State of California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

BETTY T. YEE

California State Controller's Office

STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2017

Prepared by
The Office of the State Controller

BETTY T. YEE
California State Controller

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BETTY T. YEE
California State Controller

BETTY T. YEE
California State Controller

March 21, 2018

To the Citizens, Governor, and Members of the Legislature of the State of California:

I am pleased to submit the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of the state's financial activities.

California's fiscal health continues to improve since the Great Recession of 2009. For the fiscal year ended June 30, 2017, the state's revenue exceeded expenses by $9.4 billion for governmental activities, marking the fifth consecutive year the state's financial position improved. Governmental activities include most expenses normally associated with state government such as health and human services, education, transportation, corrections and rehabilitation programs, and general government administration.

While California's economy currently is vibrant and its coffers are full, we run the risk of becoming complacent. A fiscal crisis may very well be on our doorstep. Both the 2017-18 State Budget (enacted on June 27, 2017) and the Governor's proposed 2018-19 budget continue to build the Budget Stabilization Account (the state's rainy day fund). This emphasis on paying down accumulated debts and liabilities is an effort to counter the potential fiscal impact of federal policy changes on California and the potential end of economic expansion.

I can sum up the Governor's budgets in one word: smart. The federal tax measure likely will have a devastating impact on our state budget, which may mean less money for essential social services such as Medi-Cal, Medicare, and the children's health insurance program. It is wise to exercise caution with responsible short-term spending, boost rainy day fund reserves, and pay down debt. In addition, California must create a tax system that is sustainable for our ever-changing economy.

I extend my deep gratitude to all the government agencies for their efforts and support in submitting the required information for this CAFR. Thank you to the California State Auditor and her staff for maintaining the highest standards of professionalism in the management of the state's finances. Finally, I wish to thank my entire team for their skill, effort, and dedication in completing this financial report.

Sincerely,

Original signed by

BETTY T. YEE

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Report Overview

The State's management assumes responsibility for the accuracy, completeness, and fairness of information presented in the CAFR, including all disclosures, based on a comprehensive framework of internal controls established for this purpose. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatements. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature and the Governor.

The California State Auditor has issued an unmodified opinion on the financial statements for the fiscal year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The State of California also is required to undergo an annual single audit in conformity with the provisions of the United States Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. That report is issued separately.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the fiscal year ended June 30, 2017, and its economic performance as of December 31, 2017, for fiscal year 2017-18. The MD&A complements this transmittal letter and should be read in conjunction with it.

Profile of the State of California

The State of California was admitted to the Union on September 9, 1850. The State's population, as of 2017, is estimated to be almost 40 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and State Superintendent of Public Instruction. All officers of the Executive branch are elected to four-year terms. The Legislative branch of government is the State's law-making authority and is comprised of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

California's government includes control agencies that help to regulate internal governmental operations. The State Controller's Office, the State's independent fiscal watchdog, ensures that the State's budget is spent properly, offers fiscal guidance to local governments, reports on the State's financial position, and uncovers fraud and abuse of taxpayer dollars. The Department of Finance, part of the Executive branch of government, establishes fiscal policies to carry out the State's programs and serves as the Governor's chief fiscal policy adviser. The California State Auditor promotes the efficient and effective management of public funds through independent evaluations of state and local governments.

The State of California provides a wide range of services to its citizens, including social, health, and human services; kindergarten through 12th grade (K-12) and higher education; transportation; business, consumer services, and housing; corrections and rehabilitation programs; and other general government services. The State also is financially accountable for legally separate entities (component units) that provide and support post-secondary education programs; provide financing for low and moderate income housing and other public needs; promote agricultural activities; and provide financial assistance to public agencies and small businesses. The State, through its related organizations (organizations for which the primary government is not financially accountable), provides services such as the operation of the statewide energy transmission grid; earthquake insurance for homeowners and renters; workers' compensation insurance; health insurance for individuals, families, and employees of small businesses; financing for pollution control and health facilities; and loans to students attending public and private nonprofit colleges and universities. The financial information of these institutions is not included in the State's financial statements.

The State Legislature approves an annual budget that contains estimates of revenues and expenditures for the ensuing fiscal year. This budget is the result of negotiations between the Governor and the Legislature. The State Controller's Office is statutorily responsible for controlling revenues due the primary government and for expenditures of each appropriation contained in the budget. The State's annual budget is submitted by the Governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the Legislature by June 15 each year. This annual budget serves as the foundation for the State's financial planning and control. Additional information on the budgetary basis of accounting can be found in Note 2, Budgetary and Legal Compliance, in the Budgetary Comparison Schedule at the end of the nonmajor governmental funds combining statements, and in the Required Supplementary Information section of the CAFR that follows the Notes to the Financial Statements.

Overview of the State's Economy

California's economy, the largest among the 50 states and one of the largest and most diverse in the world, has major components in high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. The relative proportion of the various components of the California economy closely resembles the make-up of the national economy. California's gross domestic product totaled $2.7 trillion at fiscal year-end and, as the nation's leading farm state, had over $46.0 billion in farm production. In 2016, California exported $163.6 billion in products; its two largest export markets are Mexico ($25.2 billion) and Canada ($16.2 billion). California's six largest exports are computer and electronic products, transportation equipment, machinery except electrical, chemicals, agricultural products, and miscellaneous manufactured commodities. California also enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. California's travel and tourism industry generated revenues of $126.3 billion, and state and local tax revenues of $10.3 billion, in 2016.

Budget Outlook

Fiscal Year 2017-18

Fiscal responsibility continues to be the focus for the 2017 Budget Act. To counter the potential fiscal impact of federal policy changes and the potential end of the current economic expansion, the budget emphasizes building reserves and paying down accumulated debts and liabilities. The January 2018 revised estimates project that fiscal year 2017-18 will end with General Fund revenue and transfers of $127.3 billion, expenditures of $126.5 billion, and total reserves of $12.6 billion—$8.4 billion in the Budget Stabilization Account (BSA) and $4.2 billion in the General Fund's Special Fund for Economic Uncertainties (SFEU) —which is $3.2 billion more than projected in June 2017 for the enacted budget. In addition to the $1.8 billion minimum annual debt reduction payment required by Proposition 2, the budget also includes a one-time supplemental payment to the California Public Employees' Retirement System (CalPERS) to help reduce the State's net pension liability. The payment is funded through internal cash borrowing, and will be repaid by the General Fund and other funds that contribute to CalPERS. The Governor's additional key priorities in the 2017-18 budget are investing in education, counteracting the effects of poverty, and improving the State's roads and transportation infrastructure.

Fiscal Year 2018-19

The Governor released his proposed 2018-19 budget on January 10, 2018. Although California has passed seven consecutive on-time budgets, has experienced historic economic expansion, and has consistently kept spending in line with revenues, the Governor continues to focus on building reserves and enhancing California's fiscal stability. By the end of fiscal year 2018-19, the budget projects total reserves of \$15.8 billion—\$13.5 billion in the BSA, an amount that the Governor estimates to be the maximum balance allowed by the Constitution, and \$2.3 billion in the SFEU. The 2018-19 budget estimates General Fund revenue of \$129.8 billion, after a \$5.0 billion transfer to the BSA, and expenditures of \$131.7 billion.

The 2018-19 budget estimates show increased revenue from personal income taxes, sales and use taxes, and corporation taxes. Personal income taxes contribute the majority of General Fund revenue at 69.4% (\$93.6 billion), sales and use taxes contribute 19.4% (\$26.2 billion), and corporation taxes contribute 8.3% (\$11.2 billion). However, the Governor's budget estimates were finalized prior to the enactment of the recent federal tax bill; a preliminary analysis of the impact on the State's economy and revenues will be included in the Governor's May Revision of the proposed 2018-19 budget.

Long-term Financial Planning

Long-term financial planning initiatives that will impact the State's long-term financial goals include:

- The 2018-19 Governor's Budget includes a five-year plan for infrastructure spending. The plan proposes spending \$61.3 billion over the next five years, with the vast majority dedicated to the State's transportation system, including the high-speed rail system. The Road Repair and Accountability Act of 2017, enacted in April 2017, is expected to raise \$52.5 billion of additional funding over the next 10 years for repairs and maintenance to the state highway system, and to improve critical transportation routes and corridors. The Governor's plan also addresses the infrastructure needs of K-12 schools and higher education systems, state parks, and certain state facilities.

- The State has continued to address its significant long-term liabilities associated with state employee pensions and other postemployment benefits (OPEB). In fiscal year 2017-18, the State will make a \$6.0 billion supplemental contribution to CalPERS; the first two installments have already been paid and the final installment is expected to occur in April 2018. While the State continues to fund its current OPEB expenses on a "pay-as-you-go" basis, it has begun to prefund its future healthcare benefit costs by depositing agreed-upon employee and state employer contributions in an OPEB trust fund. The Governor estimates that the prefunding plan will eliminate the unfunded OPEB obligation over the next three decades.

- California has historically been susceptible to wildfires and hydrologic variability. Extreme weather, intensified by climate change, has led to essentially a year-round fire season, with larger and more intense fires. In October and December 2017, large wildfires struck the State, destroying thousands of structures and burning over 500,000 acres. The total costs are estimated to be in the billions of dollars, and the full economic impacts will not be realized for years.

