioned Costs

No questioned costs were identified.

Recommendation

Public Health should establish a more thorough internal review and communication process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

Views of Responsible Officials and Corrective Action Plan

The California Department of Public Health agrees with the above finding. Public Health has already trained staff on procedures for Schedule of Expenditures of Federal Awards (Schedule) reporting to ensure Schedules are complete and accurate. As noted above, fiscal year 2018-19 was Public Health's first year of FI$Cal implementation and since that time, we have benefited from lessons learned. Public Health does not anticipate this issue will arise in the future as the encumbrance reversal cited was implemented in connection with a one-time migration of CALSTARS data to FI$Cal. Additionally, Public Health has established communication protocols to enhance the review process moving forward.

Schedule of Federal Award Findings and Questioned Costs

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U.S. DEPARTMENT OF TRANSPORTATION

Reference Number:	2019-002
Category of Finding:	Special Tests and Provisions – Quality Assurance
Type of Finding:	Material Weakness and Instance of Noncompliance
State Administering Department:	Department of Transportation (Transportation)
Federal Catalog Number:	20.205
Federal Program Title:	Highway Planning and Construction
Federal Award Numbers and Years:	P055055; 2018 Q101229; 2019 P099391; 2019

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 23 – Highways - Chapter I – Federal Highway Administration, Department of Transportation - Subchapter G – Engineering and Traffic Operations – Part 637 Construction Inspection and Approval – Subpart B – Quality Assurance Procedures for Construction - §637.207 Quality Assurance Program:

(a)(3) The preparation of a materials certification, conforming in substance to appendix A of this subpart, shall be submitted to the FHWA Division Administrator for each construction project which is subject to FHWA construction oversight activities.

Condition

Transportation established a Federal Highway Administration (FHWA) approved quality assurance program over construction projects on the National Highway System to ensure the materials and workmanship conformed to the approved plans and specifications. At the completion of a construction project, the resident engineer reviews all quality assurance documents within the project records and certifies all materials and workmanship for the project and the required specifications on the final materials certification form for submission to the FHWA. This form is required per Transportation's policies and procedures to be retained within the permanent project records. For 3 of 25 projects sampled, Transportation could not locate the final materials certificate within the project records. However, the FHWA approved and closed the three projects.

Cause

Transportation's current document retention method is paper based. Management represented that the transition of project files from active storage locations to completed, and finally archived project file storage resulted in the misplacement of required quality assurance project documentation.

Effect

Transportation's incomplete project documentation creates a risk that compliance with requirements may not be substantiated for audit and federal oversight purposes.

Questioned Costs

No questioned costs were identified.

Context

A total of 881 projects were closed and final voucher reports submitted to the U.S. Department of Transportation, Federal Highway Administration during FY2018-19.

The sample was not a statistically valid sample.

Recommendation

Transportation should develop a more robust file storage process, as well as consider an electronic storage method for key required permanent project records, which would provide for permanent project records to be available as requested.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Reference Number:	2019-003
Category of Finding:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	1905CA5021; 2019 1805CA5021; 2018 1805CA5R21; 2018 1705CA5021; 2017 1705CA0301; 2017
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	1905CA5ADM; 2019 1905CA5MAP; 2019 1805CA5ADM; 2018 1805CA5MAP; 2018

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

California Welfare and Institutions Code - WIC, Division 9. Public Social Services, Part 3. Aid and Medical Assistance, Chapter 8.9. Transition of Community-Based Medi-Cal Mental Health:

§14705:

(c) With regard to county operated facilities, clinics, or programs for which claims are submitted to the department for Medi-Cal reimbursement for specialty mental health services to Medi-Cal eligible individuals, the county shall ensure that all requirements necessary for Medi-Cal reimbursement for these services are complied with, including, but not limited to, utilization review and the submission of yearend cost reports by December 31 following the close of the fiscal year.

§14712:

(e) Whenever the department determines that a mental health plan has failed to comply with this chapter or any regulations, contractual requirements, state plan, or waivers adopted pursuant to this chapter, the department shall notify the mental health plan in writing within 30 days of its determination and may impose sanctions, including, but not limited to, fines, penalties, the withholding of payments, special requirements, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Condition

Twenty-one of 56 contractor counties of Short-Doyle funding were tested and seven had not submitted their cost reports by the December 31 due date. One of the seven contractor counties had not submitted its cost reports for FY2016-2017 (more than 22 months late) and FY2017-2018 (more than 10 months late) and six of the seven contractor counties had not submitted their cost reports for FY2017-2018 (more than 10 months late).

Although the Mental Health Division of Health Care Services did take the required action of notifying the seven contractor counties in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.

The cost reports are the basis for the allocation of payments made to contractor counties providing mental health services to eligible beneficiaries and serve to provide the Mental Health Division with fiscal oversight for contract and performance compliance.

Identification as a Repeat Finding

Finding 2018-004 was reported in the immediate prior year.

Cause

The Mental Health Division did not take additional action for significantly late annual cost reports because its monitoring and follow-up process does not go beyond emailing the delinquent subrecipients every 30 days.

Effect

Delays in reviewing cost reports do not comply with the objective of timely and effective contract monitoring. Inaccurate or untimely cost reports could result in under/over funding each contractor county and increases the risk of statewide noncompliance with contract requirements.

Questioned Costs

Questioned costs were not determinable because the cost reports were not available.

Context

For the fiscal year ended June 30, 2019, disbursements of Short-Doyle funding from the Medical Assistance Program to the seven noncompliant contractor counties totaled $870,514,936, the 21 tested contractor counties totaled $1,582,137,830, and all 56 contractor counties totaled $1,948,203,200.

For the fiscal year ended June 30, 2019, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the seven noncompliant contractor counties totaled $118,651,458, the 21 tested contractor counties totaled $214,899,179. and all 56 contractor counties totaled $259,138,445.

The sample was not a statistically valid sample.

Recommendation

Health Care Services should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2019-004
Category of Finding:	Allowable Costs/Cost Principles
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.991
Federal Program Title:	Preventive Health and Health Services Block Grant
Federal Award Number and Year:	1NB01OT009226-01-00; 2018

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 45 - Public Welfare. Part 75 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards. Subpart E—Cost Principles. §75.416 Cost allocation plans and indirect cost proposals:

(c) The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) and indirect cost rate proposals are contained in appendices IV, V and VI to this part.

Condition

During the fiscal year ended June 30, 2019, the Department of Public Health (Public Health) implemented the State's Financial Information System for California (FI$Cal) to replace the CALSTARS accounting system. The conversion led to errors in the FI$Cal Cost Allocation tables through which the Statewide Cost Allocation Plan (SWCAP) table was set up to calculate indirect costs as of the year-to-date amounts, which resulted in compounding charges. Public Health detected the error and made adjustments to the charges. However, the adjusted indirect costs still exceeded the maximum amounts as determined using the federally-approved negotiated indirect cost rates by $496,563.

Cause

The conversion to FI$Cal resulted in errors in the indirect cost calculation and allocation.

Effect

Indirect costs charged to the program exceeded the allowable threshold by $496,563.

Questioned Costs

Questioned costs of $496,563 represent the portion of indirect costs that exceeded the allowable threshold as determined using federally-approved negotiated indirect cost rates.

Context

Questioned costs represent 7.8% of total program expenditures for the fiscal year ended June 30, 2019.

Recommendation

Public Health should contact the funding agency to determine any corrective action necessary to rectify the identified errors.

Views of Responsible Officials and Corrective Action Plan

Management’s response is reported in “Management’s Response and Corrective Action Plan” included in a separate section at the end of this report.

Reference Number:	2019-005
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	1905CA5ADM; 2019 1905CA5MAP; 2019 1805CA5ADM; 2018 1805CA5MAP; 2018
Federal Catalog Number:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	1905CA5021; 2019 1805CA5021; 2018 1805CA5R21; 2018 1705CA5021; 2017 1705CA0301; 2017

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - Public Health, Chapter IV - Centers for Medicare & Medicaid Services, Department of Health and Human Services (Continued):

Subchapter C - Medical Assistance Programs, Part 435 - Eligibility in the States, District of Columbia, the Northern Mariana Islands, and American Samoa, Subpart J - Eligibility in the States and District of Columbia:

Applications, §435.907 Application (42 CFR 435.907):

(a) *Basis and implementation*. In accordance with section 1413(b)(1)(A) of the Affordable Care Act, the agency must accept an application from the applicant, an adult who is in the applicant's household, as defined in §435.603(f), or family, as defined in section 36B(d)(1) of the Code, an authorized representative, or if the applicant is a minor or incapacitated, someone acting responsibly for the applicant, and any documentation required to establish eligibility–
   (1) Via the internet Web site described in §435.1200(f) of this part;
   (2) By telephone;

(3) Via mail;
(4) In person; and
(5) Through other commonly available electronic means.

(b) The application must be–
(1) The single, streamlined application for all insurance affordability programs developed by the Secretary; or
(2) An alternative single streamlined application for all insurance affordability programs, which may be no more burdensome on the applicant than the application described in paragraph (b)(1) of this section, approved by the Secretary.

Applications, §435.910 Use of social security number (42 CFR 435.910):

(a) The agency must verify the SSN furnished by an applicant or beneficiary with SSA to ensure the SSN was issued to that individual, and to determine whether any other SSNs were issued to that individual.

Redeterminations of Medicaid Eligibility, §435.916 Periodic renewal of Medicaid eligibility (42 CFR 435.916):

(a) *Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).*
(1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.
(2) Renewal on basis of information available to agency. The agency must make a redetermination of eligibility without requiring information from the individual if able to do so based on reliable information contained in the individual's account or other more current information available to the agency, including but not limited to information accessed through any data bases accessed by the agency under §435.948, §435.949 and §435.956 of this part.

(b) *Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income.* The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so.

Income and Eligibility Verification Requirements, §435.948 Verifying financial information (42 CFR 435.948):

(a) The agency must in accordance with this section request the following information relating to financial eligibility from other agencies in the State and other States and Federal programs to the extent the agency determines such information is useful to verifying eligibility of an individual:
(1) Information related to wages, net earnings from self-employment, unearned income and resources from the State Wage Information Collection Agency (SWICA), the Internal Revenue Service (IRS), the Social Security Administration (SSA), the agencies administering the State unemployment compensation laws, the State-administered supplementary payment programs under section 1616(a) of the Act, and any State program administered under a plan approved under Titles I, X, XIV, or XVI of the Act;

Subchapter D - State Children's Health Insurance Program (SCHIPs), Part 457 - Allotments and Grants to States, Subpart C - State Plan Requirements: Eligibility, Screening, Applications, and Enrollment:

§ 457.320 Other eligibility standards (42 CFR 457.320):

(a) Eligibility standards. To the extent consistent with title XXI of the Act and except as provided in paragraph (b) of this section, the State plan may adopt eligibility standards for one or more groups of children related to -
   (1) Geographic area(s) served by the plan;
   (2) Age (up to, but not including, age 19);
   (3) Income;
   (4) Spenddowns;
   (5) Residency, in accordance with paragraph (d) of this section;
   (6) Disability status, provided that such standards do not restrict eligibility;
   (7) Access to, or coverage under, other health coverage; and
   (8) Duration of eligibility, in accordance with paragraph (e) of this section.

§ 457.330 Application (42 CFR 457.330):

The State shall use the single, streamlined application used by the State in accordance with paragraph (b) of §435.907 of this chapter, and otherwise comply with such section, except that the terms of §435.907(c) of this chapter (relating to applicants seeking coverage on a basis other than modified adjusted gross income) do not apply.

§ 457.343 Periodic renewal of CHIP eligibility (42 CFR 457.343):

The renewal procedures described in §435.916 of this chapter apply equally to the State in administering a separate CHIP, except that the State shall verify information needed to renew CHIP eligibility in accordance with §457.380 of this subpart, shall provide notice regarding the State's determination of renewed eligibility or termination in accordance with §457.340(e) of this subpart and shall comply with the requirements set forth in §457.350 of this subpart for screening individuals for other insurance affordability programs and transmitting such individuals' electronic account and other relevant information to the appropriate program.

Title 42 - The Public Health and Welfare, Chapter 7 - Social Security, Subchapter XI - General Provisions, Peer Review, and Administrative Simplification, Part A - General Provisions, §1320b–7 - Income and eligibility verification system, (d) Citizenship or immigration status requirements; documentation; verification by Immigration and Naturalization Service; denial of benefits; hearing (42 USC 1320b–7(d)):

The requirements of this subsection, with respect to an income and eligibility verification system of a State, are as follows:
(1)(A) The State shall require, as a condition of an individual's eligibility for benefits under a program listed in subsection (b), a declaration in writing, under penalty of perjury—
   (i) by the individual,
   (ii) in the case in which eligibility for program benefits is determined on a family or household basis, by any adult member of such individual's family or household (as applicable), or
   (iii) in the case of an individual born into a family or household receiving benefits under such program, by any adult member of such family or household no later than the next redetermination of eligibility of such family or household following the birth of such individual, stating whether the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in a satisfactory immigration status.

Condition

Out of 75 Medical Assistance Program (Medi-Cal) beneficiaries tested, there were 27 beneficiaries with the following eligibility exceptions:

- There were four instances in which a completed initial application was not on file to establish eligibility (42 CFR 435.907);

- There was one instance in which a social security number had not been verified with the Social Security Administration (42 CFR 435.910);
- There were thirteen instances in which redeterminations had not been performed within a year (42 CFR 435.916);
- There were eight instances where the Income and Eligibility Verification Requirements were not met (42 CFR 435.948); and
- There was one instance of an undocumented individual incorrectly determined to be eligible for full benefits and five additional instances of individuals classified as US citizens and determined to be eligible for full benefits that did not have support of such citizenship on file (42 USC 1320b–7).

Out of 60 Children's Health Insurance Program (CHIP) beneficiaries tested, there were nine beneficiaries with the following eligibility exceptions:

- There were three instances where the Other Eligibility Standards were not met (42 CFR 457.320),
- There were six instances in which a completed initial application was not on file to establish eligibility (42 CFR 457.330), and
- There were six instances in which redeterminations had not been performed within a year (42 CFR 457.343).

Through subawards, Health Care Services has delegated performance of eligibility determinations to California county welfare agencies that collect and record this information in their respective eligibility systems (collectively known as the Statewide Automated Welfare System [SAWS]) and transmit data to the Health Care Services' Medi-Cal Eligibility Data System (MEDS). Health Care Services then pays: (1) managed care plans monthly to provide eligible services for beneficiaries (Managed Care); (2) medical providers for services provided directly to beneficiaries (Fee for Service), and (3) the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare premiums (Premiums).

Supplemental Information to Provide Additional Perspective on the Condition

In addition to the above exceptions noted during this audit, in February 2018, the U.S. Department of Health and Human Services Office of Inspector General (OIG) issued a report titled "California Made Medicaid Payments on Behalf of Newly Eligible Beneficiaries Who Did Not Meet Federal and State Requirements." The OIG sampled 150 beneficiaries and found California made Medicaid payments on behalf of 112 eligible beneficiaries. However, for the remaining 38 beneficiaries, California made payments on behalf of ineligible and potentially ineligible beneficiaries. On the basis of the OIG's sample results, they estimated that California made Medi-Cal payments of $738.2 million ($628.8 million Federal share) on behalf of 366,078 ineligible beneficiaries and $416.5 million ($402.4 million Federal share) on behalf of 79,055 potentially ineligible beneficiaries. These deficiencies occurred because California's eligibility determination systems lacked the necessary system functionality and county welfare agencies' eligibility caseworkers made errors.

In October 2018, the California State Auditor (CSA) issued a report titled "Department of Health Care Services: It Paid Billions in Questionable Medi-Cal Premiums and Claims Because It Failed to Follow Up on Eligibility Discrepancies." This report presents the results of CSA's high risk audit concerning $4 billion (includes both Federal and State funding) in questionable Medi-Cal payments that Health Care Services made from 2014 through 2017 because it failed to ensure that counties resolved discrepancies between the state and county Medi-Cal eligibility systems.

Both of these reports came to the attention of the United States Senate Committee on Homeland Security and Governmental Affairs, which requested CMS' plans to address the findings noted in these reports. CMS is currently conducting a review of California's Medicaid beneficiary eligibility system to assess the accuracy of eligibility determinations and Federal Medical Assistance Percentage (FMAP) claiming. One of the primary objectives of this review is to compare review findings to similar reviews conducted in the past by the OIG to ensure the identified findings have been addressed.

Identification as a Repeat Finding

Finding 2018-007 was reported in the immediate prior year for the Medical Assistance Program. Eligibility for the Children's Health Insurance Program was not required to be tested in FY2017-2018.

Cause

Existing internal controls did not prevent, or detect and correct, instances of untimely redeterminations and instances of benefits provided to ineligible beneficiaries for the following reasons.

- County welfare agencies' eligibility caseworkers made errors that Health Care Services represented may be the result of deploying the new eligibility and enrollment system, the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) and the significant increase in enrollment due to California adopting Medicaid expansion pursuant to the Affordable Care Act. The increase in enrollment created a backlog of applications and eligibility redeterminations. Also, Health Care Services had not established new procedures to monitor whether county welfare agencies were effectively managing this increased workload to ensure eligibility caseworkers were appropriately applying the eligibility procedures and documentation requirements. Since 2017, Health Care Services resumed performing focus reviews on select county welfare agencies that were suspended during the early stages of health care reform implementation. Through this effort, Health Care Services is working collaboratively with county partners to identify areas of weaknesses that contribute to delays in renewal processing time. In some instances, counties are required to submit a corrective action plan to Health Care Services that describes implementation of additional business processes/quality control mechanisms that are anticipated to increase both the accuracy and timeliness of renewals.
- The MEDS alert functionality is used to communicate information to county welfare agencies on MEDS updates, changes, discrepancies between eligibility systems, and MEDS. MEDS alerts will be triggered for various reasons that include:
    - Problems encountered in processing updates submitted by county welfare agencies;
    - Problems encountered in processing updates generated as a result of a reconciliation of county welfare agencies records with MEDS records;
    - Updates submitted by other entities that impact beneficiaries' eligibility or require action by county welfare agencies; and
    - Upcoming changes in a beneficiaries' status that will require action by county welfare agencies.

  Currently, Health Care Services does not have an established process for monitoring the county welfare agencies' progress in addressing these alerts. To address this, Health Care Services implemented a quality control pilot on June 25, 2019 to monitor all critical and urgent level MEDS alerts to be able to quickly identify county welfare agencies that are not resolving MEDS, to identify the cause of these alerts, and work with counties to develop and implement best practices that are effective in reducing the number of new alerts, and efficiently reducing the number of unresolved alerts.

  In addition, Health Care Services has represented that MEDS also has the functionality to alert county welfare agencies when eligibility redeterminations are required or overdue. However, currently Health Care Services is working to refine this functionality to effectively be used to identify overdue renewals.

Effect

Eleven of the 27 Medi-Cal beneficiaries with eligibility exceptions were determined to be ineligible and benefits were ultimately discontinued; however, since those redeterminations were late, they received ineligible benefits between the date they should have been discontinued and the date they were actually discontinued. Another six of the 27 beneficiaries were determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining ten beneficiaries were determined to be eligible.

Three of the nine CHIP beneficiaries with eligibility exceptions were determined to be ineligible and benefits were ultimately discontinued; however, since those redeterminations were late, they received ineligible benefits between the date they should have been discontinued and the date they were actually discontinued. Another four of the nine beneficiaries were determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining two beneficiaries were determined to be eligible.

Questioned Costs

Benefits paid to Medi-Cal beneficiaries after they were determined to be ineligible totaled $23,041 ($21,237 Managed Care, $0 Fee for Service, and $1,804 Premiums) for the fiscal year ended June 30, 2019.

Benefits paid to CHIP beneficiaries after they were determined to be ineligible totaled $3,283 ($3,283 Managed Care and $0 Fee for Service) for the fiscal year ended June 30, 2019.

Due to the extent of the errors identified in the sample populations, likely questioned costs could be significant.

Context

A total of $58,843 ($50,312 Managed Care, $5,784 Fee for Service, and $2,747 Premiums) was disbursed during the fiscal year ended June 30, 2019 on behalf of the 27 Medi-Cal beneficiaries with eligibility exceptions and a total of $36,449 ($33,878 Managed Care, $633 Fee for Service, and $1,938 Premiums) was disbursed during the fiscal year ended June 30, 2019 on behalf of the 17 beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 75 Medi-Cal beneficiaries tested were $143,275 ($130,490 Managed Care, $5,804 Fee for Service, and $6,981 Premiums).

The 75 tested Medi-Cal beneficiaries were selected from seven of California's 58 counties.

The total federal Medi-Cal benefits paid on behalf of approximately 11.7 million beneficiaries for the fiscal year ended June 30, 2019 was $42,236,703,313 ($25,895,504,101 Managed Care, $14,813,612,164 Fee for Service, and $1,527,587,048 Premiums).

A total of $6,774 ($6,774 Managed Care and $0 Fee for Service) was disbursed during the fiscal year ended June 30, 2019 on behalf of the nine CHIP beneficiaries with eligibility exceptions and a total of $5,012 ($5,012 Managed Care and $0 Fee for Service) was disbursed during the fiscal year ended June 30, 2019 on behalf of the seven beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 60 CHIP beneficiaries tested were $35,848 ($35,574 Managed Care and $274 Fee for Service).

The 60 tested CHIP beneficiaries were selected from ten of California's 58 counties.

The total federal CHIP benefits paid on behalf of approximately 1.6 million beneficiaries for the fiscal year ended June 30, 2019 was $2,471,696,056 ($1,871,635,054 Managed Care and $600,061,002 Fee for Service).

The samples were not statistically valid samples.

Recommendation

Health Care Services should continue its practice of performing regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process such as misinterpretations of policies, systems issues, business practices, etc., and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans.

Health Care Services should continue with the pilot quality control process used to monitor all critical and urgent level MEDS alerts to be able to quickly identify county welfare agencies that are not resolving MEDS alerts in a timely manner. Health Care Services should continue its efforts to incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are required or overdue. Health Care Services should then work directly with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve their compliance status.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2019-006
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.917
Federal Program Title:	HIV Care Formula Grants (HIV)
Federal Award Numbers and Years:	2 X07HA12778-09; 2017 6 X07HA12778-10; 2018 2 X09HA28342-04; 2018

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - The Public Health and Welfare. Chapter 6A - Public Health Service. Subchapter XXIV - HIV Health Care Services Program. Part B - Care Grant Program. Subpart I - General Grant Provisions. Section 300ff-26 - Provision of Treatments:

(a) In general

A State shall use a portion of the amounts provided under a grant awarded under section 300ff–21 of this title to establish a program under section 300ff–22(b)(3)(B) of this title to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections.

(b) Eligible individual

To be eligible to receive assistance from a State under this section an individual shall:

(1) Have a medical diagnosis of HIV/AIDS; and
(2) Be a low-income individual, as defined by the State.

California State AIDS Drug Assistance Program Guidelines March 2017 and December 2018:

(1.1) AIDS Drug Assistance Program (ADAP) Eligibility Criteria:

To be eligible for the ADAP program, a client must:

- Have a positive HIV/AIDS diagnosis.
- Be at least 18 years old.

- Be a resident of California.
- Have an annual Modified Adjusted Gross Income (MAGI) that does not exceed 500 percent Federal Poverty Level (FPL) based on household size and income.
- Not be fully covered by Medi-Cal or any other third-party payers (an entity that reimburses and manages health care expenses such as private insurance or governmental agencies, employers, etc.).

Health Resources and Services Administration (HRSA) Policy Clarification Notice (PCN) 13-02 (Revised 5/1/2019):

> For both initial/annual and six-month recertification procedures, eligibility determinations may be performed simultaneously with testing and treatment. Recipients and subrecipients assume the risk of recouping any HRSA RWHAP funds utilized for clients ultimately determined to be ineligible, and instead charge an alternate payment source, or otherwise ensure that funds are returned to the HRSA RWHAP program.

Condition

Out of 60 individuals reviewed, 6 individuals did not submit all required documentation including medical reports to support a positive HIV/AIDS diagnosis or income documentation to verify their annual MAGI did not exceed 500 percent Federal Poverty Level based on household size and income. These individuals were placed on a temporary access period without meeting the necessary eligibility requirements. This practice was unallowable prior to the revised PCN 13-02 in May 2019, and was acceptable after the release of the PCN if Public Health used a funding source other than the Ryan White HIV/AIDS Program for individuals ultimately determined to be ineligible.

Identification as a Repeat Finding

Finding 2018-008 was reported in the immediate prior year.

Cause

Existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to ineligible individuals.

Effect

Public Health did not have adequate oversight controls to ensure that the applicant's eligibility was properly reviewed and approved. Accordingly, there is an increased risk for the occurrence of benefits being provided to ineligible individuals, which may not be prevented or detected in a timely manner.

Questioned Costs

Questioned costs were not determinable because benefit costs were not tracked by individual participants.

Context

Pharmacy benefits management services are provided by a contractor who received administrative fees and reimbursements for prescription drug costs to program participants. Payments to the contractor totaled $128,253,879 for 29,895 program participants for the fiscal year ended June 30, 2019. Based on the budget in the contract, the contractor's administrative fees and other charges are estimated to be $657,876 annually. As such, net prescription drug costs are approximately $127,596,003 for the fiscal year ended June 30, 2019. The sample was not a statistically valid sample.

Recommendation

In December 2018, the ADAP guidelines were updated to include a secondary review of ADAP applications that requires a review of specified eligibility criteria. The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable documentation to support eligibility determinations.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2019-007
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Social Services (Social Services)
Federal Program Title:	Foster Care Title IV-E
Federal Catalog Number:	93.658
Federal Award Numbers and Years:	1801CAFOST 1901CAFOST

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Subrecipient Monitoring and Management. §200.331 Requirements for pass-through entities (2 CFR 200.331):

All pass-through entities must:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
(1) The subrecipient's prior experience with the same or similar subawards;
(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
(3) Whether the subrecipient has new personnel or new or substantially changed systems; and
(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Condition

The Funding and Eligibility Unit of the Foster Care Audits and Rates Branch of Social Services conducts Title IV-E case reviews related to the Foster Care Title IV-E program to monitor the integrity of Foster Care rates and eligibility compliance with Federal and State regulations for the program. The Funding and Eligibility Unit monitors its subrecipients on the basis of some risk, primarily based upon concerns arising from previous monitoring. We noted the Funding and Eligibility Unit has not yet developed and documented a formal risk assessment process to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward to determine the frequency and extent of the monitoring activities to be performed.

Cause

The Funding and Eligibility Unit did not formally develop a risk assessment process and documentation for evaluating each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward in a timely manner such that it could be implemented during the fiscal year ended June 30, 2019, due to a misinterpretation of the requirement.

Effect

In the absence of a formally documented risk assessment process for determining appropriate monitoring procedures and evaluation of a subrecipient's risk of noncompliance, sufficient and effective monitoring may not occur for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Foster Care Title IV-E program during the fiscal year ended June 30, 2019, totaled $1,442,781,808, representing approximately 94% of the respective programs total federal expenditures.