- In December 2017, the federal government enacted the Tax Cuts and Jobs Act, which permanently reduces taxes on corporations, temporarily reduces federal personal income tax rates, and makes significant changes to several mainstay deductions and exclusions. In the coming months, the State will examine how the changes in federal tax law will affect individual Californians, the State's thriving economy, and its own taxation strategies.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of California for its comprehensive annual financial report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

Executive Director/CEO

Principal Officials of the State of California

Executive Branch

Edmund G. Brown, Jr.
Governor

Gavin Newsom
Lieutenant Governor

Betty T. Yee
State Controller

Xavier Becerra
Attorney General

John Chiang
State Treasurer

Alex Padilla
Secretary of State

Tom Torlakson
Superintendent of Public Instruction

Dave Jones
Insurance Commissioner

Board of Equalization
George Runner, Member, First District
Fiona Ma, Member, Second District
Jerome E. Horton, Member, Third District
Diane L. Harkey, Member, Fourth District

Legislative Branch

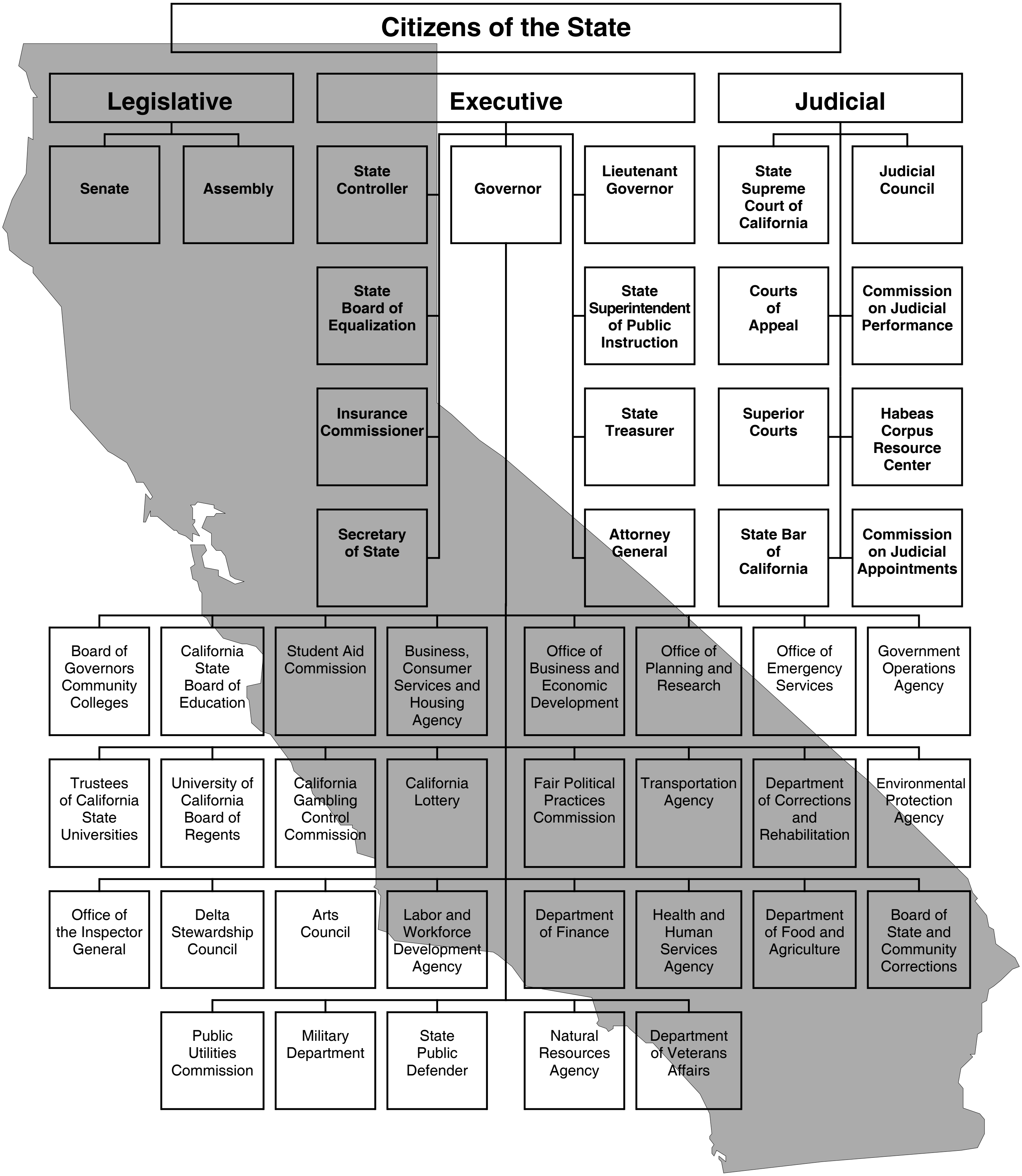
Toni G. Atkins
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Tani G. Cantil-Sakauye
Chief Justice, State Supreme Court

Organization Chart of the State of California



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Financial Section

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, 2017, 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 five 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 82 percent of the assets and deferred outflows, and 53 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 92 percent of the assets and deferred outflows, and 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The Safe Drinking Water State Revolving fund, that represents 12 percent of the assets and deferred outflows of the Environmental and Natural Resources fund, a major governmental fund.
- 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, and the 1943 Veterans Farm and Home Building funds, that represent 84 percent of the assets and deferred outflows, and 51 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.
- The discretely presented component units noted above.

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, the State Lottery, and the 1943 Veterans Farm and Home Building funds 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, 2017, 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 and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements 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 have also issued our report dated March 21, 2018 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 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 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

John F. Collins II

JOHN F. COLLINS II, CPA
Deputy State Auditor

March 21, 2018

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, 2017. 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 continue to increase as the economy expands, but with fiscal uncertainty in the future, the administration has curbed discretionary spending and built reserves. For the fiscal year ended June 30, 2017, the State's general revenues increased by $8.0 billion (5.7%) over the prior year—significantly more than the 1.0% growth experienced in fiscal year 2015-16. Expenses and transfers for the State's governmental activities increased by $13.2 billion (5.3%) but were less than total revenues received, resulting in a $6.4 billion increase in the governmental activities' net position. Total revenues and transfers for the State's business-type activities also surpassed expenses by $2.7 billion in fiscal year 2016-17.

Net Position – The primary government ended fiscal year 2016-17 with a net deficit position of $21.3 billion, an improvement of $9.1 billion (29.9%). The total net deficit position is further reduced by $109.3 billion for net investment in capital assets and by $40.1 billion for restricted net position, yielding a negative unrestricted net position of $170.8 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 69.7%, or $119.1 billion, of the negative $170.8 billion consists of unfunded, employee-related, long-term liabilities that are recognized as soon as an obligation occurs, even though payment will occur over many future periods (net pension liability, net other postemployment benefit obligation, and compensated absences). In addition, the State's outstanding bonded debt consists of $65.3 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, 2017, the primary government's governmental funds reported a combined ending fund balance of $37.9 billion, an increase of $7.0 billion over the prior fiscal year. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was $4.1 billion, an increase of $2.2 billion over the prior fiscal year's balance of $1.9 billion. The nonspendable and restricted fund balances were $124 million and $33.7 billion, respectively.

Proprietary Funds – As of June 30, 2017, the primary government's proprietary funds reported a combined ending net position of $6.7 billion, an increase of $2.5 billion over the prior fiscal year. The total net position is reduced by $2.7 billion for net investment in capital assets, expendable restrictions of $6.5 billion, and nonexpendable restrictions of $2 million, yielding a negative unrestricted net position of $2.5 billion, an improvement of $2.1 billion from the prior fiscal year.

Noncurrent Assets and Liabilities

As of June 30, 2017, the primary government's noncurrent assets totaled $160.6 billion, of which $140.7 billion is related to capital assets. State highway infrastructure assets of $75.1 billion represent the largest portion of the State's capital assets.

The primary government's noncurrent liabilities totaled $235.3 billion, which consists of $118.9 billion in unfunded employee-related future obligations, $76.0 billion in general obligation bonds, $30.0 billion in revenue bonds, and $10.4 billion in other noncurrent liabilities. During fiscal year 2016-17, the primary government's noncurrent liabilities increased by $13.8 billion (6.2%) over the previous fiscal year. The most significant changes were increases of $14.3 billion in net pension liability and $3.3 billion in net OPEB obligation, and a decrease of $3.1 billion in loans payable.

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 plans and the State's contributions to those plans; a schedule of funding progress for OPEB trust funds; 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 position (governmental and business-type activities) increased by $9.1 billion (29.9%) from a negative $30.4 billion to a negative $21.3 billion at June 30, 2017.

The primary government's $109.3 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 $40.1 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, 2017, the primary government's combined unrestricted net deficit position was $170.8 billion—$169.5 billion for governmental activities and $1.3 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, 2017, the primary government recognized $119.1 billion (69.7% of the $170.8 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net other postemployment benefits obligation, and compensated absences. In addition, the primary government recognized $65.3 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, 2017 and 2016
(amounts in millions)

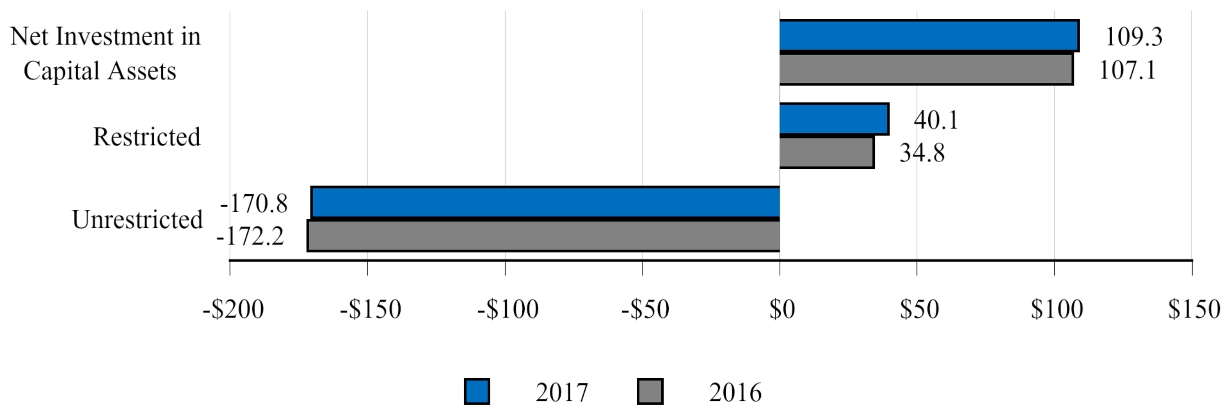
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	$ 84,127	$ 78,452	$ 25,972	$ 25,226	$ 110,099	$ 103,678
Capital assets	129,996	126,859	10,670	9,849	140,666	136,708
Total assets	**214,123**	**205,311**	**36,642**	**35,075**	**250,765**	**240,386**
DEFERRED OUTFLOWS OF RESOURCES	17,173	7,726	2,350	1,328	19,523	9,054
Total assets and deferred outflows of resources	**$ 231,296**	**$ 213,037**	**$ 38,992**	**$ 36,403**	**$ 270,288**	**$ 249,440**
LIABILITIES						
Noncurrent liabilities	$ 209,370	$ 194,826	$ 25,888	$ 26,618	$ 235,258	$ 221,444
Other liabilities	47,837	47,847	4,700	4,127	52,537	51,974
Total liabilities	**257,207**	**242,673**	**30,588**	**30,745**	**287,795**	**273,418**
DEFERRED INFLOWS OF RESOURCES	2,714	5,249	1,121	1,085	3,835	6,334
Total liabilities and deferred inflows of resources	**259,921**	**247,922**	**31,709**	**31,830**	**291,630**	**279,752**
NET POSITION						
Net investment in capital assets	107,042	104,597	2,295	2,521	109,337	107,118
Restricted	33,832	29,061	6,309	5,759	40,141	34,820
Unrestricted	(169,499)	(168,543)	(1,321)	(3,707)	(170,820)	(172,250)
Total net position (deficit)	**(28,625)**	**(34,885)**	**7,283**	**4,573**	**(21,342)**	**(30,312)**
Total liabilities, deferred inflows of resources, and net position	**$ 231,296**	**$ 213,037**	**$ 38,992**	**$ 36,403**	**$ 270,288**	**$ 249,440**

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, 2017 and 2016
(amounts in billions)



Note: Prior-year adjustments recorded in the current year have not been reflected in the 2016 amounts.