Recommendation

The Funding and Eligibility Unit should develop and document a formal process for performing risk assessments over all its subrecipients in order to determine the frequency and extent of such monitoring activities to be performed that is commensurate with the identified risk for each subrecipient. Further, the Funding and Eligibility Unit should retain evidence that the policies and procedures were implemented to evaluate the subrecipient's risk of noncompliance.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2019-008
Category of Finding:	Special Tests and Provisions
Type of Finding:	Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.268
Federal Program Title:	Immunization Cooperative Agreements
Federal Award Numbers and Years:	6NH231P000717-05-02; 2019

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:
(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - Public Health and Welfare. Chapter VII - Social Security. Subchapter XIX - Grants to States for Medical Assistance Programs. Section 1396s Program for Distribution of Pediatric Vaccines:

(a) Establishment of program
(1) In general

In order to meet the requirement of section 1396a(a)(62) of this title, each State shall establish a pediatric vaccine distribution program (which may be administered by the State department of health), consistent with the requirements of this section, under which

(A) each vaccine-eligible child (as defined in subsection (b) of this section), in receiving an immunization with a qualified pediatric vaccine (as defined in subsection (h)(8) of this section) from a program-registered provider (as defined in subsection (c) of this section) on or after October 1, 1994, is entitled to receive the immunization without charge for the cost of such vaccine; and

(B) (i) each program-registered provider who administers such a pediatric vaccine to a vaccine-eligible child on or after such date is entitled to receive such vaccine under the program without charge either for the vaccine or its delivery to the provider, and (ii) no vaccine is distributed under the program to a provider unless the provider is a program- registered provider.

Centers for Disease Control and Prevention. National Center for Immunization and Respiratory Diseases. 2013 - 2018 Immunization Program Operations Manual (IPOM) for January 1, 2013 to June 30, 2018 Immunization Project Period, and 2019 - 2024 Immunization Program Operations Manual (IPOM) for January 1, 2019 to June 30, 2024 Immunization Project Period:

Required Awardee Objective:
A-6. Assure that Vaccines for Children Program (VFC) enrolled providers comply with VFC program requirements through performance of VFC site visits as defined in the current VFC Operations Guide.

Required Activities:
1) Conduct standardized Provider, Education, Assessment and Reporting (PEAR) compliance site visits with each enrolled VFC provider at least every other year (once every two years).

<u>National Center for Immunization and Respiratory Diseases. Immunization Services Division. July 1, 2018 – June 30, 2019 Vaccines for Children Operations Guide:</u>

Module 4 - Ensuring Provider Compliance:

Requirement: Awardees must conduct and record VFC compliance visits covering areas of provider details, eligibility, documentation, storage and handling (per unit and site wide), and inventory management with each VFC provider every 24 months.

Condition

The Immunization Branch of Public Health has about 3,700 enrolled and active VFC providers located in the State of California. For the period from July 1, 2018 to June 30, 2019, 214 active providers were overdue for a visit as required by the Center for Disease Control and Prevention, representing approximately 6% of the program's total enrolled and active VFC providers. In addition, 819 of 1,249 outstanding follow-up actions for the same period were overdue.

Identification as a Repeat Finding

Finding 2018-015 was reported in the immediate prior year.

Cause

The Immunization Branch of Public Health misinterpreted the visit frequency requirement such that a provider should be visited within 2 calendar years of the last compliance visit date. However, the Center for Disease Control and Prevention's timeframe requirement is within 24 months from the date of the last compliance visit. The Immunization Branch of Public Health also experienced a staff shortage in Southern California where approximately 70% of these overdue providers were located.

Effect

The Immunization Branch of Public Health did not monitor the overdue providers to ensure that they maintained proper control and accountability for vaccine and adequately safeguarded and used vaccine solely for authorized purposes during the fiscal year ended June 30, 2019.

Questioned Costs

No questioned costs were identified.

Context

For the fiscal year ended June 30, 2019, the total value of federally funded vaccines which was distributed, in lieu of cash, directly to Immunization Cooperative Agreements vaccinating providers was $501,813,107, representing 95.6% of the program's total federal expenditures.

Recommendation

The Immunization Branch of Public Health should develop a plan to perform the VFC Compliance Site Visits, including any follow-up actions, within the required timeframe.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2019-009
Category of Finding:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Type of Finding:	Material Weakness
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.778
Federal Program Title	Medical Assistance Program
Federal Award Numbers and Years:	1905CA5MAP; 2019 1905CA5ADM; 2019 1805CA5MAP; 2018 1805CA5ADM; 2018

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 45 - Public Welfare, Subtitle A - Department of Health and Human Services, Subchapter A - General Administration, Part 95 - General Administration - Grant Programs (Public Assistance, Medical Assistance and State Children's Health Insurance Programs), Subpart F - Automatic Data Processing Equipment and Services - Conditions for Federal Financial Participation (FFP), Specific Conditions for FFP, §95.621 ADP reviews (45 CFR 95.621):

The Department will conduct periodic onsite surveys and reviews of State and local agency ADP methods and practices to determine the adequacy of such methods and practices and to assure that ADP equipment and services are utilized for the purposes consistent with proper and efficient administration under the Act. Where practical, the Department will develop a mutually acceptable schedule between the Department and State or local agencies prior to conducting such surveys or reviews, which may include but are not limited to:

(f) ADP System Security Requirements and Review Process:
   (3) ADP System Security Reviews. State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.

Condition

The California Medicaid Management Information System (CA-MMIS) Division of Health Care Services is responsible for appropriate, cost-effective safeguards over the information systems used in the administration of the Medical Assistance Program. The CA-MMIS Division uses a service organization/fiscal intermediary to perform many fiscal components of the administration of the program.

The CA-MMIS Division obtained from the fiscal intermediary an independent service auditor's service organization control report on the suitability of the design and operating effectiveness of controls for the period July 1, 2015 to June 30, 2016, which was performed in accordance with AICPA Statement on Standards for Attestation Engagements Section 801, Reporting on Controls at a Service Organization (SOC 1 type 2 report). The report included a number of exceptions, three of which were significant enough to warrant the service auditor to modify its opinion on controls.

Since then, the CA-MMIS Division has not been able to procure a SOC 1 type 2 report for the fiscal intermediary, so it now conducts on-going ADP system security reviews, including evaluating physical and data security operating procedures and personnel practices.

As part of that process, the CA-MMIS Division continued to monitor the fiscal intermediary's efforts to implement required corrective actions to resolve the exceptions noted in the SOC 1 type 2 report. However, the fiscal intermediary has demonstrated its inability to implement the required corrective actions as supported by the sample testing performed as described in the context section below.

Identification as a Repeat Finding

Finding 2018-016 was reported in the immediate prior year.

Cause

The three significant exceptions noted in the SOC 1 type 2 report were that the fiscal intermediary did not have (1) adequate controls that restrict access to authorized personnel to promote changes to the production environment, (2) an adequate process to terminate employees' access to the network and applications upon notification, and (3) adequate controls that restrict access to Automatic Transaction Generators (ATGs) to authorized personnel, nor an adequate process to approve ATGs prior to implementation.

Furthermore, the fiscal intermediary has not been effectively implementing the corrective actions required by the CA-MMIS Division to resolve the exceptions identified in the SOC 1 type 2 report.

Effect

There is an increased risk of unauthorized access to the CA-MMIS system, which could result in unauthorized modifications being made to the production environment and/or the information within it. As a result, given the continued inability of the fiscal intermediary to timely remove terminated users' logical access and the findings in the SOC 1 type 2 report, we were not able to place reliance on the ADP Risk Analysis and System Security Review for testing compliance with Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility for individuals for the federal program.

Questioned Costs

No questioned costs were identified.

Context

Limited testing was performed on a sample of ten developer and employee users judgmentally selected from a population of 379 users terminated by the fiscal intermediary during the fiscal year ended June 30, 2019, of which the fiscal intermediary was unable to provide support of the timely removal of six users' logical access from all applications and/or networks.

Recommendation

Since the fiscal intermediary has not been effective in implementing the CA-MMIS Division's corrective actions required to resolve exceptions noted for general controls over logical access to systems, programs and data, the CA-MMIS Division should evaluate the continued risks associated with these exceptions and consider further actions permitted under its contract to remediate the exceptions or consider alternative service providers.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

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Auditee's Section

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Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

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STATE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture				
Agricultural Research Basic and Applied Research	10.001		$ 360,973	$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		56,587,507	10,508,382
Federal-State Marketing Improvement Program	10.156		18,185	-
Inspection Grading and Standardization	10.162		6,554	-
Market Protection and Promotion	10.163		3,444,723	-
Specialty Crop Block Grant Program - Farm Bill	10.170		20,328,909	7,830,705
Organic Certification Cost Share Programs	10.171		1,803,615	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash)	10.178		*66,451,430*	-
Food Insecurity Nutrition Incentive Grants Program	10.331		1,311,220	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		63,824	-
Meat, Poultry, and Egg Products Inspection	10.477		37,238	-
CACFP Meal Service Training Grants	10.534		26,589	-
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537		537,843	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		717,663,639	385,682,444
Child and Adult Care Food Program	10.558		452,202,768	447,810,843
State Administrative Expenses for Child Nutrition	10.560		34,822,064	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		1,793,754	174,345
Farm to School Grant Program	10.575		23,677	-
Senior Farmers Market Nutrition Program	10.576		653,124	-
WIC Grants to States (WGS)	10.578		5,873,397	-
Child Nutrition Discretionary Grants Limited Availability	10.579		3,344,435	3,288,290
Fresh Fruit and Vegetable Program	10.582		8,217,872	8,074,517
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		377,620	338,696
Cooperative Forestry Assistance	10.664		4,292,759	1,344,742
Urban and Community Forestry Program	10.675		611,017	537,538
Forest Legacy Program	10.676		25,621	10,501
Forest Stewardship Program	10.678		63,823	60,072
Forest Health Protection	10.680		365,743	114,949
Good Neighbor Authority	10.691		71,192	-
Watershed Restoration and Enhancement Agreement Authority	10.693		34,935	-
Partnership Agreements	10.699		503,214	-
Total Excluding Clusters			**1,381,919,264**	**865,776,024**
Child Nutrition Cluster				
School Breakfast Program	10.553		507,241,738	507,241,738
National School Lunch Program (Noncash)	10.555		*181,444,792*	-
National School Lunch Program	10.555		1,441,432,826	1,441,432,826
Total National School Lunch Program			1,622,877,618	1,948,674,564
Special Milk Program for Children	10.556		261,702	261,702
Summer Food Service Program for Children	10.559		21,508,290	20,687,026
Total Child Nutrition Cluster			**2,151,889,348**	**1,969,623,292**
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		7,528,560	7,398,560
Commodity Supplemental Food Program (Noncash)	10.565		*22,560,496*	-
Total Commodity Supplemental Food Program			30,089,056	7,398,560
Emergency Food Assistance Program (Administrative Costs)	10.568		14,953,286	14,597,148
Emergency Food Assistance Program (Food Commodities)	10.569		75,000	-
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569		*70,710,525*	-
Total Food Distribution Cluster			**115,827,867**	**21,995,708**
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		26,751,451	26,751,451
Total Forest Service Schools and Roads Cluster			**26,751,451**	**26,751,451**
Research and Development Cluster				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		106,415	106,415
Specialty Crop Block Grant Program - Farm Bill	10.170		9,348,366	9,348,366
Total Research and Development Cluster			**9,454,781**	**9,454,781**
SNAP Cluster				

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Supplemental Nutrition Assistance Program (Noncash)	10.551		*6,021,996,869*	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		977,532,224	822,709,839
Total SNAP Cluster			**6,999,529,093**	**822,709,839**
Total U.S. Department of Agriculture			**10,685,371,804**	**3,716,311,095**
U.S. Department of Commerce				
Coastal Zone Management Administration Awards	11.419		2,645,686	-
Coastal Zone Management Estuarine Research Reserves	11.420		1,042,199	737,722
Unallied Management Projects	11.454		994,133	-
Habitat Conservation	11.463		100,441	-
Meteorological and Hydrologic Modernization Development	11.467		494,720	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		194,720	165,786
State and Local Implementation Grant Program	11.549		636,718	-
Total Excluding Clusters			**6,108,617**	**903,508**
Research and Development Cluster				
Interjurisdictional Fisheries Act of 1986	11.407		161,111	-
Coastal Zone Management Estuarine Research Reserves	11.420		66,187	66,187
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		17,158,284	15,532,365
Unallied Science Program	11.472		1,205,726	1,070,056
Total Research and Development Cluster			**18,591,308**	**16,668,608**
Total U.S. Department of Commerce			**24,699,925**	**17,572,116**
U.S. Department of Defense				
Planning Assistance to States	12.110		68,932	-
Payments to States in Lieu of Real Estate Taxes	12.112		123,288	123,288
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		16,709,175	-
Basic and Applied Scientific Research	12.300		76,113	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		77,549,816	-
National Guard ChalleNGe Program	12.404		17,816,057	-
Economic Adjustment Assistance for State Governments	12.617		2,380,151	2,101,826
Legacy Resource Management Program	12.632		47,460	-
Air Force Defense Research Sciences Program	12.800		55,569	-
Total Excluding Clusters			**114,826,561**	**2,225,114**
Research and Development Cluster				
Other - U.S. Department of Defense	12.U01		1,166,447	1,127
Total Research and Development Cluster			**1,166,447**	**1,127**
Total U.S. Department of Defense			**115,993,008**	**2,226,241**
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		124,262	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		25,564,923	24,694,033
Emergency Solutions Grant Program	14.231		15,151,966	14,799,162
Home Investment Partnerships Program	14.239		20,799,591	18,660,400
Housing Opportunities for Persons with AIDS	14.241		763,186	763,186
Housing Trust Fund	14.275		584,176	-
Equal Opportunity in Housing	14.400		2,366,080	-
Total Excluding Clusters			**65,354,184**	**58,916,781**