Changes in Net Position

The expenses of the primary government totaled $287.1 billion for the fiscal year ended June 30, 2017. Of this amount, $147.7 billion (49.9%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving $139.4 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of $148.5 billion exceeded net unfunded expenses by $9.1 billion, resulting in a 29.9% increase in net position.

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, 2017 and 2016
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for services	$ 27,011	$ 27,422	$ 26,265	$ 25,427	$ 53,276	$ 52,849
Operating grants and contributions	89,497	86,629	1,805	1,765	91,302	88,394
Capital grants and contributions	3,028	1,480	61	67	3,089	1,547
General Revenues:						
Taxes	148,021	140,028	—	—	148,021	140,028
Investment and interest	149	132	—	—	149	132
Miscellaneous	326	305	—	—	326	305
Total revenues	**268,032**	**255,996**	**28,131**	**27,259**	**296,163**	**283,255**
EXPENSES						
Program Expenses:						
General government	17,400	16,686	—	—	17,400	16,686
Education	67,378	65,468	—	—	67,378	65,468
Health and human services	135,090	127,543	—	—	135,090	127,543
Natural resources and environmental protection	7,342	6,988	—	—	7,342	6,988
Business, consumer services, and housing	1,164	815	—	—	1,164	815
Transportation	12,947	12,121	—	—	12,947	12,121
Corrections and rehabilitation	13,087	11,875	—	—	13,087	11,875
Interest on long-term debt	4,191	4,232	—	—	4,191	4,232
Electric Power	—	—	945	728	945	728
Water Resources	—	—	1,223	1,087	1,223	1,087
State Lottery	—	—	6,272	6,316	6,272	6,316
Unemployment Programs	—	—	11,908	11,459	11,908	11,459
California State University	—	—	8,001	7,199	8,001	7,199
Other enterprise programs	—	—	155	151	155	151
Total expenses	**258,599**	**245,728**	**28,504**	**26,940**	**287,103**	**272,668**
Excess (deficiency) before transfers	**9,433**	**10,268**	**(373)**	**319**	**9,060**	**10,587**
Gain on early extinguishment of debt	31	41	—	—	31	41
Transfers	(3,083)	(2,800)	3,083	2,800	—	—
Change in net position	6,381	7,509	2,710	3,119	9,091	10,628
Net position, beginning	**(35,006)***	**(42,394)***	**4,573**	**1,454**	**(30,433)**	**(40,940)**
Net position (deficit), ending	**$ (28,625)**	**$ (34,885)**	**$ 7,283**	**$ 4,573**	**$ (21,342)**	**$ (30,312)**

*Restated

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

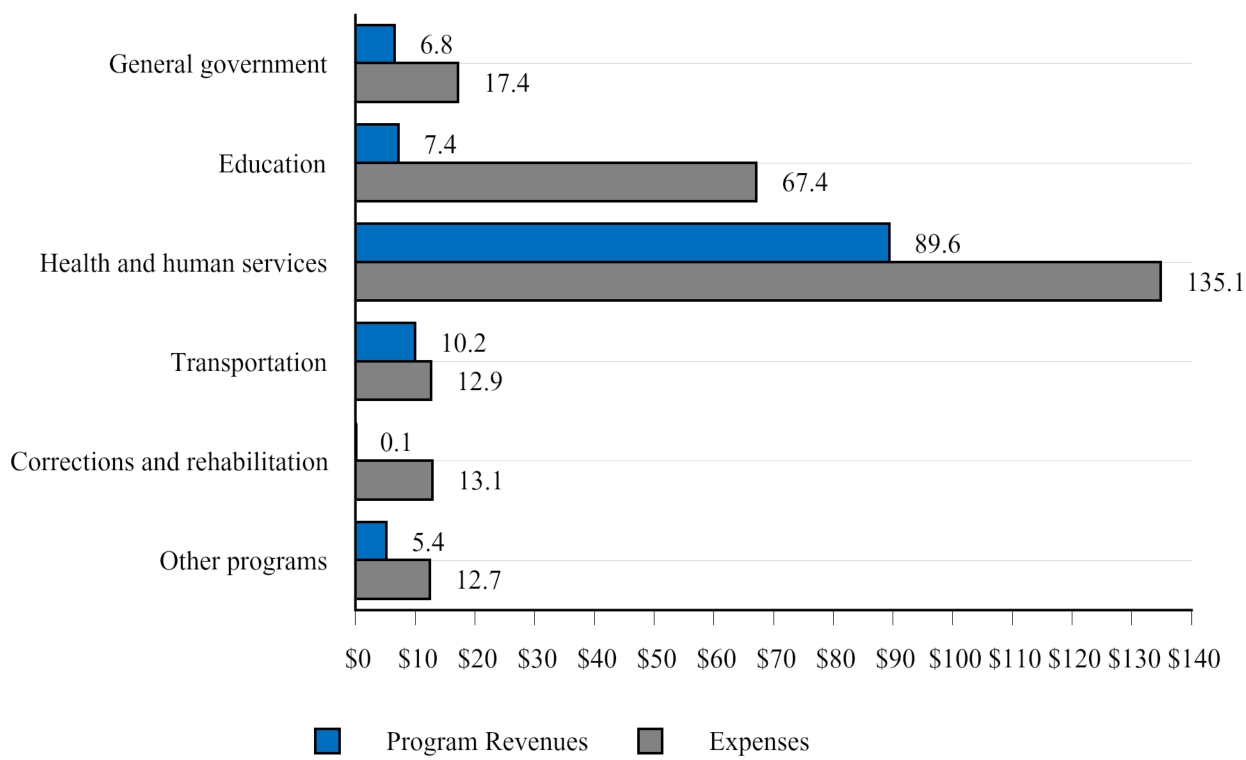
Governmental Activities

During fiscal year 2016-17, governmental activities' expenses and transfers totaled $261.6 billion. Program revenues totaling $119.5 billion, including $92.5 billion received in federal grants and contributions, funded 45.7% of expenses and transfers, leaving $142.1 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities ($148.5 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of $28.6 billion for the fiscal year ended June 30, 2017, an improvement of $6.4 billion (18.2%) from the prior year's net deficit position of $35.0 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, 2017
(amounts in billions)



For the fiscal year ended June 30, 2017, total governmental activities' revenue was $268.0 billion, an increase of 4.7% over the prior year. General revenues increased by $8.0 billion (5.7%) to $148.5 billion, and program revenues increased by $4.0 billion (3.5%) to $119.5 billion. Personal income taxes increased by $5.4 billion over the prior year primarily due to increased capital gains from a strong stock market, representing a 6.7% increase compared to the fiscal year 2015-16 increase of 2.8%. Corporation taxes increased by $1.9 billion (20.8%) from the prior year, primarily due to the resolution of several multi-year taxpayer audits.

Overall expenses for governmental activities increased by $12.9 billion (5.2%) over the prior year. The largest increase in expenditures, $7.5 billion (5.9%), occurred in health and human services programs; the majority of the increase is attributable to the Department of Health Care Services, which administers the State's Medi-Cal program. Another significant increase of $1.9 billion (2.9%) was for 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, 2017
(as a percent)

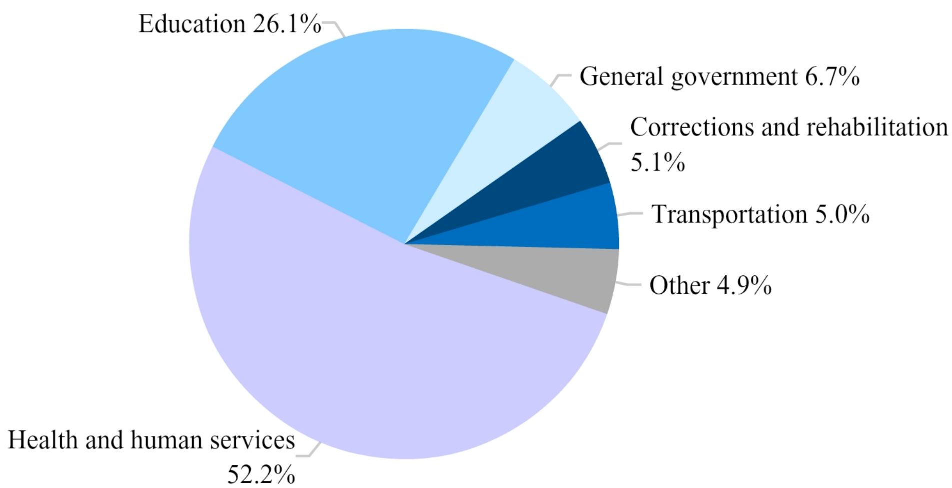
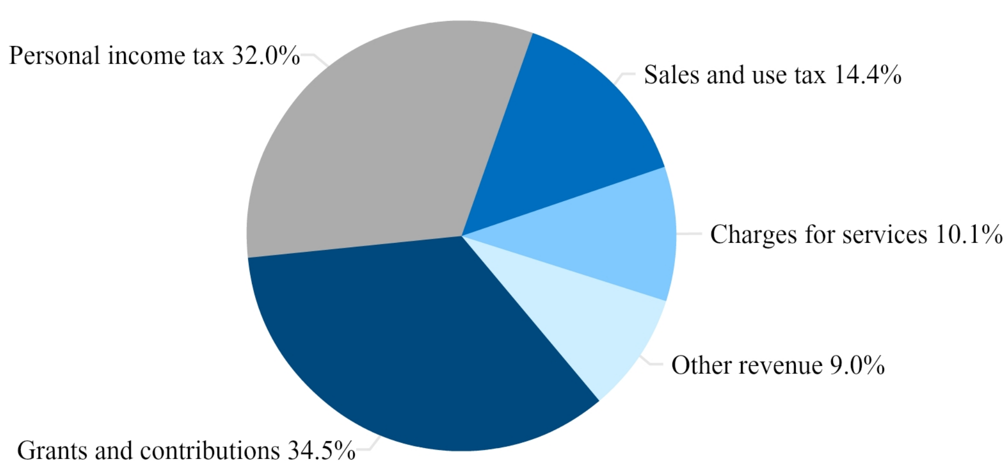


Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source
Year ended June 30, 2017
(as a percent)



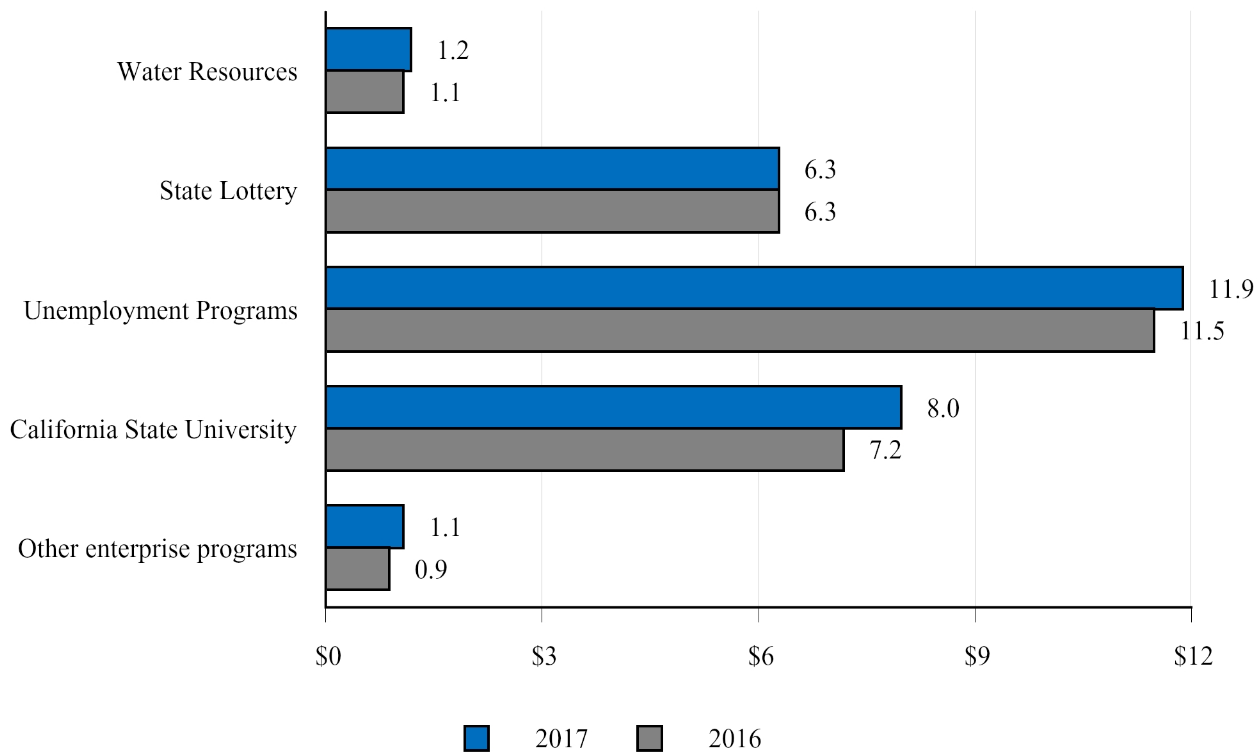
Business-type Activities

As of June 30, 2017, business-type activities' expenses totaled $28.5 billion. Program revenues of $28.1 billion, primarily generated from charges for services, and $3.1 billion in transfers, were sufficient to cover these expenses. As a result, the business-type activities' total net position of $7.3 billion increased by $2.7 billion (59.3%) over the prior year's net position of $4.6 billion.

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, 2017 and 2016
(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds continued to improve in fiscal year 2016-17, with a combined fund balance of $7.0 billion over the prior year's ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs; both personal income and corporation taxes increased during the fiscal year. Proprietary funds' net position increased by $2.5 billion during fiscal year 2016-17—$2.7 billion increase in enterprise funds and $264 million decrease in 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 $4.1 billion, which was caused by the State's declining unemployment rate.

Governmental Funds

As of June 30, 2017, the governmental funds' Balance Sheet reported $89.6 billion in assets, $51.7 billion in liabilities and deferred inflows of resources, and $37.9 billion in fund balance. Total assets of governmental funds increased by 8.9%, while total liabilities and deferred inflows of resources increased by 0.7%, resulting in a total fund balance increase of $7.0 billion (22.8%) over the prior year's balance.

Within the governmental funds' total fund balance, $124 million is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, $33.7 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, $6.0 billion is classified as committed for specific purposes and $12 million is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is a negative $1.9 billion, an improvement of $1.9 billion from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported $267.8 billion in revenues, $268.5 billion in expenditures, and a net $7.7 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2017, was $37.9 billion, a $7.0 billion increase over the prior year's ending fund balance of $30.9 billion.

Governmental funds' revenue consists primarily of taxes (55.3%) and intergovernmental revenue (35.7%). Personal income taxes accounted for 57.9% of tax revenues and increased by $5.8 billion over the prior fiscal year. Sales and use taxes accounted for 26.2% of tax revenues and decreased by $394 million from the prior fiscal year. Corporation taxes accounted for 7.5% of tax revenues and increased by $1.9 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by $4.6 billion (5.1%) over the prior fiscal year.

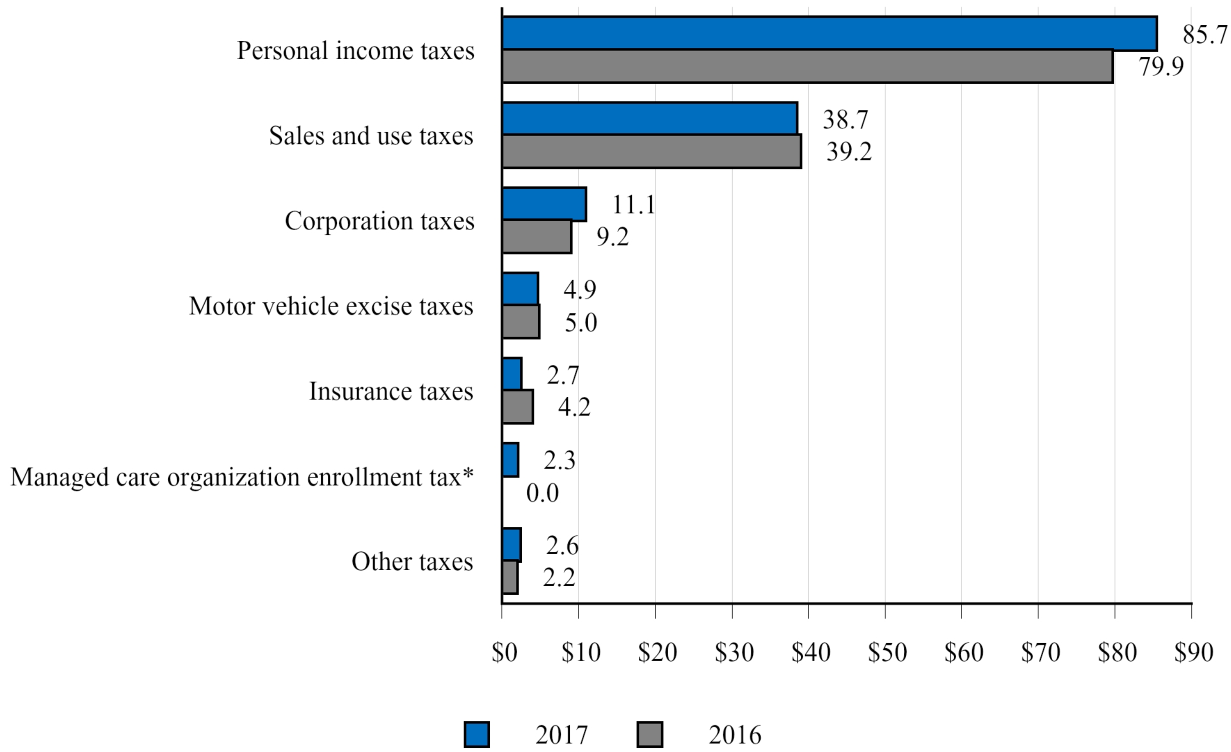
Governmental funds' expenditures increased by $13.3 billion (5.2%) over the prior fiscal year, primarily for health and human services, bond and commercial paper retirement, and education. The increase in health and human services expenditures of $7.2 billion (5.6%), is due primarily to increased costs associated with the in-home supportive services program, one-time payment of prescription drug rebates budgeted but not paid in the prior fiscal year, and increased Medi-Cal caseload under the Patient Protection and Affordable Care Act (federal health care reform). The $2.4 billion increase in bond and commercial paper retirement expenditures resulted from additional principal repayments from the current refunding of various general obligation bonds for future debt service savings. The $2.0 billion increase in education expenditures is 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 2016-17.

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, 2017 and 2016
(amounts in billions)



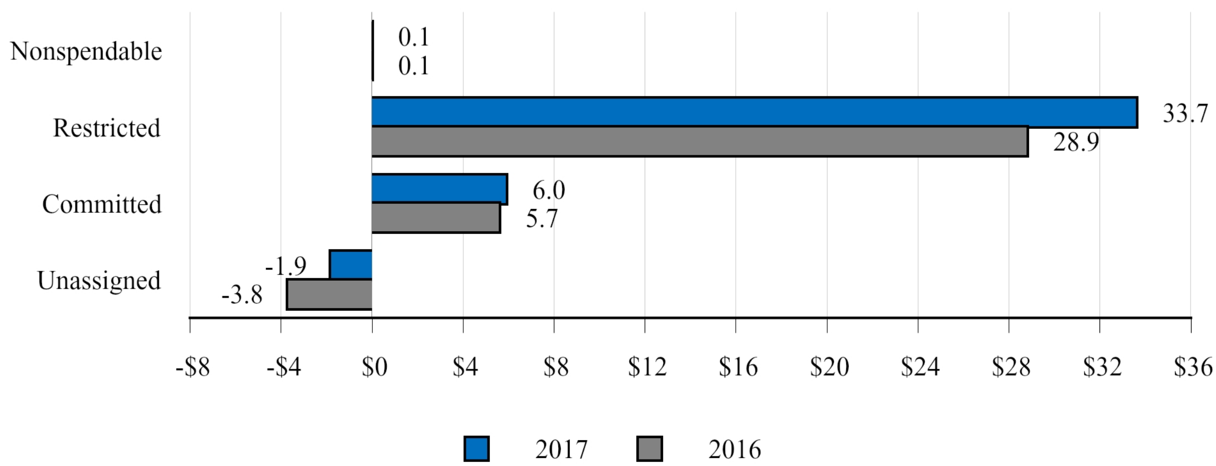
* New tax effective on July 1, 2016.

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, 2017 and 2016
(amounts in billions)



Note: Assigned fund balance was $12 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, and the Environmental and Natural Resources Fund. The General Fund ended the fiscal year with a fund balance of $5.8 billion, an increase of $5.4 billion over the prior year's fund balance. The Federal Fund, the Transportation Fund, and the Environmental and Natural Resources Fund ended the fiscal year with fund balances of $228 million, $9.1 billion, and $10.7 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 2016-17 with assets of $26.4 billion; liabilities and deferred inflows of resources of $20.6 billion; and nonspendable, restricted, and committed fund balances of $104 million, $7.4 billion, and $181 million, respectively, leaving the General Fund with a negative unassigned fund balance of $1.9 billion. Total assets of the General Fund increased by $5.4 billion (26.0%) over the prior fiscal year, while total liabilities and deferred inflows of resources decreased by $11 million (0.1%). The General Fund's unassigned fund balance deficit decreased by $1.9 billion (50.2%).

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had an excess of revenues over expenditures of $8.9 billion ($125.1 billion in revenues and $116.2 billion in expenditures). Approximately $120.3 billion (96.1%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($84.3 billion), sales and use taxes ($24.9 billion), and corporation taxes ($11.1 billion). As a result of fund classifications made to comply with generally accepted governmental accounting principles, a total of $309 million in revenue, essentially all 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 2016-17, total General Fund revenue increased by $7.5 billion (6.4%). The increase is a result of increases in personal income taxes of $5.7 billion (7.3%) and in corporation taxes of $1.9 billion (20.7%). General Fund expenditures increased by $4.5 billion (4.0%). The largest increases were in education and health and human services expenditures, which were up $2.0 billion and $1.3 billion, respectively. The General Fund ended the fiscal year with a fund balance of $5.8 billion, an improvement of $5.4 billion from the prior year's ending fund balance of $362 million.

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 $77.4 billion (84.3%) of the total $91.8 billion in fund expenditures. The Medical Assistance program and the Temporary Assistance for Needy Families program are included in this program area. Education and transportation programs also constituted a large part of the fund's expenditures, amounting to $7.4 billion (8.1%) and $5.6 billion (6.1%) of the total, respectively. The Federal Fund's revenues increased by $4.4 billion, which was approximately the same amount of increase in the combined expenditures and transfers, resulting in a $20 million fund balance decrease from the prior year's ending fund balance of $248 million, to $228 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 decreased by $82 million (0.8%), while its expenditures decreased by $288 million (2.6%). Other financing sources provided net receipts of $1.3 billion. The Transportation Fund ended the fiscal year with a $9.1 billion fund balance, an increase of $549 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 decreased by $830 million (15.1%), while its expenditures increased by $1.3 billion (25.8%). Other financing sources provided net receipts of $2.1 billion, mainly from bond proceeds. The Environmental and Natural Resources Fund ended the fiscal year with a $10.7 billion fund balance, an increase of $541 million (5.3%) over the prior year.

Proprietary Funds

Enterprise Funds: The total net position of the enterprise funds at June 30, 2017, was $7.3 billion—$2.7 billion greater than the prior year's net position of $4.6 billion. The Unemployment Programs Fund had an increase in net position of $2.5 billion to end the fiscal year with a balance of $4.1 billion. The California State University Fund and the nonmajor enterprise funds increased their net positions by $112 million and $128 million, respectively; while the State Lottery Fund decreased its net position by $59 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were $39.6 billion as of June 30, 2017. Of this amount, current assets totaled $13.5 billion, noncurrent assets totaled $23.8 billion, and deferred outflows of resources totaled $2.3 billion. The total liabilities and deferred inflows of resources for the enterprise funds was $32.3 billion. The two largest liabilities of the enterprise funds are $15.0 billion in revenue bonds payable and $8.8 billion in net pension liability. During fiscal year 2016-17, the State reduced by $2.7 billion the balance of the loans from the U.S. Department of Labor that covered prior-year deficits in the Unemployment Programs Fund, leaving a $385 million balance expected to be paid in fiscal year 2017-18.

Total net position consisted of four segments: net investment in capital assets of $2.3 billion, nonexpendable restricted net position of $2 million, restricted expendable net position of $6.3 billion, and unrestricted net deficit of $1.3 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 $25.1 billion, operating expenses of $25.6 billion, and net revenues from other transactions of $78 million. The largest sources of operating revenue were unemployment and disability insurance receipts of $14.4 billion in the Unemployment Programs Fund, and lottery ticket sales of $6.2 billion collected by the State Lottery Fund. The largest operating expenses were distributions of $11.6 billion to beneficiaries by the Unemployment Programs Fund, personal services of $5.2 billion by the California State University Fund, and lottery prizes of $4.0 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was $632 million as of June 30, 2017. The net position consists of three segments: net investment in capital assets of $432 million, restricted expendable net position of $169 million, and unrestricted net deficit of $1.2 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 $7.9 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of $560.2 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of $22.8 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the fiscal year ended June 30, 2017, the fiduciary funds' combined net position was $590.9 billion, a $53.8 billion increase over the prior year net position. The net position increase is attributed to a $57.1 billion increase in net investment income over the prior fiscal year in pension and other employee benefit trust funds.

General Fund Budget Highlights

The original General Fund budget of $121.0 billion was increased by $2.0 billion during fiscal year 2016-17. This increase is mainly composed of funding for health and human services. The funding for health and human services increased primarily due to Medi-Cal cost inflation, caseload growth, and program expansion. Beginning in January 2017, the State assumed a 5.0% share of the optional expansion cost previously fully paid by the federal government. During fiscal year 2016-17, the General Fund's actual budgetary basis expenditures were $119.9 billion, $3.1 billion less than the final budgeted amount of $123.0 billion.

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, 2017
(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	$ 77	$ 78	$ 1
Transportation	4	4	—
Natural resources and environmental protection	1,886	2,033	147
Health and human services	33,512	34,826	1,314
Corrections and rehabilitation	10,589	10,997	408
Education	62,305	62,303	(2)
General government:			
Tax relief	467	467	—
Debt service	5,415	5,415	—
Other general government	6,741	6,845	104
Total	**$ 120,996**	**$ 122,968**	**$ 1,972**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the State's investment in capital assets for its governmental and business-type activities amounted to $140.7 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, 2017, the State's capital assets increased $4.0 billion, or 2.9% 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, 2017 and 2016
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 19,716	$ 19,383	$ 258	$ 245	$ 19,974	$ 19,628
State highway infrastructure	75,071	73,463	—	—	75,071	73,463
Collections – nondepreciable	23	23	22	16	45	39
Buildings and other depreciable property	31,115	29,616	13,718	12,743	44,833	42,359
Intangible assets – amortizable	2,076	2,032	421	336	2,497	2,368
Less: accumulated depreciation/amortization	(14,304)	(13,400)	(5,616)	(5,244)	(19,920)	(18,644)
Construction/development in progress	15,871	15,316	1,750	1,639	17,621	16,955
Intangible assets – nonamortizable	428	426	117	114	545	540
Total	**$ 129,996**	**$ 126,859**	**$ 10,670**	**$ 9,849**	**$ 140,666**	**$ 136,708**

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 roadways and bridges). Under the modified approach, the State does not report depreciation expense for its roads and bridges 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 2016-17, the actual amount spent on preservation was 53.2% 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 96.6% of bridge deck area judged to be of fair or better quality and 84.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 49,645 lane miles and 12,976 bridges.

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, 2017, the State had total bonded debt outstanding of $111.3 billion. Of this amount, $79.5 billion (71.4%) 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 $3.5 billion and the long-term portion is

$76.0 billion. The remaining $31.8 billion (28.6%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $1.9 billion and the long-term portion is $29.9 billion.