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				
National Disaster Resilience Competition	14.272		1,279,055	914,752
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			1,279,055	914,752
Total U.S. Department of Housing and Urban Development			**66,633,239**	**59,831,533**
U.S. Department of the Interior				
Cultural and Paleontological Resources Management	15.224		33,692	-
BLM Fuels Management and Community Fire Assistance Program Activities	15.228		1,322	-
Fish, Wildlife and Plant Conservation Resource Management	15.231		(3,000)	-
Southern Nevada Public Land Management	15.235		342,639	-
Environmental Quality and Protection	15.236		14,433	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,350,371	-
Geothermal Resources	15.434		4,389,681	4,389,681
Minerals Leasing Act	15.437		41,344,458	41,344,458
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		113,308	-
Central Valley Project Improvement Act, Title XXXIV	15.512		3,599,708	-
Fish and Wildlife Coordination Act	15.517		245,940	-
Recreation Resources Management	15.524		3,608,309	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		227,879	-
California Water Security and Environmental Enhancement	15.533		191,179	91,569
Lake Tahoe Regional Wetlands Development	15.543		23,928	-
San Joaquin River Restoration	15.555		1,109,081	-
Fish and Wildlife Management Assistance	15.608		764,237	756,764
Coastal Wetlands Planning, Protection and Restoration	15.614		4,929,537	4,891,657
Cooperative Endangered Species Conservation Fund	15.615		6,837,308	6,340,909
Clean Vessel Act	15.616		453,833	444,874
Sportfishing and Boating Safety Act	15.622		225,000	225,000
North American Wetlands Conservation Fund	15.623		246,398	241,398
Enhanced Hunter Education and Safety	15.626		244,454	-
State Wildlife Grants	15.634		464,130	52,000
Central Valley Project Improvement Act (CVPIA)	15.648		439,252	7,670
Earthquake Hazards Program Assistance	15.807		4,463	-
National Cooperative Geologic Mapping	15.810		64,882	-
National Geological and Geophysical Data Preservation	15.814		6,025	-
Historic Preservation Fund Grants-In-Aid	15.904		1,095,395	171,984
Outdoor Recreation Acquisition, Development and Planning	15.916		5,255,863	4,485,220
National Center for Preservation Technology and Training	15.923		23,242	23,242
National Maritime Heritage Grants	15.925		207,878	207,343
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		58,253	-
Natural Resource Stewardship	15.944		10,143	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		20,365	-
Other - U.S. Department of the Interior	15.U02		2,198,938	-
Total Excluding Clusters			**80,142,524**	**63,673,769**
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605		5,706,685	2,560,900
Wildlife Restoration and Basic Hunter Education	15.611		2,852,899	-
Total Fish and Wildlife Cluster			**8,559,584**	**2,560,900**
Research and Development Cluster				
Central Valley Improvement Act, Title XXXIV	15.512		3,077,778	-
San Luis Unit, Central Valley	15.527		41,255	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		820,462	-
Sport Fish Restoration	15.605		10,566,473	396,233
Wildlife Restoration and Basic Hunter Education	15.611		18,449,185	779,197
Cooperative Endangered Species Conservation Fund	15.615		2,130,873	1,434,576
Landowner Incentive	15.633		36,670	35,470
State Wildlife Grants	15.634		2,181,252	879,563
Central Valley Project Improvement Act (CVPIA)	15.648		39,471	34,762
Endangered Species Conservation - Recovery Implementation Funds	15.657		23,907	19,690
Endangered Species Conservation-Wolf Livestock Compensation and Prevention	15.666		49	-
Other - U.S. Department of the Interior	15.U03		950,334	-
Total Research and Development Cluster			**38,317,709**	**3,579,491**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Total U.S. Department of the Interior			**127,019,817**	**69,814,160**
U.S. Department of Justice				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		177,856	-
Sexual Assault Services Formula Program	16.017		801,825	801,825
Services for Trafficking Victims	16.320		172,375	98,476
Antiterrorism Emergency Reserve	16.321		1,872,345	206,977
Drug Court Discretionary Grant Program	16.523		12,438	6,096
Juvenile Justice and Delinquency Prevention	16.540		3,637,103	3,070,028
National Criminal History Improvement Program (NCHIP)	16.554		510,492	-
Crime Victim Assistance	16.575		220,366,740	211,902,972
Crime Victim Compensation	16.576		12,918,856	-
Crime Victim Assistance/Discretionary Grants	16.582		799,159	799,159
Drug Court Discretionary Grant Program	16.585		82,022	-
Violence Against Women Formula Grants	16.588		13,386,184	12,731,987
Residential Substance Abuse Treatment for State Prisoners	16.593		866,448	788,309
State Criminal Alien Assistance Program	16.606		59,458,720	-
Project Safe Neighborhoods	16.609		387,895	314,685
Regional Information Sharing Systems				
Pass-Through from Western States Information Network	16.610	*2018-RS-CX-0004*	1,837,465	-
Public Safety Partnership and Community Policing Grants	16.710		417,583	-
Special Data Collections and Statistical Studies	16.734		56,322	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2,456,575	1,633,187
DNA Backlog Reduction Program	16.741		1,162,805	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		849,764	759,742
Support for Adam Walsh Act Implementation Grant Program	16.750		213,468	-
Edward Byrne Memorial Competitive Grant Program	16.751		752,228	752,228
Economic, High-Tech, and Cyber Crime Prevention	16.752		10,064	-
Harold Rogers Prescription Drug Monitoring Program	16.754		95,044	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		99,679	-
Postconviction Testing of DNA Evidence	16.820		122,736	122,736
Equitable Sharing Program	16.922		730,305	-
Other - U.S. Department of Justice	16.U04		370,824	-
Total U.S. Department of Justice			**324,625,320**	**233,988,407**
U.S. Department of Labor				
Labor Force Statistics	17.002		6,426,871	-
Compensation and Working Conditions	17.005		682,808	-
Unemployment Insurance	17.225		5,809,565,486	-
Senior Community Service Employment Program	17.235		6,184,673	5,816,377
Trade Adjustment Assistance	17.245		9,487,765	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,004,235	-
Temporary Labor Certification for Foreign Workers	17.273		1,474,800	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		32,397,820	31,238,955
Apprenticeship USA Grants	17.285		452,688	-
Occupational Safety and Health State Program	17.503		24,621,335	-
Consultation Agreements	17.504		5,377,187	-
Mine Health and Safety Grants	17.600		251,036	-
Disability Employment Policy Development	17.720		56,123	18,562
Total Excluding Clusters			**5,898,982,827**	**37,073,894**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		70,522,511	2,256,751
Disabled Veterans' Outreach Program (DVOP)	17.801		13,224,712	-
Total Employment Service Cluster			**83,747,223**	**2,256,751**
WIOA Cluster				
WIOA Adult Program	17.258		115,771,788	109,519,230
WIOA Youth Activities	17.259		135,572,511	121,142,303
WIOA Dislocated Worker Formula Grants	17.278		141,862,545	122,374,366
Total WIOA Cluster			**393,206,844**	**353,035,899**
Total U.S. Department of Labor			**6,375,936,894**	**392,366,544**
U.S. Department of Transportation				
Airport Improvement Program	20.106		532,548	-
Highway Research and Development Program	20.200		624,237	-
Highway Training and Education	20.215		2,614	-
Motor Carrier Safety Assistance	20.218		14,435,719	-
Commercial Driver's License Program Implementation Grant	20.232		105,236	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		123,103	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		37,206	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		115,890	115,890
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		(545,660)	-
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		5,829,076	5,001,983
Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants			5,283,416	5,001,983
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		67,009,245	67,009,245
Formula Grants for Rural Areas and Tribal Transit Program	20.509		28,117,088	26,532,501
Paul S. Sarbanes Transit in the Parks	20.520		320,404	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		3,520,687	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		35,719,889	23,514,228
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		685,628	-
Pipeline Safety Program State Base Grant	20.700		7,350,494	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,055,516	175,353
PHMSA Pipeline Safety Underground Natural Gas Storage Unit	20.725		980,514	-
Total Excluding Clusters			**166,019,434**	**122,349,200**
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205		3,834,212,218	1,157,114,108
Recreational Trails Program	20.219		3,685,361	3,328,932
Total Highway Planning and Construction Cluster			**3,837,897,579**	**1,160,443,040**
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		22,441,677	21,619,730
New Freedom Program	20.521		15,131	-
Total Transit Services Programs Cluster			**22,456,808**	**21,619,730**
Federal Transit Cluster				
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		757,896	757,896
Total Federal Transit Cluster			**757,896**	**757,896**
Highway Safety Cluster				
State and Community Highway Safety	20.600		30,422,639	16,512,437
National Priority Safety Programs	20.616		24,188,963	14,520,040
Total Highway Safety Cluster			**54,611,602**	**31,032,477**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Research and Development Cluster				
Highway Planning and Construction	20.205		3,163,712	-
State and Community Highway Safety	20.600		36,227	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		64,222	-
Total Research and Development Cluster			**3,264,161**	**-**
Total U.S. Department of Transportation			**4,085,007,480**	**1,336,202,343**
Department of the Treasury				
Equitable Sharing	21.016		23,740	-
Total Department of the Treasury			**23,740**	**-**
Equal Employment Opportunity Commission				
Other - Equal Opportunity Employment Commission	30.U05		2,739,202	-
Total Equal Employment Opportunity Commission			**2,739,202**	**-**
General Services Administration				
Donation of Federal Surplus Personal Property (Noncash)	39.003		*205,066,208*	-
Election Reform Payments	39.011		713,314	-
Total General Services Administration			**205,779,522**	**-**
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		1,007,483	295,000
Grants to States	45.310		16,612,622	10,946,104
Total National Endowment for the Arts			**17,620,105**	**11,241,104**
Small Business Administration				
State Trade Expansion	59.061		188,515	114,823
Total Small Business Administration			**188,515**	**114,823**
U.S. Department of Veterans Affairs				
Burial Expenses Allowance for Veterans	64.101		248,997	-
Veterans Housing Guaranteed and Insured Loans	64.114		185,841,140	-
All-Volunteer Force Educational Assistance	64.124		1,508,980	-
Total U.S. Department of Veterans Affairs			**187,599,117**	**-**
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		5,457,742	382,135
State Indoor Radon Grants	66.032		5,820	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		585,017	-
State Clean Diesel Grant Program	66.040		516,816	-
The San Francisco Bay Water Quality Improvement Fund	66.126		1,281,550	1,275,771
Congressionally Mandated Projects	66.202		(1,366,781)	246,487
Multipurpose Grants to States and Tribes	66.204		292,966	135,435
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		5,131,450	3,322,233
State Public Water System Supervision	66.432		5,102,788	-
State Underground Water Source Protection	66.433		379,219	-
Water Quality Management Planning	66.454		601,253	322,289
Nonpoint Source Implementation Grants	66.460		5,241,688	3,735,034
Regional Wetland Program Development Grants	66.461		266,476	259,088
Pass-Through from Pacific States Marines Fisheries Commission	66.461	*17-43G*	296,000	-
Total Regional Wetland Program Development Grants			562,476	259,088

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Beach Monitoring and Notification Program Implementation Grants	66.472		381,346	377,000
Performance Partnership Grants	66.605		1,510,950	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		300,467	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		462,010	-
Pollution Prevention Grants Program	66.708		52,513	29,728
Hazardous Waste Management State Program Support	66.801		7,098,807	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		580,150	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		(59,915)	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		181,465	-
State and Tribal Response Program Grants	66.817		874,844	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		151,358	-
Total Excluding Clusters			**35,325,999**	**10,085,200**
Research and Development Cluster				
Regional Wetland Program Development Grants	66.461		129,401	129,401
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		6,253	-
Total Research and Development Cluster			**135,654**	**129,401**
Total Environmental Protection Agency			**35,461,653**	**10,214,601**
U.S. Department of Energy				
State Energy Program	81.041		3,288,810	-
Weatherization Assistance for Low-Income Persons	81.042		5,066,442	3,818,018
Nuclear Legacy Cleanup Program	81.065		1,377,808	-
Environmental Remediation and Waste Processing and Disposal	81.104		180,492	-
Long-Term Surveillance and Maintenance	81.136		17,093	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		7,038	-
Sustainable Energy for Homes and Business	81.U06		43,924	-
Total U.S. Department of Energy			**9,981,607**	**3,818,018**
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		88,180,509	78,177,025
Title I Grants to Local Educational Agencies	84.010		1,931,457,693	1,931,457,693
Migrant Education State Grant Program	84.011		138,734,325	126,863,771
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		1,625,500	1,625,500
Career and Technical Education -- Basic Grants to States	84.048		87,723,435	59,236,965
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		319,759,654	-
Migrant Education Coordination Program	84.144		129,858	101,322
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		3,499,097	3,133,622
Special Education-Grants for Infants and Families	84.181		35,626,829	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		4,081,891	-
Education for Homeless Children and Youth	84.196		12,460,386	12,009,808
Charter Schools	84.282		21,170,167	21,170,167
Twenty-First Century Community Learning Centers	84.287		140,067,409	136,173,720
Special Education - State Personnel Development	84.323		1,715,416	310,417
Rural Education	84.358		1,664,932	1,633,966
English Language Acquisition State Grants	84.365		178,575,877	172,342,677
Mathematics and Science Partnerships	84.366		102,782	18,535
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		240,372,903	234,550,429
Competitive Grants for State Assessments (formerly Grants for Enhanced Assesment Instruments)	84.368		1,316,254	1,316,254
Grants for State Assessments and Related Activities	84.369		26,041,614	8,942,304
School Improvement Grants	84.377		34,497,161	33,239,416
Promoting Readiness of Minors in Supplemental Security Income	84.418		10,814,521	-
Disability Innovation Fund (DIF)	84.421		1,856,789	-
Student Support and Academic Enrichment Program	84.424		91,826,669	91,744,048
Disaster Recovery Assistance for Education	84.938		2,763,520	2,701,744
Total Excluding Clusters			**3,376,065,191**	**2,916,749,383**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027		588,627,233	539,682,132
Special Education Preschool Grants	84.173		21,239,985	19,201,340
Total Special Education Cluster (IDEA)			**609,867,218**	**558,883,472**
Total U.S. Department of Education			**3,985,932,409**	**3,475,632,855**
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		5,585,948	-
2018 HAVA Election Security Grants	90.404		71,951	-
Total U.S. Election Assistance Commission			**5,657,899**	**-**
U.S. Department of Health and Human Services				
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		66,287	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		495,940	495,940
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		1,768,649	1,659,777
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		2,691,658	2,691,658
National Family Caregiver Support, Title III, Part E	93.052		16,289,470	15,613,285
Public Health Emergency Preparedness	93.069		29,586,058	24,811,962
Environmental Public Health and Emergency Response	93.070		1,089,681	294,168
Medicare Enrollment Assistance Program	93.071		1,469,867	1,360,439
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		401,324	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		126,915	-
Guardianship Assistance	93.090		65,773,354	65,673,672
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		2,748,923	2,748,923
Food and Drug Administration Research	93.103		3,157,231	550,000
Maternal and Child Health Federal Consolidated Programs	93.110		377,984	29,587
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		5,337,748	3,383,355
Preventative Medicine Residency	93.117		220,556	-
Emergency Medical Services for Children	93.127		101,529	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		464,000	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		5,304,521	3,486,140
Projects for Assistance in Transition from Homelessness (PATH)	93.150		8,903,162	8,668,230
Health Program for Toxic Substances and Disease Registry	93.161		86,856	-
Grants to States for Loan Repayment	93.165		1,007,274	-
Traumatic Brain Injury State Demonstration Grant Program	93.234		86,402	-
State Capacity Building	93.240		305,126	-
State Rural Hospital Flexibility Program	93.241		510,868	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		2,752,665	1,975,338
Early Hearing Detection and Intervention	93.251		145,999	144,062
Immunization Cooperative Agreements	93.268		22,972,137	11,760,579
Immunization Cooperative Agreements (Noncash)	93.268		*501,813,107*	-
Total Immunization Cooperative Agreements			524,785,244	11,760,579
Viral Hepatitis Prevention and Control	93.270		60,462	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		206	-
Small Rural Hospital Improvement Grant Program	93.301		270,235	-
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305		2,652,956	-
State Health Insurance Assistance Program	93.324		3,699,837	2,814,250
Behavioral Risk Factor Surveillance System	93.336		11,543	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		1,307,474	-
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367		659,920	-
ACL Independent Living State Grants	93.369		2,707,643	2,314,018
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		949,216	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Every Student Succeeds Act/Preschool Development Grants	93.434		93,452	-
State Physical Activity and Nutrition (SPAN)	93.439		249,660	9,229
Food Safety and Security Monitoring Project	93.448		388,476	-
ACL Assistive Technology	93.464		1,079,479	-
Pregnancy Assistance Fund Program	93.500		128,409	128,409
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		1	-
Promoting Safe and Stable Families	93.556		36,224,625	33,152,296
Child Support Enforcement	93.563		683,220,606	527,106,689
Child Support Enforcement Research	93.564		375,343	375,343
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		25,414,395	12,698,718
Low-Income Home Energy Assistance	93.568		204,136,472	191,976,785
Community Services Block Grant	93.569		61,368,061	57,139,071
Refugee and Entrant Assistance Discretionary Grants	93.576		134,055	127,656
U.S. Repatriation	93.579		63,307	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584		3,018,599	2,979,738
State Court Improvement Program	93.586		1,476,042	26,735
Community-Based Child Abuse Prevention Grants	93.590		4,138,107	1,963,337
Grants to States for Access and Visitation Programs	93.597		237,594	12,667
Chafee Education and Training Vouchers Program (ETV)	93.599		5,500,989	-
Head Start	93.600		5,015,875	2,964,867
Adoption and Legal Guardianship Incentive Payments	93.603		3,047,283	3,047,283
State Health Insurance Assistance Program	93.626		92,071	92,071
Developmental Disabilities Basic Support and Advocacy Grants	93.630		6,708,325	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		2,568,623	306,686
Children's Justice Grants to States	93.643		878,649	779,882
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		97,775	
Stephanie Tubbs Jones Child Welfare Services Program	93.645		29,175,845	29,175,845
ARRA - Foster Care_Title IV-E	93.658		(894)	(894)
Foster Care_Title IV-E	93.658		1,533,904,168	1,442,781,808
Total Foster Care_Title IV-E			1,533,903,274	1,442,780,914
ARRA - Adoption Assistance	93.659		(3,189)	(3,189)
Adoption Assistance	93.659		564,548,025	544,494,131
Total Adoption Assistance			564,544,836	544,490,942
Social Services Block Grant	93.667		445,980,436	155,146,746
Child Abuse and Neglect State Grants	93.669		3,552,559	157,324
Child Abuse and Neglect Discretionary Activities	93.670		148,935	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		9,562,485	9,325,891
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		16,487,649	14,489,973
Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719		(15,148)	-
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		791,164	648,625
PHHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		210,914	-
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		10,733	-
Elder Abuse Prevention Interventions Program	93.747		255,210	255,210
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	93.757		957,886	957,886
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		2,467,576	17,295
Children's Health Insurance Program	93.767		3,113,903,965	12,343,856
Opioid STR	93.788		78,736,566	-
Money Follows the Person Rebalancing Demonstration	93.791		8,334,385	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		754,039	557,407
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		695,013	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870		3,095,128	3,095,128
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881		177,121	-
National Bioterrorism Hospital Preparedness Program	93.889		18,552,848	8,487,807
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		8,482,691	83,791
Grants to States for Operation of State Offices of Rural Health	93.913		181,845	-
HIV Care Formula Grants	93.917		173,051,129	31,986,088
HIV Prevention Activities Health Department Based	93.940		7,233,171	4,568,703
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		812,626	302,204
Assistance Programs for Chronic Disease Prevention and Control	93.945		443,742	251,860
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		-	-
Block Grants for Community Mental Health Services	93.958		71,760,141	70,284,650
Block Grants for Prevention and Treatment of Substance Abuse	93.959		91,653,996	72,708,743
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		4,128,870	1,593,365
Mental Health Disaster Assistance and Emergency Mental Health	93.982		129,988	-
Preventive Health and Health Services Block Grant	93.991		6,390,787	1,165,346
Maternal and Child Health Services Block Grant to the States	93.994		9,740,700	9,498,766
Other - U.S. Department of Health and Human Services	93.U07		41,171,992	-
Total Other - Department of Health and Human Services			41,171,992	-
Total Excluding Clusters			**7,981,496,153**	**3,399,737,210**
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		40,669,403	38,255,098
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		70,420,558	67,842,490
Nutrition Services Incentive Program	93.053		13,768,817	13,768,817
Total Aging Cluster			**124,858,778**	**119,866,405**
TANF Cluster				
Temporary Assistance for Needy Families	93.558		3,096,051,874	1,956,487,640
Total TANF Cluster			**3,096,051,874**	**1,956,487,640**
CCDF Cluster				
Child Care and Development Block Grant	93.575		351,429,851	351,429,851
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		247,461,873	232,381,020
Total CCDF Cluster			**598,891,724**	**583,810,871**
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		33,709,577	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		38,164,340	-
Medical Assistance Program	93.778		55,977,824,710	1,510,600,931
Total Medicaid Cluster			**56,049,698,627**	**1,510,600,931**
Research and Development Cluster				
Food and Drug Administration Research	93.103		127,477	-
Total Research and Development Cluster			**127,477**	**-**
Total U.S. Department of Health and Human Services			**67,851,124,633**	**7,570,503,057**

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Corporation for National and Community Service				
State Commissions	94.003		1,238,741	-
AmeriCorps	94.006		30,529,793	30,188,475
Training and Technical Assistance	94.009		304,990	-
Volunteers in Service to America				
Pass-Through from KUPU	94.013	*825068047*	10,382	-
Volunteer Generation Fund	94.021		7,196	-
Total Excluding Clusters			**32,091,102**	**30,188,475**
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,259,197	-
Total Foster Grandparent/Senior Companion Cluster			**1,259,197**	**-**
Total Corporation for National and Community Service			**33,350,299**	**30,188,475**
Executive Office of the President				
High Intensity Drug Trafficking Areas Program				
Pass-Through from CV HIDTA/LA Police Chief's Association/Sacramento City	95.001	*G17CV0002A*	8,960	-
Pass-Through from CV HIDTA/LA Police Chief's Association/Sacramento City	95.001	*G18CV0002A*	1,493	-
Pass-Through from INCH/LA Police Chief's Association/Riverside County	95.001	*G17LA0007A*	64,889	-
Pass-Through from INCH/LA Police Chief's Association/Riverside County	95.001	*G18LA0007A*	33,773	-
Pass-Through from LA Clear/LA Police Chief's Association of Monrovia	95.001	*G17LA0006A*	78,260	-
Pass-Through from LA Clear/LA Police Chief's Association of Monrovia	95.001	*G18LA0006A*	1,571,345	-
Pass-Through from San Diego Imperial HIDTA	95.001	*G18SC0001A*	428,719	-
Pass-Through from San Diego Imperial HIDTA	95.001	*G16SC0001A*	208,470	-
Pass-Through from San Diego Imperial HIDTA	95.001	*G19SC0001A*	162,412	-
Total Executive Office of the President			**2,558,321**	**-**
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001		225,937,882	-
Total Social Security Administration			**225,937,882**	**-**
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		2,431,418	2,431,418
Boating Safety Financial Assistance	97.012		5,640,700	2,786,436
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		1,007,504	-
Flood Mitigation Assistance	97.029		1,445,261	1,402,971
Crisis Counseling	97.032		1,898,294	1,898,294
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		243,002,900	234,565,116
Hazard Mitigation Grant	97.039		20,030,893	15,824,931
National Dam Safety Program	97.041		135,448	-
Emergency Management Performance Grants	97.042		26,947,746	15,860,253
Cooperating Technical Partners	97.045		164,582	-
Fire Management Assistance Grant	97.046		30,575,587	29,685,997
Pre-Disaster Mitigation	97.047		2,096,823	1,913,767
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		24,693	-
Homeland Security Grant Program	97.067		205,448,617	181,498,715
Earthquake Consortium	97.082		400,742	330,416
Disaster Assistance Projects	97.088		928,808	-
Total U.S. Department of Homeland Security			**542,180,016**	**488,198,314**
Total Expenditures of Federal Awards			**$ 94,911,422,407**	**$ 17,418,223,686**

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

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Notes to the Schedule of Expenditures of Federal Awards

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STATE OF CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures for all federal award programs received by the State of California (State) for the fiscal year ended June 30, 2019, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the "Uniform Guidance."

The Schedule presents only a portion of the State's operations. It is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the State.

2. BASIS OF ACCOUNTING

The federal awards expenditures reported in the Schedule are prepared from records maintained by each State department for federal funds, and are reported on the cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State. All expenditures for each program are net of applicable program income and refunds.

State departments' records are periodically reconciled to the California State Controller's Office federal receipts and department expenditure reports. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers and federal program titles listed in the Schedule were obtained from the federal funding agency, the pass-through grantor, or the CFDA for the audit period covered.

The CFDA is a five-digit number. The first two digits represent the federal funding agency and the last three digits identify the specific federal program. If a CFDA number is unknown or unavailable, the two digit number identifying the federal funding agency is used along with a "U" followed by a two digit number (e.g. U01, U02, etc.).

4. NONCASH FEDERAL AWARDS

The State is the recipient of federal award programs that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as food and nutritional purchase assistance, commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule. Noncash awards for the fiscal year ended June 30, 2019 are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2019
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	$ 66,451,430
10.551	Supplemental Nutrition Assistance Program	6,021,996,869
10.555	National School Lunch Program	181,444,792
10.565	Commodity Supplemental Food Program	22,560,496
10.569	Emergency Food Assistance Program (Food Commodities)	70,710,525
39.003	Donation of Federal Surplus Personal Property	205,066,208
93.268	Immunization Cooperative Agreements	501,813,107
	Total	$ 7,070,043,427

5. LOANS, LOAN GUARANTEES OUTSTANDING, AND INSURANCE IN EFFECT

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2019, are summarized in the schedule below.

Federal Catalog Number	Federal Program Title	Loan Guarantees Outstanding for the Fiscal Year ended June 30, 2019	Insurance In Effect at June 30, 2019
64.114	Veterans Housing Guaranteed and Insured Loans	$ -	$ 185,841,140
81.041	State Energy Program	1,142,790	-
	Total	$ 1,142,790	$ 185,841,140

6. PASS-THROUGH AWARDS

The State receives the majority of its federal assistance directly from the federal awarding agencies. Federal awards received by the State from a pass-through entity are included in the Schedule and are italicized.