During the fiscal year, the State issued $9.0 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, 2017 and 2016
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Government-wide noncurrent liabilities						
General obligation bonds	$ 75,329	$ 75,854	$ 667	$ 736	$ 75,996	$ 76,590
Revenue bonds payable	16,088	16,530	13,869	12,905	29,957	29,435
Total bonded debt	91,417	92,384	14,536	13,641	105,953	106,025
Net pension liability/obligation	77,278	64,294	8,787	7,462	86,065	71,756
Net other postemployment benefits obligation	28,181	24,967	978	851	29,159	25,818
Mandated cost claims payable	2,453	2,764	—	—	2,453	2,764
Loans payable	—	—	385	3,112	385	3,112
Compensated absences payable	3,511	3,777	205	201	3,716	3,978
Workers' compensation benefits payable	3,642	3,528	4	3	3,646	3,531
Capital lease obligations	359	345	310	346	669	691
Commercial paper	1,158	771	147	47	1,305	818
Other noncurrent liabilities	1,372	1,996	921	955	2,293	2,951
Total noncurrent liabilities	**209,371**	**194,826**	**26,273**	**26,618**	**235,644**	**221,444**
Current portion of long-term obligations	5,940	4,777	2,289	2,278	8,229	7,055
Total long-term obligations	**$ 215,311**	**$ 199,603**	**$ 28,562**	**$ 28,896**	**$ 243,873**	**$ 228,499**

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

During the fiscal year ended June 30, 2017, the primary government's total long-term obligations increased by $15.4 billion over the prior year's balance. The largest increases were $14.3 billion in net pension liability and $3.3 billion in OPEB obligation because the State does not fully fund these benefits. The largest decrease was $2.7 billion in loans payable to the U.S. Department of Labor for prior-year shortfalls in the unemployment program.

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

In August 2016, Fitch Ratings raised the State's general obligation rating to "AA-" from "A+", stating that the upgrade reflected a combination of positive credit developments for the State, including Fitch's revised criteria for U.S. state and local governments released in April 2016. In addition, Fitch specifically stated, "California is fundamentally better positioned to withstand a future economic downturn than has been the case in prior recessions due to numerous institutional improvements." During fiscal year 2016-17, the ratings from Standard and Poor's Rating Services and Moody's Investors Service remained unchanged at "AA-" and "Aa3", respectively.

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2017

California, and the United States as a whole, continued to experience economic growth during fiscal year 2016-17. California's real gross domestic product (GDP) increased by 4.3% during the year and totaled $2.7 trillion at year end. As in the past few years, the State's economic output grew faster than the nation's GDP, which increased by only 3.9% during fiscal year 2016-17.

California's unemployment rate dipped to 4.7% in June 2017, compared to 5.5% in June 2016. Total nonfarm employment increased by 259,600 jobs during fiscal year 2016-17, with eight out of California's 11 industry sectors experiencing job growth. In some areas of California, the job market is considered at "full employment," where the labor market is at or near capacity without causing significant price inflation. All of these factors translate to 2.5 million more Californians in the workplace, compared to the low point of the economic downturn in early 2010.

California's personal income rose 4.1% in fiscal year 2016-17, outperforming the national increase of 2.7%. In addition to an increase in California's workforce, two other factors contributed to the State's personal income growth. First, due to California's much tighter job market, employers raised pay to attract and retain workers. Second, at the beginning of 2017, the minimum wage in California was increased to either $10 or $10.50 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches $15 per hour in 2023 for all businesses.

California's real estate market showed continued growth during fiscal year 2016-17, with the number of residential building permits issued increasing by 10.7%, to nearly 108,000 units, compared to the prior fiscal year. However, commercial construction permits fell 4.0% from the prior year. The median price of homes in California increased during the fiscal year by 7.0%, higher than the 5.4% increase in the prior fiscal year. The State's median home price in June 2017 was over $555,000, more than double the national median price of $263,000.

Economic Outlook for Fiscal Year 2016-17 as of December 31, 2017

California's economy continued to improve during the first half of the fiscal year beginning July 1, 2017. The State's unemployment rate fell to 4.3% in December 2017—establishing a new record low in a series dating back to the beginning of 1976—and the State added 278,900 jobs since June 30, 2017, with 10 out of 11 industry sectors experiencing job growth. The number of jobs added in the first six months of fiscal year 2017-18 already exceeds the total jobs added in the prior fiscal year. Average wages are beginning to rise, but at a slower rate than in previous periods of low unemployment due, in part, to the retirement of baby boomers; retirees tend to be paid higher than workers just starting their careers. California's personal income for the quarter ending September 2017 was 0.6% higher than in June 2017; however, this represents a slower growth rate than the 0.9% increase during the same quarter in 2016.

Consumer prices are slowly beginning to move modestly higher as commodity prices stabilize and wages continue to rise. Inflation in California rose 2.5% in fiscal year 2016-17 and, according to the California Department of Finance (DOF), is expected to increase by 3.1% in fiscal year 2017-18 and 2.9% in fiscal year 2018-19. In comparison, national inflation rose 1.8% in fiscal year 2016-17, and is expected to increase by 2.1% in fiscal year 2017-18 and 2.2% in fiscal year 2018-19.

In the real estate industry, housing inflation rose 4.9% in California and 3.3% in the nation during 2017. Median home prices in California averaged $549,600 in December 2017, a 7.6% increase over the previous December, but a decrease of 1.1% since June 2017. California is experiencing the lowest housing inventory level in 13 years. The number of housing permits issued are starting to grow at a faster rate, but there is still a shortage of available homes as a result of years of permits lagging behind population growth. According to the DOF, housing permits issued by local authorities are expected to remain well below levels needed to account for population growth over the next few years. This situation will continue to cause housing costs to grow, increasing overall inflation for California.

California's 2017-18 Budget

California's 2017-18 Budget Act was enacted on June 27, 2017. The Budget Act appropriated $183.3 billion —$125.1 billion from the General Fund, $54.9 billion from special funds, and $3.3 billion from bond funds. When the budget was enacted, the General Fund's budgeted expenditures increased by $3.7 billion, or 3.0% over last year's General Fund budget. The General Fund's revenues were projected to be $125.9 billion after a $1.8 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 70.0% of total revenue. California's major taxes (personal income, sales and use, and corporation taxes) are projected to supply approximately 97.3% of the General Fund's resources in fiscal year 2017-18. The General Fund was projected to end fiscal year 2017-18 with $9.9 billion in total reserves—$8.5 billion in the BSA and $1.4 billion in the General Fund's Special Fund for Economic Uncertainties (SFEU). 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 2017-18 spending plan included $1.8 billion of debt reduction expenditures.

In January 2018, the proposed 2018-19 Governor's Budget provided revised estimates of fiscal year 2017-18 General Fund revenues, expenditures, and reserves. The revised estimates project General Fund revenue of $127.3 billion, expenditures of $126.5 billion, and total year-end reserves of $12.6 billion—$8.4 billion in the BSA and $4.2 billion in the SFEU—which is $3.2 billion more than projected in June 2017 for the enacted budget. As of January 1, 2018, actual General Fund cash receipts for the first half of fiscal year 2017-18 surpassed estimates used in preparing the enacted budget with total receipts showing $4.0 billion, or 7.4%, over the estimates. Increased receipts resulted in a decrease in the General Fund's need for temporary borrowing compared to cash flow estimates prepared for the 2017-18 Budget Act by $2.4 billion, leaving a balance as of December 31, 2017, of $16.1 billion in outstanding loans, comprised entirely of internal borrowing from special funds.

The 2017-18 spending plan increased total state expenditures by $12.2 billion over the 2016-17 level primarily in education, transportation, and health and human services programs. The General Fund had a $2.1 billion increase in education spending to meet the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges, $475 million for universities and additional financial aid to students, and $310 million in childcare and preschool programs.

The increase in transportation spending is mainly attributed to the implementation of the Road Repair and Accountability Act of 2017, which increased existing fuel excise taxes and created two new vehicle charges.

For fiscal year 2017-18, the projected $2.8 billion of increased revenue will be mainly spent on the maintenance and rehabilitation of state highways and local streets and roads, and on transit-related projects. In addition, the 2017-18 spending plan allocates an estimated $2.6 billion in cap-and-trade auction revenues to certain transportation and housing programs; to other programs intended to reduce emissions from vehicles, heavy-duty equipment, and agricultural activities; and to fund forestry and fire prevention activities. The increase in health and human services spending results from the allocation of $1.3 billion from increased tax revenue on tobacco products to the State's Medi-Cal programs and a $400 million increase in General Fund assistance to counties for in-home supportive services costs.

The 2017-18 spending plan includes a one-time $6.0 billion supplemental payment to CalPERS to help reduce the State's net pension liability. The supplemental payment will be made using a loan from the State's internal investment pool, which is described in Note 3, Deposits and Investments. The General Fund's share of the loan repayment will begin in fiscal year 2017-18 and will be counted towards the minimum annual debt reduction payments required by Proposition 2 over the expected term of the loan. The remaining balance of the loan will be repaid from special funds that contribute to CalPERS, and which will benefit from the loan.

California's 2018-19 Budget

The Governor released his proposed 2018-19 budget on January 10, 2018. The Governor's budget assumes continued economic expansion and projects a healthy one-time surplus; however, as economic expansions do not last forever, the Governor's proposed budget places a high priority on building the State's reserves. The Governor forecasts that a moderate recession could reduce projected annual state revenue growth by over $20.0 billion for several consecutive years. The Governor cautions that the State also faces uncertainty regarding the federal government's fiscal policy, including the ramifications of the recently enacted federal tax bill, which was not factored into the 2018-19 budget. Additional priorities of the Governor's proposed budget include providing more money for K-12 schools and higher education, counteracting the effects of poverty, combating climate change, strengthening the State's infrastructure, supporting job creation, and paying down debts and liabilities.

The 2018-19 Governor's Budget projects General Fund revenues of $134.8 billion ($129.8 billion after transfers), an increase of $5.9 billion (4.6%) over estimated 2017-18 revenues. General Fund expenditures are budgeted at $131.7 billion, an increase of $5.2 billion (4.1%) over estimated 2017-18 totals. Most of the increase in expenditures can be attributed to meeting the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges, and caseload growth primarily in health and human services, including the Medi-Cal program. The Governor proposes a transfer of $5.0 billion from the General Fund to the BSA, $3.5 billion more than the statutorily-required minimum. After this transfer, the balance in the BSA would be $13.5 billion, an amount that the Governor estimates to be the fiscal year 2018-19 constitutional maximum at 10% of General Fund tax revenue. Combined with the projected balance of $2.3 billion in the SFEU, the State's total reserves at the end of fiscal year 2018-19 would be $15.8 billion.

The Legislative Analyst's Office (LAO), California's nonpartisan fiscal and policy advisor, concurs with the Governor's priority of building the State's reserves in light of economic and federal budget uncertainty. The LAO estimates that the State will receive more General Fund revenue than the 2018-19 Governor's Budget estimate. In addition, the LAO notes that recently-enacted federal legislation extended a higher level of federal cost sharing for certain health and human services programs that may result in less state expenditures for those programs than budgeted.