7. SUBRECIPIENTS

The State awards federal funds to non-federal entities (subrecipients) to assist with the implementation and administration of federal programs. Subrecipients are monitored by the State to ensure federal funds are expended in accordance with authorized laws, regulations, and the provisions of contract or grant agreements. Amounts provided to subrecipients from each federal program are included in a separate column on the Schedule.

8. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash expenditure basis as explained in Note 2.

9. INDIRECT COST RATE

The majority of State entities claim indirect costs in accordance with a federally approved indirect cost rate plan. State entities that utilize the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance are as follows:

- Governor’s Office of Planning and Research
- California Tahoe Conservancy
- California Sierra Nevada Conservancy
- Emergency Medical Services Authority
- California Department of Veterans Affairs

The Governor’s Office of Planning and Research and the California Department of Veterans Affairs also administer other federal programs that utilize other indirect cost rate methodologies.

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Summary Schedule of Prior Audit Findings Prepared by Department of Finance

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Reference Number:	**2018-001**
State Administering Department:	California Department of Public Health (Public Health) California Emergency Medical Services Authority (EMSA)
Audit Finding:	Significant Deficiency and Instance of Noncompliance. During testing of the Schedule of Expenditures of Federal Awards (Schedule) Public Health over-reported subrecipient expenditures by $3,450,660 and $70,564,822 for the Public Health Emergency Preparedness (PHEP) program and HIV Care Formula Grants, respectively. Additionally, the EMSA over-reported subrecipient expenditures by $60,068, for the Preventative Health and Health Services Block Grant (PHHSBG) funded solely with Prevention and Public Health Funds (PPHF) program. Public Health and EMSA should establish a more thorough internal review and communication process to ensure the information submitted to the California Department of Finance for compilation of the Schedule is complete and accurate.
Status of Corrective Action:	Partially Corrected Public Health corrected the errors as noted in the State of California Single Audit Report for the fiscal year ended June 30, 2018. However, this finding was repeated in fiscal year 2018-2019 related to accurate reporting of federal expenditures to Finance by Public Health. Refer to finding 2019-001 regarding the cause for the recurrence and the planned corrective action. Fully Corrected. EMSA has strengthened its internal review process to ensure that subrecipient expenditures are accurately reported in the Single Audit Expenditure Reporting Database. The Chief of Administration now reviews and verifies all PHHSBG expenditures are accurate for the appropriate reporting category prior to final submission to Finance.

Reference Number:	**2018-002**
Federal Program:	10.553 10.555 10.556 10.559
State Administering Department:	California Department of Education (Education)
Audit Finding:	Subrecipient Monitoring. Education established two primary controls over the Nutrition Services Division (NSD) Administrative Review process - (1) the Field Services Unit (FSU) Manager review and (2) the Program Integrity Unit Analyst review. For 20 out of 25 Administrative Reviews (AR) tested, no reviews were performed by a FSU Manager.

Education experienced an unusual circumstance where four of the eight FSU Managers within NSD all retired within a short time frame during the year. This temporarily resulted in a lack of sufficient staffing of FSU Managers to review the AR files.

Education should establish a plan and alternate process when there are planned retirements or other staffing shortages at the manager level to ensure that a sufficient review of AR monitoring documents is performed to mitigate the potential for noncompliance with federal award requirements.

Status of Corrective Action:	Fully Corrected. Education developed the procedures to establish an alternate process for the AR review process in the event that a staffing shortage occurs at the manager level.

Reference Number:	**2018-003**
Federal Program:	16.575
State Administering Department:	Governor’s Office of Emergency Services (CalOES)
Audit Finding:	Subrecipient Monitoring. In 2 out of 25 program site visits tested, the Victim Services Branch's site visit tracking spreadsheet was not updated to accurately reflect the status of its site visits. CalOES’s current process for accurately tracking the status of site visits assigned to program specialists is inconsistently used by program managers. As a result, workload status cannot be effectively monitored and/or reassigned during a statewide disaster requiring the activation/deployment of its personnel. CalOES Victim Services Branch should develop a more formalized tracking process and consider updating its methodology for tracking the status of site visits, findings and corrective action plans to accommodate the increase in size of the program.
Status of Corrective Action:	Fully Corrected. The Victim Services and Public Safety (VSPS) Branch has taken the following actions:

- Updated the shared tracking VSPS Branch Site Visit Tracking spreadsheet to include the date of the Performance Assessment, Site Visit report, and Corrective Action Completion letter issued or mailed to the subrecipient allowing the unit chief to easily identify outstanding reports or corrective actions.
- Updated pages 18 and 19 of the VSPS Branch Procedural Manual to formalize the procedure that program specialists must update the VSPS Branch Site Visit Tracking spreadsheet.
- Created the Workload Summary form that program

specialists must complete prior to all extended absences of five business days or more from the office.

- Updated page 2 of the VSPS Branch Procedural Manual to formalize the procedure that program specialists must complete the Workload Summary form prior to extended absences.

Reference Number: **2018-004**

Federal Program: 93.767
93.778

State Administering Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Activities Allowed or Unallowed. Twenty-three of the 56 contractor counties of Short-Doyle funding were tested and eight had not submitted their cost reports timely. Although the Mental Health Division of Health Care Services did take the required action of notifying the eight subrecipients in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.

The Mental Health Division should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Status of Corrective Action: Partially Corrected – repeat finding – refer to 2019-003. Health Care Services drafted policies and procedures prior to the end of the 2019 legislative session, to impose administrative and financial sanctions, such as but not limited to, fines, penalties, and corrective actions, when a county does not comply with existing requirements for submitted cost reports. Before the new policies and procedures can be implemented, additional work is required to confirm they do not conflict with state or federal laws and regulations, contract provisions, or other applicable guidance and requirements adopted during the 2019 legislative session. Estimated implementation date is December 31, 2020.

Reference Number:	**2018-005**
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	Cash Management. The Cash Management Unit of Health Care Services failed to ensure that the drawdowns of federal funds were in compliance with the funding technique requirements for the Children's Health Insurance Program (CHIP) and Medical Assistance Program (Medicaid). Ten CHIP and thirty-eight Medicaid disbursements were paid more than three business days after the related pre-issuance draws were received. The Cash Management Unit should follow its new policies and procedures implemented on May 16, 2018, and monitor those procedures, to ensure that payment submissions to the State Controller's Office (Controller) are correct to ensure disbursements are made within three business days of receipt of the related federal funds in compliance with the funding technique pursuant to the Cash Management Improvement Act (CMIA) Agreement.
Status of Corrective Action:	Fully Corrected. Health Care Services continues to monitor the implemented procedures to ensure that payment submissions to the Controller are correct to ensure disbursements are made within three business days of receipt of the related federal funds in compliance with the funding technique pursuant to the CMIA Agreement. Health Care Services has also met with the Controller to discuss better communication related to CMIA payments.

Reference Number:	**2018-006**
Federal Program:	93.959
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	Cash Management. The Substance Use Disorder Program, Policy and Fiscal Division of Health Care Services distributes funds awarded to subrecipients on a quarterly basis in accordance with an allocation schedule. The cash management process does not provide for appropriate monitoring to ensure that subrecipients are minimizing the time elapsing between the receipt and disbursement of federal funds. The Substance Use Disorder Program, Policy and Fiscal Division should continue to consult with the federal cognizant

agency, the Substance Abuse and Mental Health Services Administration (SAMHSA) to develop and implement policies and procedures over federal funding to ensure that subrecipients (counties) are minimizing the time elapsing between the receipt and disbursement of federal funds.

Status of Corrective Action:	Fully Corrected. Health Care Services strengthened the Quarterly Federal Financial Management Report (QFFMR) process to minimize the time elapsing between the receipt and disbursement of federal funds to subrecipients. Health Care Services now requires county subrecipients to provide actual Substance Abuse Block Grant (SABG) expenditures with supporting detail from accounting ledgers and actual SABG cash on hand prior to any additional disbursement of federal funds. Health Care Services implemented the enhanced QFFMR process as of January 1, 2019, following consultation with Health Care Services Internal Audits, Accounting, the California Behavioral Health Director's Association and County Alcohol and Drug Administrators. Training webinars were held in July 2018 and September 2018, and Information Notice No. 18-057 was released to inform our external stakeholders of the new process.

Reference Number:	**2018-007**
Federal Program:	93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	Eligibility. Out of 140 beneficiaries tested, there were 47 beneficiaries with eligibility exceptions. In addition to these exceptions, the U.S Department of Health and Human Services Office of Inspector General (OIG) issued a report in February 2018. OIG sampled 150 beneficiaries and found California made Medicaid payments on behalf of 112 eligible beneficiaries. However, for the remaining 38 beneficiaries, California made payments on behalf of ineligible and potentially ineligible beneficiaries. These deficiencies occurred because California's eligibility determination systems lacked the necessary system functionality, and because county welfare agencies' eligibility caseworkers made errors. Health Care Services should continue its practice of performing regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans. Health Care Services should complete the development of and implement a quality control process to monitor all critical and urgent level Medi-Cal Eligibility Data System (MEDS) alerts

to be able to quickly identify county welfare agencies that are not resolving MEDS alerts in a timely manner. Health Care Services should also incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are required or overdue. Health Care Services should then work directly with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve its compliance status.

Status of Corrective Action:	<u>Partially Corrected – repeat finding – refer to 2019-005</u>. Health Care Services performs site visits/focus reviews on counties to identify factors contributing to delays/errors in renewal processing. Health Care Services continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. Health Care Services completed focus reviews for 39 counties and planned to review the remaining 19 counties by December 31, 2020. Due to the COVID-19 pandemic, Health Care Services has temporarily suspended the 2020 site visits and focus reviews. Health Care Services will resume effort upon termination of the pandemic. Health Care Services is working to develop two new Medi-Cal Eligibility Data System (MEDS) alerts, which will be used to notify counties of past due renewals and track the number of months since the last renewal. Alerts will be used by Health Care Services' quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of past due renewal alerts. Health Care Services will work with counties to implement processes/procedures that are effective in reducing the number of renewals processed in excess of federal/state timeframes.

Reference Number:	**2018-008**
Federal Program:	93.917
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	<u>Eligibility</u>. Out of 60 beneficiaries reviewed, 7 beneficiaries did not submit all required documentation, including income documentation and medical reports, to prove that they have a positive HIV/AIDS diagnosis or their annual Modified Adjusted Gross Income did not exceed 500 percent of the Federal Poverty Level based on household size and income. These individuals were placed on a 30- day temporary access period but continued to receive full benefits from the program after the temporary access period ended. In December 2018, the HIV Care Formula Grants unit updated the Aids Drug Assistance Program (ADAP) guidelines to include a secondary review of ADAP applications that requires

a review of specified eligibility criteria. The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable documentation to support eligibility determinations.

Status of Corrective Action:	Partially Corrected – repeat finding – refer to finding 2019-006. Secondary review was implemented in the ADAP Enrollment System for ADAP Advisors. Secondary review is the process in which an ADAP Advisor reviews an application to ensure that the client provided all necessary documents to substantiate eligibility for ADAP (i.e., proof of identification, proof of California residency, proof of income, clinical information, third party pay or information). ADAP Advisors review 100 percent of ADAP applications which includes initial ADAP applications and re-enrollment applications that have not been granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request) on a daily basis. As part of the secondary review process, ADAP Advisors complete their review of the application and are required to document the outcome. ADAP Advisors must select whether the application passed review, the client was placed on temporary access period, or whether the client was disenrolled.

Reference Number:	**2018-009**
Federal Program:	93.069
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	Subrecipient Monitoring. For 7 out of 56 subrecipients tested, Public Health did not have the subrecipients' most recently available single audit report (for year ended June 30, 2017) on file to support that Public Health obtained and reviewed the subrecipients' audit results in a timely manner. There was no evidence of follow-up efforts. Search results from the Federal Audit Clearinghouse indicate the 7 subrecipients were subject to single audits for the fiscal year ended June 30, 2017. Public Health should strengthen existing controls to ensure subrecipient monitoring includes procedures to obtain and review subrecipients' single audit reports and to perform follow-up procedures as applicable in a timely manner.
Status of Corrective Action:	Partially Corrected. The Emergency Preparedness Office (EPO) and the Internal Audits Office conducted a training in November 2019 for all staff in EPO responsible for subrecipient monitoring and audit coordination on single audit reports. The training will include how to identify the difference between a single audit report and financial audit reports, what to look for in a single audit report, questions to ask subrecipients if concerns are identified, and when to escalate a single audit

finding. An agenda for this training will be provided once the training is completed. EPO will include at least two train-the-trainers who can continue this training for new employees and refresher training for existing employees.

EPO has policies and procedures developed and updated to encompass recommendations received during the training. These policies and procedures also include the plan on how to ensure follow-up efforts are made and how often.

Reference Number:	**2018-010**
Federal Program:	93.563
State Administering Department:	California Department of Child Support Services (Child Support Services)
Audit Finding:	<ins>Subrecipient Monitoring</ins>. Child Support Services did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for determining the frequency and extent of the monitoring activities to be performed. Child Support Services does evaluate subrecipient risk during its planning process prior to conducting subrecipient site monitoring. However, since Child Support Services does not conduct a site monitoring visit for each of its subrecipients on an annual basis, the risk assessment is only performed when a site monitoring visit is conducted. Child Support Services should develop policies and procedures to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations and the terms and conditions of the subaward to determine the frequency and extent of monitoring activities commensurate with identified risks. The annual risk assessments should be documented.
Status of Corrective Action:	<ins>Fully Corrected</ins>. Child Support Services implemented a risk-based approach process to fulfill its subrecipient monitoring responsibility for the 2019-20 fiscal year. The process included criteria such as allocation size, single audit report findings, personnel changes, prior audit findings, and program issues. The policies and procedures were developed and the process became effective as of June 2019.

Reference Number:	**2018-011**
Federal Program:	93.758
State Administering Department:	California Department of Public Health (Public Health)

Audit Finding:

Subrecipient Monitoring. The Chronic Disease Control Branch (CDCB) of Public Health did not perform sufficient monitoring activities to determine that subrecipients' use of funds is in accordance with federal statutes, regulations, and the terms and conditions of the subaward. Current monitoring procedures primarily focus on cost allowability and do not consistently cover other compliance areas, such as reporting and subrecipient monitoring, and whether programmatic objectives are achieved.

The CDCB should continue its efforts to develop a comprehensive monitoring tool, conduct training for program monitors, and implement the new policies and procedures to enhance its subrecipient monitoring process.

Status of Corrective Action:

Fully Corrected. From April 2018 through June of 2018, the CDCB reviewed all federal statutes, regulations, and the terms and conditions of the federal Preventive Health and Health Services Block Grant (PHHSBG) Award to identify the necessary components of the subrecipient monitoring process during the subaward period. CDCB developed a *During the Award Subrecipient Monitoring Tool (tool).*

From July 2018 through August 2018, CDCB used the tool to develop a questionnaire for programs to assess each subrecipients' risk.

In September 2018, during an orientation for all PHHSBG programs, CDCB conducted training on PHHSBG federal and state requirements, including *During the Award Requirements*. PHHSBG programs, Public Health and California Emergency Medical Services Authority were informed that CDCB was working on a revised monitoring tool and PHHSBG programs would receive the instructions once the monitoring tool was finalized.

In October 2018, Macias Gini & O'Connell LLP provided feedback on the tool developed in June 2018 and CDCB incorporated the suggested changes.

In December 2018, CDCB finalized a robust and comprehensive tool. The tool includes the policy and procedures for reviewing subrecipient compliance in accordance with federal statutes, regulations, and the terms and conditions of the subaward; and aids the PHHSBG programs to comply and monitor subrecipients.

In January 2019, CDCB distributed the tool to all PHHSBG programs. PHHSBG programs will monitor subrecipients for compliance twice during state fiscal year 2018-19, and quarterly beginning state fiscal year 2019-20 using the tool.

The CDCB reviewed all subrecipient monitoring activities by programs in March 2019 and May 2019 using the tool to ensure that programs complied with the subrecipient monitoring requirements.

Reference Number:	**2018-012**
Federal Program:	93.758
State Administering Department:	California Department of Public Health (Public Health)

Audit Finding:

Subrecipient Monitoring. Public Health did not communicate the universal identifier and system for award management requirements to applicants in accordance with 2 CFR 25.200. Additionally, the unique entity identifier was not collected prior to awarding funds in accordance with 2 CFR 25.205. Further, the Chronic Disease Control Branch (CDCB) of Public Health did not communicate to its subrecipients the required federal award data elements upon making a subaward, including identifying the award as a subaward in accordance with 2 CFR 200.331. During the fiscal year ended June 30, 2018, Public Health had developed and implemented certain corrective actions, including the creation and distribution of a checklist to assist in the collection of the required information. However, the new policies and procedures were not implemented for subawards under which expenditures were made during the year.

The CDCB should review all federal statutes, regulations, and the terms and conditions of the federal award and determine whether policies and procedures exist and are operating effectively to ensure compliance with all requirements. The CDCB should implement policies and procedures to ensure the required information is communicated to applicants with 2 CFR 25.500 and 2 CFR 200.331 and that the unique entity identifier is collected prior to making subawards in accordance with 2 CFR 25.205. In addition, documentation should be maintained to demonstrate compliance with these requirements.

Status of Corrective Action:

Fully Corrected. In January 2017, and regularly thereafter, CDCB reviewed all federal statutes, regulations, and the terms and conditions of the federal award to determine whether policies and procedures existed and were operating effectively to ensure compliance with all requirements. CDCB determined policies and procedures needed to be developed for the issues referred to in Box 10E and worked to develop them.

In February 2017, CDCB distributed a Memorandum of Understanding (MOU) to all Preventative Health and Health Services Block Grant (PHHSBG) programs that identified the requirements programs need to adhere to before finalizing a subaward, including requirement information to subrecipients in accordance with 2 CFR25.200 and 2 CFR 200.331 and collecting the unique identifier prior to making subawards in accordance with 2 CFR 25.205. Each program was required to sign the MOU acknowledging receipt of, understanding of, and compliance with these terms.

In July 2017, CDCB hosted a PHHSBG orientation for the programs and provided additional guidance on the requirement to obtain the unique identifier prior to awarding funds and for communicating the required federal award information to subrecipients.

In August 2017, CDCB issued a reminder on the requirement to obtain the unique identifier prior to awarding funds and for communicating the required federal award information to subrecipients.

In November 2017, CDCB created and distributed the Program Instructions for Potential PHHSBG Contractors and Subrecipients Checklist (Checklist) to all PHHSBG programs, which outlined the requirement for programs to communicate the universal entity identifier and System for Award Management (SAM) requirements to subrecipients in accordance with 2 CFR 25.200. The Checklist also included a section requiring programs to collect the subrecipient's unique entity identifier in accordance with 2 CFR 25.205.

CDCB implemented the policy and Checklist at the end of 2017; however, there were no new subrecipient agreements in state fiscal year 2017-18. CDCB has ensured that the new subrecipient agreements in 2018-19 have met this requirement, and will ensure this for future years.

In July 2018, CDCB distributed the 2018 PHHSBG MOU to all programs receiving funds from the federal fiscal year 2018 PHHSBG. It identified the requirements programs need to adhere to before finalizing a subaward, including requirement information to subrecipients in accordance with 2 CFR 25.200 and 2 CFR 200.331 and collecting the unique identifier prior to making subawards in accordance with 2 CFR 25.205. Each program and center deputy director that receives funding was required to sign the MOU acknowledging receipt of, understanding of, and compliance with these terms.

In September 2018, CDCB held the federal fiscal year 2018 PHHSBG programs orientation to discuss federal and state requirements, including required communications to subrecipients.

In October 2018, CDCB reviewed and revised the Checklist to provide more in-depth directives.

The revised Checklist was finalized and distributed to all PHHSBG programs in January 2019.

All subrecipients that were noncompliant were multiyear contracts, some of which did not expire until December 31, 2018. Currently, all subrecipients are in compliance.

CDCB will continue to review and monitor all current and new subrecipients to ensure that PHHSBG programs havecomplied with these requirements prior to agreement execution.

As a best business practice, CDCB will also share the universal identifier, verify the subrecipient's unique entity identifier, and ensure that the subrecipient is not debarred in SAM for all current subrecipients.

Additionally, the Emergency Preparedness Office has developed a tracking system to track the receipt of all single audit reports to validate that all single audit reports have been received and reviewed.

Reference Number: **2018-013**

Federal Program: 93.758

State Administering Department: California Department of Public Health (Public Health)

Audit Finding: Subrecipient Monitoring. Public Health did not evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward. During the fiscal year ended June 30, 2018, Public Health developed and circulated a risk assessment tool for review by affected parties. However, the tool was not finalized for use during the fiscal year.

Public Health should continue its effort and finalize the risk assessment tool to determine the level of monitoring for its subrecipients based on the results of risk assessments, in the fiscal year ending June 30, 2019.

Status of Corrective Action: Fully Corrected. From May through July 2017, CDCB reviewed all federal statutes, regulations, and the terms and conditions of the federal Preventative Health and Health Services Block Grant (PHHSBG) award to identify the necessary components of the subrecipient risk assessment.

In August 2017, CDCB developed a risk assessment tool and distributed it to all PHHSBG programs.

In October 2017, CDCB revised the risk assessment tool.

In November 2017, CDCB distributed the revised risk assessment tool.

From December 2017 through August 2018, PHHSBG programs used the risk assessment tool as a guide for assessing subrecipients' risk. Each PHHSBG program developed its own recordkeeping method.

In October 2018, CDCB reviewed the revised risk assessment tool developed in October 2017 and determined that additional revisions were needed.

In December 2018, CDCB developed and finalized a*During the Award Subrecipient Assessment* process, which was incorporated into the *During the Award Subrecipient Monitoring Tool (tool)*. The tool includes the policy and procedures for completing the risk assessment.

In January 2019, CDCB distributed the tool to all PHHSBG programs. PHHSBG programs will assess subrecipients' risk twice during state fiscal year 2018-19.

CDCB reviewed all subrecipient risk assessments p erformed by programs in March 2019 and May 2019 to ensure and document compliance.

Programs are required to assess subrecipients for risk of noncompliance prior to agreement execution in the pre-award risk assessment and immediately after agreement execution in the Ongoing Subrecipient Assessment.

Reference Number:	**2018-014**
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<u>Subrecipient Monitoring</u>. Health Care Services did not evaluate each subrecipient's risk of noncompliance with federal statues, regulations, and the terms and conditions of the subaward and, therefore, did not evaluate additional monitoring activities to ensure proper accountability and compliance with program requirements.

Health Care Services should develop policies and procedures to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring required under 2 CFR 200.331. The information needed to evaluate factors 2 CFR 200.331(b)(1), (2) and (4) is already available to Health Care Services and can be used to document the risk assessment of subrecipients. Factor 2 CFR 200.331(b)(3) may require additional outreach to subrecipients.

Health Care Services should document the required risk assessments, its evaluation of the need to perform additional monitoring activities, and additional monitoring activities performed. To facilitate this documentation, we suggest utilizing a checklist documenting who completed the procedures, the supervisory review and approval of the assessment, additional monitoring procedures, and the date procedures were completed and reviewed and approved.

Status of Corrective Action: Fully Corrected. Health Care Services assesses every agreement to determine whether the other entity is a contractor or subrecipient, and documents and tracks the outcome of the determination. Health Care Services has finalized and implemented policies and procedures for ongoing risk assessment and monitoring arising from an entity's subrecipient status. Health Care Services tracks the risk assessment and monitoring arising from an entity's subrecipient status, and any necessary special contract terms needed. Health Care Services has communicated these policies and procedures, as well as sample contract provisions, throughout the department.

Reference Number: **2018-015**

Federal Program: 93.268

State Administering Department: California Department of Public Health (Public Health)

Audit Finding: Special Tests and Provisions. All Vaccines for Children Program (VFC) providers must receive a VFC compliance site visit every 24 months. For the period January 1, 2017 to June 30, 2018, there were 278 active providers that were overdue for a site visit and 297 overdue follow-up actions.

The Immunization Branch of Public Health should develop and implement a plan to perform the VFC compliance site visits, including any follow-up actions, within the required timeframe

Status of Corrective Action: Partially Corrected – repeat finding – refer to 2019-008. The Public Health Immunization Branch has moved one additional VFC position to Southern California and is providing additional assistance from other regions as time and workload permits. As of October 5, 2020, 828 providers are overdue for a site visit due to the pandemic. Public Health's goal is to continually reduce the number of overdue site visits until all providers are current and establish a system to ensure providers are visited on a rotational basis.

Follow-up actions are mandatory corrective actions (MCAs) that the providers must implement. Follow-up actions are identified during compliance visits and providers are given a timeframe in which they must complete the action. Providers can be suspended or placed on hold because of failure to complete MCAs. As part of Public Health's 2019 VFC recertification process, a provider cannot recertify if it is on suspension for outstanding MCAs over one year. Field staff are prompted monthly to contact providers with overdue MCAs. Given that the program is required to continue conducting visits to providers on a timely schedule, and to ensure that more providers do not become overdue, Public Health will continue to prioritize provider visits per CDC requirements.

In March 2020, as the pandemic necessitated shelter-in-place orders throughout California, the program paused in-person visit activities to follow CDC guidelines of social distancing and to protect the health of our staff and program participants. Once visits have returned to normal and we have received guidance from CDC around expectations for missed visits during the pandemic, we will assess our staffing and determine if additional changes are needed. We will also need to be diligent in our process to dis-enroll providers who have not completed their mandatory corrective actions.

Reference Number: **2018-016**

Federal Program: 93.778

State Administering Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Special Tests and Provisions – Risk Analysis and System Security Review. The California Medicaid Management Information System (CA-MMIS) Division of Health Care Services uses a service organization/fiscal intermediary to perform many fiscal components of the administration of the program. CA-MMIS obtained from the fiscal intermediary, an independent service auditor's Service Organization Control (SOC) report on the suitability of the design and operating effectiveness of controls for the period of July 1, 2015 to June 30, 2016. The report included a number of deficiencies, three of which were significant enough to warrant the service auditor to modify its opinion on controls. During the biennial period July 1, 2016 - June 30, 2018, the CA-MMIS Division continuously monitored the fiscal intermediary's efforts to implement required corrective actions to resolve these deficiencies. However the fiscal intermediary has demonstrated its inability to implement the required corrective actions.

Since the fiscal intermediary has not been effective in implementing the CA-MMIS Division's corrective actions required to resolve significant deficiencies noted for general controls over logical access to systems, programs and data, the CA-MMIS Division should evaluate the continued risks associated with these deficiencies and consider further actions permitted under its contract to remediate the deficiencies or consider alternate service providers.

Status of Corrective Action Remains Uncorrected – repeat finding – refer to 2019-009.

Adoption of the new services management framework and assumption of operations to the new IBM contract occurred on October 1, 2019. Some Health Care Services' owned access control activities have started. Further improvements, such as automated workflows, will evolve over time as we mature in our Information Technology Services Management operating model. Estimated implementation date is July 1, 2020.