Future Changes in Retiree Health Care Reporting

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, amending accounting and financial reporting standards for defined benefit OPEB for employers and plan sponsors nationwide. The State of California provides health and dental benefits to its retirees through a substantive defined benefit plan. The State has funded the cost of providing these benefits to retirees primarily on a "pay-as-you-go" basis. In February 2010, through the collective bargaining process, the State began to prefund its future healthcare benefit costs by depositing agreed-upon employee and state employer contributions in an OPEB trust fund.

CalPERS, as administrator of the California Employers' Retiree Benefit Trust Fund (CERBTF), the trust fund established to receive OPEB prefunding contributions from the State and other public entities, implemented GASB Statement No. 74 in its separately issued financial statements beginning with its report for the fiscal year ended June 30, 2016. GASB Statement No. 74 required CalPERS to present two financial statements for the CERBTF—a statement of fiduciary net position and a statement of changes in fiduciary net position, expanded note disclosure, and additional required supplementary information. The CERBTF financial statements are included in this report in the fiduciary fund statements as a pension and other employee benefit trust fund.

GASB Statement No. 75 implementation requires additional actuarial and accounting information to be reported in the State's CAFR for the fiscal year ending June 30, 2018. This statement requires the State to record a net OPEB liability (NOL) in its financial statements and to significantly change its postemployment health care benefits note disclosure and required supplementary information.

The impact of these new standards on the State's financial statements is similar to the impact in 2015 for changes made to comply with new accounting and reporting standards relating to pension plans, but the change for OPEB will have an even greater effect. Although these changes are significant to the financial statements, the State's recent budgetary commitment to prefund retiree healthcare benefits will lessen the future economic and budgetary impacts, as investment income on these contributions will help offset the State's future costs for providing these benefits.

The following major changes will occur in the State's CAFR for the fiscal year ending June 30, 2018:

- The State's NOL will be presented in the government-wide Statement of Net Position. The NOL represents an amount equal to the State's total OPEB liability (TOL) less its share of the fiduciary net position in the CERBTF. The State's TOL is an actuarial accrued liability that reflects the present value of future healthcare benefits earned by state employees in prior fiscal years.

- The State's OPEB expense reported in the government-wide Statement of Activities will reflect the change in the NOL that occurred during the fiscal year. The annual OPEB expense consists of service costs, plan administration costs, interest on the TOL, changes in the TOL related to changes in benefit terms, other amortized expenses, and changes in plan fiduciary net position. These expenses are offset by employee contributions and expected investment income.

- The notes to the financial statements will be revised to include newly-required disclosures including information about the measurement of and changes in the NOL; sensitivity of the NOL to changes in the discount rate and the healthcare cost trend rates; and other annual changes.

- The required supplementary information related to OPEB will change dramatically. The Schedule of Funding Progress will be discontinued, and the information required by the new standards will grow to include sets of 10-year schedules.

The accounting changes needed to implement GASB Statement No. 75 will require the restatement of the beginning net position in the government-wide financial statements as of July 1, 2017. The amount of this restatement is currently being calculated.

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's website at www.sco.ca.gov.

Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2017
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and pooled investments	$ 35,186,647	$ 7,820,089	$ 43,006,736	$ 2,820,694
Amount on deposit with U.S. Treasury	—	11,730	11,730	—
Investments	607,262	2,080,478	2,687,740	8,477,085
Restricted assets:				
Cash and pooled investments	638,075	1,033,576	1,671,651	386,587
Investments	—	—	—	47,996
Due from other governments	—	100,385	100,385	—
Net investment in direct financing leases	36,877	11,055	47,932	—
Receivables (net)	19,848,799	2,006,463	21,855,262	4,565,340
Internal balances	272,508	(272,508)	—	—
Due from primary government	—	—	—	204,062
Due from other governments	20,068,777	234,313	20,303,090	123,896
Prepaid items	218,010	55,981	273,991	5,001
Inventories	79,801	16,671	96,472	226,995
Recoverable power costs (net)	—	106,000	106,000	—
Other current assets	45,253	6,601	51,854	379,000
Total current assets	77,002,009	13,210,834	90,212,843	17,236,656
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	176,851	716,720	893,571	34,934
Investments	—	361,913	361,913	80,329
Loans receivable	—	1,276,297	1,276,297	—
Investments	—	2,446,159	2,446,159	28,321,247
Net investment in direct financing leases	289,525	241,333	530,858	—
Receivables (net)	2,076,165	418,821	2,494,986	2,523,282
Loans receivable	4,581,163	3,586,044	8,167,207	3,104,780
Recoverable power costs (net)	—	2,467,000	2,467,000	—
Long-term prepaid charges	2,030	1,222,745	1,224,775	—
Capital assets:				
Land	19,715,991	258,295	19,974,286	1,318,690
State highway infrastructure	75,071,022	—	75,071,022	—
Collections – nondepreciable	22,627	22,086	44,713	468,308
Buildings and other depreciable property	31,115,033	13,717,614	44,832,647	51,543,464
Intangible assets – amortizable	2,075,973	420,480	2,496,453	1,029,465
Less: accumulated depreciation/amortization	(14,304,302)	(5,616,235)	(19,920,537)	(25,042,875)
Construction/development in progress	15,870,690	1,750,443	17,621,133	2,560,457
Intangible assets – nonamortizable	428,676	117,068	545,744	5,411
Other noncurrent assets	—	23,920	23,920	221,663
Total noncurrent assets	137,121,444	23,430,703	160,552,147	66,169,155
Total assets	**214,123,453**	**36,641,537**	**250,764,990**	**83,405,811**
DEFERRED OUTFLOWS OF RESOURCES	17,172,864	2,350,512	19,523,376	5,623,947
Total assets and deferred outflows of resources	**$ 231,296,317**	**$ 38,992,049**	**$ 270,288,366**	**$ 89,029,758**

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	$ 24,823,392	$ 468,035	$ 25,291,427	$ 3,295,919
Due to component units	204,062	—	204,062	—
Due to other governments	6,887,502	132,040	7,019,542	—
Revenues received in advance	1,595,429	375,215	1,970,644	1,348,905
Tax overpayments	5,144,945	—	5,144,945	—
Deposits	489,888	—	489,888	858,006
Contracts and notes payable	1,036	—	1,036	9,457
Unclaimed property liability	937,822	—	937,822	—
Interest payable	1,166,841	64,976	1,231,817	36,850
Securities lending obligations	—	—	—	1,121,899
Benefits payable	—	457,305	457,305	—
Current portion of long-term obligations	5,940,497	2,674,355	8,614,852	4,025,103
Other current liabilities	645,346	528,147	1,173,493	1,397,983
Total current liabilities	47,836,760	4,700,073	52,536,833	12,094,122
Noncurrent liabilities:				
Lottery prizes and annuities	—	684,997	684,997	—
Compensated absences payable	3,510,653	205,082	3,715,735	354,494
Workers' compensation benefits payable	3,642,228	3,639	3,645,867	445,251
Commercial paper and other borrowings	1,158,080	147,365	1,305,445	200
Capital lease obligations	358,964	309,716	668,680	422,661
General obligation bonds payable	75,329,254	666,999	75,996,253	—
Revenue bonds payable	16,087,416	13,868,527	29,955,943	20,321,545
Mandated cost claims payable	2,453,039	—	2,453,039	—
Net other postemployment benefits obligation	28,181,028	978,204	29,159,232	147,636
Net other postemployment benefits liability	—	—	—	19,290,424
Net pension liability	77,278,086	8,786,887	86,064,973	10,987,614
Revenues received in advance	—	10,840	10,840	—
Other noncurrent liabilities	1,371,771	225,301	1,597,072	2,010,815
Total noncurrent liabilities	209,370,519	25,887,557	235,258,076	53,980,640
Total liabilities	**257,207,279**	**30,587,630**	**287,794,909**	**66,074,762**
DEFERRED INFLOWS OF RESOURCES	2,714,215	1,121,317	3,835,532	6,315,880
Total liabilities and deferred inflows of resources	**$ 259,921,494**	**$ 31,708,947**	**$ 291,630,441**	**$ 72,390,642**

(continued)

Statement of Net Position (continued)

June 30, 2017
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
NET POSITION				
Net investment in capital assets	$ 107,042,274	$ 2,295,270	$ 109,337,544	$ 13,922,202
Restricted:				
Nonexpendable – endowments	—	1,746	1,746	6,420,741
Expendable:				
Endowments and gifts	—	—	—	11,254,940
General government	3,902,047	210,549	4,112,596	—
Education	829,516	140,220	969,736	1,304,254
Health and human services	4,758,357	170,828	4,929,185	—
Natural resources and environmental protection	4,741,159	1,917,575	6,658,734	—
Business, consumer services, and housing	4,022,533	22,465	4,044,998	—
Transportation	8,829,656	6,778	8,836,434	—
Corrections and rehabilitation	35,542	2,017	37,559	—
Unemployment programs	—	3,836,786	3,836,786	—
Indenture	—	—	—	576,548
Statute	—	—	—	1,636,242
Other purposes	6,713,422	—	6,713,422	29,016
Total expendable	33,832,232	6,307,218	40,139,450	14,801,000
Unrestricted	(169,499,683)	(1,321,132)	(170,820,815)	(18,504,827)
Total net position (deficit)	**(28,625,177)**	**7,283,102**	**(21,342,075)**	**16,639,116**
Total liabilities, deferred inflows of resources, and net position	**$ 231,296,317**	**$ 38,992,049**	**$ 270,288,366**	**$ 89,029,758**