Reference Number:	**2018-017**
Federal Program:	96.001
State Administering Department:	California Department of Social Services (Social Services)
Audit Finding:	Special Tests and Provisions – Consultative Examination Process. For 5 out of the 25 medical providers tested, Social Services did not annotate within the provider's file the date and name of the individual who provided the credential verification for out-of-state medical providers. Social Services should ensure that the Public Relation Specialist (PRS) responsible for checking medical licenses and federal exclusion are annotating within the provider's file the date and name of individual who performed the credential verification.
Status of Corrective Action:	Fully Corrected. On March 27, 2019, the California Disability Determination Service Division, Central Support Services Branch published a reminder to the PRSs, who are the designated staff responsible for checking medical licenses and federal exclusions, to review all federal statutes, regulations, policies, and procedures for purchasing medical services across state lines to ensure compliance with all requirements. Additionally, the reminder directs the PRSs to annotate the consultative examiner's file with the date and name of the individual who performed the credential verification.

Reference Number:	2017-001	Remains Uncorrected - refer to finding 2019-001
	2017-003	Fully Corrected
	2017-007	Fully Corrected
	2017-008	Fully Corrected
	2017-009	Remains Uncorrected - refer to finding 2019-005
	2017-012	Fully Corrected
	2017-013	Fully Corrected
	2017-015	Fully Corrected
	2017-016	Fully Corrected
	2017-017	Fully Corrected
	2017-020	Fully Corrected
	2017-021	Partially Corrected - refer to finding 2019-003

Department of Finance Response Letter

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DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

GAVIN NEWSOM - GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

October 23, 2020

Macias, Gini & O'Connell, LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2019. This report was the result of your examination of the State's administration of federal programs and will be part of the Single Audit Report covering this period. California is committed to ensuring all its state entities implement effective accounting, reporting, and operational practices, which is reflected in the decrease of total findings from 17 findings in fiscal year 2017-18 to 9 findings in fiscal year 2018-19. State entities with findings and recommendations provided responses directly to Macias, Gini & O'Connell, LLP (MGO). The responses and corrective action plans, compiled by MGO and provided to Finance, are attached. Finance will remind state entities of their responsibility for implementing corrective actions.

We appreciate the efforts of MGO in completing the Single Audit for the State. If you have any questions concerning this letter, please contact Cheryl L. McCormick, Chief, Office of State Audits and Evaluations, at (916) 322-2985.

Sincerely,

KEELY MARTIN BOSLER
Director

Enclosure

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Management's Response and Corrective Action Plan

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STATE OF CALIFORNIA
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Reference No. 2019-002:

MGO noted that for three of 25 projects sampled, Caltrans could not locate the final materials certificate within the project records. The final materials certificate is required by Caltrans' policies and procedures to be retained within the permanent project records. At the completion of a construction project, the resident engineer reviews all quality assurance documents within the project records and certifies all project materials and workmanship comply with the project's specifications on the final materials certification form for submission to the FHWA.

In response to the finding, Caltrans will perform the following actions:

- Continue the ongoing procurement process of a document management system that will provide for electronic storage, management, and retrieval of project records, including permanent project records such as the final materials certification. Current forecasting estimates statewide procurement of the document management system by July 2022. Bi-annual status updates on the procurement of the document management system will be made available to interested parties upon request.
- Issue a memorandum to Caltrans district and region construction management that identifies the final materials certification audit finding and reaffirms the existing guidance in the Caltrans Construction Manual concerning completion and proper retention of the final materials certification for each completed project. This memorandum will highlight those requirements for projects on the state highway system that are administered by others, such as transportation agencies, and stress Caltrans' role of quality assurance for these oversight projects. This memorandum was issued in May 2020.

Upon securing the document management system, modify the Construction Manual to provide for uniform electronic storage of project records to aid in retrieval of documents as needed. This will be completed within six months of obtaining the document management system.

Estimated Implementation Date: July 2022

Contact: Chuck Suszko, Chief
Office of Contract Administration
Division of Construction
California Department of Transportation

Reference No. 2019-003:

Health Care Services drafted policies and procedures prior to the end of the 2019 legislative session, to impose administrative and financial sanctions, such as but not limited to, fines, penalties, and corrective actions, when a county does not comply with existing requirements to submit cost reports by December 31 following the close of each fiscal year. Before the new policies and procedures can be implemented, additional work is required to confirm they do not conflict with state or federal laws and regulations, contract provisions, or other applicable guidance and requirements adopted during the 2019 legislative session. Work efforts to finalize the new policies and procedures are currently delayed due to the COVID-19 pandemic and will resume in earnest following the end of the emergency. Health Care Services is tentatively targeting a new implementation date of December 31, 2020, but actual implementation will depend on when the COVID-19 pandemic ends.

Estimated Implementation Date: December 31, 2020

Contact: Alex Watt, Assistant Chief
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2019-004:

The California Department of Public Health (Public Health) agrees with the Auditor's finding indicating Public Health overcharged indirect costs on federal funds in 2018-19. As highlighted by the auditor, in 2018-19, Public Health implemented the State's Financial Information System for California (FI$Cal) to replace the CALSTARS accounting system. The conversion led to errors in the FI$Cal Cost Allocation Tables through which the Statewide Cost Allocation Plan (SWCAP) table was set up to calculate indirect costs as of the year-to-date amounts, which resulted in compounding charges. Due to the complexities of the first year of a new system implementation and time constraints related to closing out 2018-19, Public Health implemented a manual fix, utilizing 2017 indirect cost charges in order to close the period within the timeframes provided by the Department of Finance. Public Health utilized this approach as a one-time measure in order to remedy the situation during the first year of FI$Cal implementation. Since 2019-20, Public Health has corrected the issue, successfully programming the indirect cost statistics into FI$Cal and runs monthly indirect cost reconciliations to ensure indirect charges align with the USDA-approved Indirect Cost Rate (ICR) and SWCAP charges.

Starting in 2019-20, Public Health has revised and loaded updated cost allocation tables into FI$Cal that align with USDA-approved ICR and SWCAP levels. Public Health provided 2019-20 financial data to the auditor demonstrating the indirect costs now align with approved indirect cost rates, which was validated by the auditor. On a monthly basis, Public Health will continue to monitor and confirm the indirect charges align with approved levels. After 2019-20 year-end close is complete, Public Health's Accounting Section will provide a final indirect charges report to the Administration Division's Deputy Director and the Director's Office with the final 2019-20 indirect costs by program and fund to confirm the charges are within the approved USDA ICR and SWCAP levels.

Estimated Implementation Date: November 2020

Contact: Katherine Lira Clark, Chief
Financial Management Branch
Public Health

Reference No. 2019-005:

Health Care Services performs site visits/focus reviews on counties to identify factors (training issues, misinterpretation of policy, systems issues, and business practices) contributing to delays/errors in renewal processing. Depending on the outcome of the reviews, counties may be required to submit a corrective action plan.

The corrective action plan must include:

- A timeframe for the development and implementation of policies/procedures to address the issues identified.
- How the policies/procedures implemented will reduce similar occurrences in future renewals.

Health Care Services allots the county six months after the date the corrective action plan is implemented to demonstrate improvement, and will follow up with the county on a regular basis to affirm the policies/procedures implemented are effective. If sufficient improvement is not seen, counties will be required to amend the corrective action plan. Health Care Services will perform a subsequent review within a year after the original review.

Health Care Services continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. During the reviews Health Care Services' staff confirm:

- The appropriate documents (manual and/or electronic) were received prior to the completion of the eligibility determination.
- All required data elements were electronically/manually verified prior to the completion of eligibility determinations.
- Eligibility systems are updated with current information, and used appropriately in eligibility determinations.
- Applicant information is correctly entered into eligibility systems (data entry errors).
- Eligibility determinations are performed for only the beneficiaries who request an evaluation for eligibility to health insurance programs.
- All documents used in the eligibility determination:
    - Are appropriately retained in the case file.
    - Were received within the last 12 months.
    - Are used appropriately in the eligibility determination.
    - Confirm eligibility to the assigned aid category.

Reviews are used to identify:

- Error trends attributed to caseworker actions.
- Errors trends related to systems issues.
- Gaps in policy needing further clarification/guidance.

Upon implementation of the Focus Review Monitoring program, Health Care Services selected counties based on the population size. Counties with the highest population were reviewed first, since higher-population counties are responsible for the majority of determinations made statewide. Health Care Services plans to review each county on a biennial basis once an initial review is performed in all 58 counties.

Health Care Services completed focus reviews for 39 counties and planned to review the remaining 19 counties by December 31, 2020. Due to the COVID-19 pandemic, Health Care Services has temporarily suspended the 2020 site visits and focus reviews. Health Care Services will resume efforts upon termination of the pandemic.

Health Care Services is working to develop two new MEDS alerts, which will be used to notify counties of past due renewals and track the number of months since the last renewal. Alerts will be used by Health Care Services' quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of past due renewal alerts. Health Care Services will work with counties to implement processes/procedures that are effective in reducing the number of renewals processed in excess of federal/state timeframes.

Estimated Implementation Date: Unknown

Contact: Alex Watt, Assistant Chief
Audits & Investigations – Internal Audits
California Department of Health Care Services

Reference No. 2019-006:

The California Department of Public Health, Office of AIDS (OA) is in agreement with the finding, but will note that while these clients were indeed placed on a Temporary Access Period (TAP), during an August 2019 site visit, the HRSA did not consider this a finding in light of the release of PCN 13-02. This determination was made after a review of client enrollment samples from the 2018-19 fiscal year, including eligibility granted prior to the release of PCN 13-02 in May 2019.

Additionally, as noted above, this item was a finding in the 2017-18 Single Audit. As part of the corrective action response to this finding last year, OA communicated a process change that was initiated prior to the commencement of 2017-18 that would enable OA to flag expenditures incurred while clients were on a TAP, giving OA the ability to charge separate funding other than federal funds.

Estimated Implementation Date: This process was fully implemented in July 2019. In order to ensure that TAPs are paid out of a separate fund source, TAP reports are run for the specified billing period to verify the total TAP costs. OA then ensures these costs are coded separately upon invoice submission to Public Health's Accounting Section.

Contact: Adrian Barraza, Assistant Division Chief
Office of AIDS
California Department of Public Health

Reference No. 2019-007:

The Funding and Eligibility Unit in the Foster Care Audits and Rates Branch (FCARB) acknowledges MGO's finding. In response, FCARB has strengthened its county monitoring procedures and has developed a corrective action plan that includes developing a formal risk assessment process that examines the following risk factors:

- Number of foster children
- Error findings from previous reviews
- Date of last review (within the last 3-5 years)
- Results from internal audits, program monitoring, and technical assistance
- Review of findings from the Judicial Review and Technical Assistance Court Project quarterly reports

A risk assessment toll will be used to prioritize the selection of counties for the annual reviews. The corrective action plan also includes the activities to revise the written monitoring procedures, develop and conduct training for the counties, and monitoring staff on the new procedures and how the risk assessment tool will be implemented.

Estimated Implementation Date: January 2021

Contact: Cheryl Treadwell, Chief
Foster Care Audits and Rates Branch
Children and Family Services Division
California Department of Social Services

Reference No. 2019-008:

In March 2020, as the pandemic necessitated shelter-in-place orders throughout California, the program paused in-person visit activities to follow CDC guidelines of social distancing and to protect the health of our staff and program participants. As of today, the Program has not yet resumed in-person visits into VFC Program participating clinics. Given the novelty of the process of converting these visits, which were always done in-person, into a virtual format, we will be resuming provider visits in phases. The phased approach will allow us to refine our procedures to meet challenges as they arise. We are in the current stages of implementing our first phase of virtual visits, starting first with Storage and Handling visits and Immunization Quality Improvement for Provider Visits (IQIP). We anticipate starting virtual compliance visits in December. We also anticipate conducting visits in numbers that will not meet our CDC requirements. As of October 5, 2020, from CDC's PEAR database, 828 providers are considered overdue. This high number is directly related to our suspension of visits since late March 2020 when all Public Health Immunization Branch Staff began working from home due to COVID.

Providers Due for Compliance Visit * (10/5/20 data)	
Total number of providers due for a visit (July 2020 – June 2021)	2,152
Number of providers that are overdue for a visit	828
Number of providers that will become overdue if not visited in this period	1,324

However, CDC has assured immunization programs nationwide and specifically in California that it will not impose penalties on programs who fail to meet their visit requirements. Additionally, acknowledging the impact of the COVID pandemic has not only been on program staff, but nationally on immunization service delivery of providers and patients. CDC also has assured our program that we have the option of suspending VFC visits, in person as well as virtually, at our discretion.

Estimated Implementation Date: Once visits have returned to normal and we have received guidance from the CDC around expectations for missed visits during the pandemic, we will assess our staffing and determine if additional changes are needed. We will also need to be diligent in our process to dis-enroll providers who have not completed their mandatory corrective actions.

Contact: Karen Turner, Section Chief
Field Services, CDPH Immunization Branch

Betty Tran, QA/QI Manager,
Field Services, CDPH Immunization Branch

Reference No. 2019-009:

Adoption of the new service management framework and assumption of operations to the new International Business Machines Corporation contract occurred on October 1, 2019. Some Health Care Services' owned access control activities have started. Further improvements, such as automated workflows, will evolve over time as we mature our Information Technology Service Management operating model. Full implementation of the audit recommendation has been rescheduled to July 1, 2020, due to the ongoing Digital Transformation Company Phase II Takeover and higher priority COVID-19 pandemic activities.

Estimated Implementation Date: September 1, 2020

Contact: Alex Watt, Assistant Chief
Audits & Investigations – Internal Audits
California Department of Health Care Services

Department of Finance
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