(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, 2017

(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	$ 17,400,482	$ 5,825,533	$ 929,306	$ —
Education	67,377,805	74,548	7,413,197	—
Health and human services	135,090,171	11,638,503	77,917,754	—
Natural resources and environmental protection	7,342,079	3,998,751	424,586	—
Business, consumer services, and housing	1,163,511	844,445	84,406	—
Transportation	12,947,296	4,611,244	2,603,508	3,027,780
Corrections and rehabilitation	13,086,499	17,988	124,533	—
Interest on long-term debt	4,191,283	—	—	—
Total governmental activities	258,599,126	27,011,012	89,497,290	3,027,780
Business-type activities:				
Electric Power	945,000	945,000	—	—
Water Resources	1,223,340	1,223,340	—	—
State Lottery	6,271,875	6,213,074	—	—
Unemployment Programs	11,907,623	14,437,094	—	—
California State University	8,001,396	3,224,919	1,805,406	—
State Water Pollution Control Revolving	17,112	75,912	—	61,027
Housing Loan	62,885	52,842	—	—
Other enterprise programs	75,397	93,177	—	—
Total business-type activities	28,504,628	26,265,358	1,805,406	61,027
Total primary government	**$ 287,103,754**	**$ 53,276,370**	**$ 91,302,696**	**$ 3,088,807**
Component Units				
University of California	34,270,286	21,777,538	9,422,754	86,776
California Housing Finance Agency	208,118	95,432	—	—
Nonmajor component units	2,125,925	1,079,450	639,510	12,142
Total component units	**$ 36,604,329**	**$ 22,952,420**	**$ 10,062,264**	**$ 98,918**

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 (loss)
- Escheat
- Other

Gain on early extinguishment of debt

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) – beginning

Net position (deficit) – ending

* Restated

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

Governmental Activities	Business-type Activities	Total	Component Units
Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
$ (10,645,643)		$ (10,645,643)	
(59,890,060)		(59,890,060)	
(45,533,914)		(45,533,914)	
(2,918,742)		(2,918,742)	
(234,660)		(234,660)	
(2,704,764)		(2,704,764)	
(12,943,978)		(12,943,978)	
(4,191,283)		(4,191,283)	
(139,063,044)		(139,063,044)	
	$ —	—	
	—	—	
	(58,801)	(58,801)	
	2,529,471	2,529,471	
	(2,971,071)	(2,971,071)	
	119,827	119,827	
	(10,043)	(10,043)	
	17,780	17,780	
	(372,837)	(372,837)	
$ (139,063,044)	**$ (372,837)**	**$ (139,435,881)**	
			$ (2,983,218)
			(112,686)
			(394,823)
			$ (3,490,727)
$ 85,712,013	$ —	$ 85,712,013	$ —
38,726,332	—	38,726,332	—
11,128,198	—	11,128,198	—
4,878,953	—	4,878,953	—
2,719,489	—	2,719,489	—
2,282,313	—	2,282,313	—
2,574,456	—	2,574,456	—
149,135	—	149,135	3,485,177
325,755	—	325,755	—
—	—	—	2,657,655
30,986	—	30,986	—
(3,083,437)	3,083,437	—	—
145,444,193	**3,083,437**	**148,527,630**	**6,142,832**
6,381,149	2,710,600	9,091,749	2,652,105
(35,006,326)*	**4,572,502**	**(30,433,824)**	**13,987,011 ***
$ (28,625,177)	**$ 7,283,102**	**$ (21,342,075)**	**$ 16,639,116**

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, 2017
(amounts in thousands)

	General	Federal
ASSETS		
Cash and pooled investments	$ 5,932,023	$ 434,218
Investments	—	—
Receivables (net)	15,943,068	19,729
Due from other funds	2,988,748	—
Due from other governments	1,352,536	17,736,504
Interfund receivables	96,998	—
Loans receivable	39,520	221,070
Other assets	15,127	—
Total assets	**$ 26,368,020**	**$ 18,411,521**
LIABILITIES		
Accounts payable	$ 1,563,360	$ 938,497
Due to other funds	4,850,321	15,190,227
Due to component units	194,265	—
Due to other governments	2,098,435	1,945,607
Interfund payables	3,394,432	—
Revenues received in advance	359,582	75,924
Tax overpayments	5,144,945	—
Deposits	2,374	—
Unclaimed property liability	937,822	—
Other liabilities	322,308	13,899
Total liabilities	**18,867,844**	**18,164,154**
DEFERRED INFLOWS OF RESOURCES	1,689,790	19,488
Total liabilities and deferred inflows of resources	**20,557,634**	**18,183,642**
FUND BALANCES		
Nonspendable	103,903	—
Restricted	7,429,825	227,879
Committed	180,755	—
Assigned	—	—
Unassigned	(1,904,097)	—
Total fund balances	**5,810,386**	**227,879**
Total liabilities, deferred inflows of resources, and fund balances	**$ 26,368,020**	**$ 18,411,521**

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

Transportation	Environmental and Natural Resources	Nonmajor Governmental	Total
$ 6,246,820	$ 8,395,418	$ 12,693,507	$ 33,701,986
—	—	607,262	607,262
965,131	463,973	4,448,651	21,840,552
1,051,914	443,322	1,012,426	5,496,410
4,946	55,306	907,934	20,057,226
2,242,064	439,800	497,267	3,276,129
—	1,598,440	2,722,133	4,581,163
15,175	—	14,951	45,253
$ 10,526,050	**$ 11,396,259**	**$ 22,904,131**	**$ 89,605,981**
$ 416,165	$ 399,149	$ 702,260	$ 4,019,431
138,624	28,232	5,479,605	25,687,009
—	—	9,797	204,062
217,832	51,680	3,617,882	7,931,436
20,656	14,790	50,574	3,480,452
18,028	190,985	124,278	768,797
—	—	—	5,144,945
2,854	826	482,272	488,326
—	—	—	937,822
548,022	6,298	128,794	1,019,321
1,362,181	**691,960**	**10,595,462**	**49,681,601**
75,605	36,580	194,210	2,015,673
1,437,786	**728,540**	**10,789,672**	**51,697,274**
—	—	20,172	124,075
9,051,465	6,419,569	10,534,476	33,663,214
50,133	4,249,968	1,547,778	6,028,634
—	—	12,033	12,033
(13,334)	(1,818)	—	(1,919,249)
9,088,264	**10,667,719**	**12,114,459**	**37,908,707**
$ 10,526,050	**$ 11,396,259**	**$ 22,904,131**	**$ 89,605,981**

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		**$ 37,908,707**
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	19,713,909	
State highway infrastructure	75,071,022	
Collections – nondepreciable	22,627	
Buildings and other depreciable property	30,496,098	
Intangible assets – amortizable	2,006,797	
Less: accumulated depreciation/amortization	(13,797,021)	
Construction/development in progress	15,083,113	
Intangible assets – nonamortizable	428,676	
		129,025,221
• 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.		2,015,673
• 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.		(8,729,385)
• 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.		(5,313,374)
• Deferred inflows and outflows of resources related to pension transactions are not reported in the funds.		13,503,236
• 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.		553,155
• General obligation bonds and related accrued interest totaling $74,878,319, revenue bonds totaling $6,784,696, and commercial paper totaling $1,158,080 are not due and payable in the current period and are not reported in the funds.		(82,821,095)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(3,374,318)	
Capital leases	(416,468)	
Net pension liability	(76,017,824)	
Net other postemployment benefits obligation	(27,486,214)	
Mandated cost claims	(2,453,039)	
Workers' compensation	(3,600,656)	
Proposition 98 funding guarantee	(440,003)	
Pollution remediation obligations	(969,393)	
Other noncurrent liabilities	(9,400)	
		(114,767,315)
Net position of governmental activities		**$ (28,625,177)**

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, 2017

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	$ 84,253,851	$ —
Sales and use taxes	24,921,347	—
Corporation taxes	11,125,198	—
Motor vehicle excise taxes	80,033	—
Insurance taxes	2,427,851	—
Managed care organization enrollment tax	—	—
Other taxes	604,685	—
Intergovernmental	—	92,505,515
Licenses and permits	5,563	—
Charges for services	298,997	—
Fees	242,054	—
Penalties	288,560	67
Investment and interest	106,614	—
Escheat	325,638	—
Other	441,253	—
Total revenues	**125,121,644**	**92,505,582**
EXPENDITURES		
Current:		
General government	5,177,883	956,915
Education	59,445,776	7,393,711
Health and human services	32,975,439	77,411,341
Natural resources and environmental protection	1,652,353	252,264
Business, consumer services, and housing	29,732	76,530
Transportation	3,888	5,619,898
Corrections and rehabilitation	10,574,249	124,533
Capital outlay	988,680	—
Debt service:		
Bond and commercial paper retirement	2,583,630	9,360
Interest and fiscal charges	2,828,409	2,030
Total expenditures	**116,260,039**	**91,846,582**
Excess (deficiency) of revenues over (under) expenditures	8,861,605	659,000
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	52,438	—
Remarketing bonds issued	—	—
Payment to remarket long-term debt	—	—
Capital leases	988,680	—
Transfers in	876,015	—
Transfers out	(5,330,080)	(678,955)
Total other financing sources (uses)	**(3,412,947)**	**(678,955)**
Net change in fund balances	5,448,658	(19,955)
Fund balances (deficit) – beginning	**361,728**	**247,834**
Fund balances – ending	**$ 5,810,386**	**$ 227,879**

* Restated

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

Transportation	Environmental and Natural Resources	Nonmajor Governmental	Total
$ —	$ —	$ 1,484,054	$ 85,737,905
427,333	—	13,393,035	38,741,715
—	—	—	11,125,198
4,674,274	57,649	66,997	4,878,953
—	—	291,638	2,719,489
—	—	2,282,313	2,282,313
—	158,893	1,802,350	2,565,928
—	—	3,204,269	95,709,784
4,460,973	441,286	3,205,720	8,113,542
146,249	128,746	286,249	860,241
20,631	2,575,522	7,646,908	10,485,115
35,611	75,271	687,310	1,086,819
39,339	74,972	97,577	318,502
2	—	1,974	327,614
81,810	1,167,464	1,243,630	2,934,157
9,886,222	**4,679,803**	**35,694,024**	**267,887,275**
518,262	143,595	10,454,065	17,250,720
3,987	2,677	378,645	67,224,796
2,344	80,154	23,902,816	134,372,094
249,374	4,310,057	248,790	6,712,838
95,881	85,158	816,393	1,103,694
9,079,331	297,439	7,083	15,007,639
—	—	1,577,609	12,276,391
—	199,865	50,155	1,238,700
683,216	1,072,282	5,016,062	9,364,550
11,984	18,862	1,124,985	3,986,270
10,644,379	**6,210,089**	**43,576,603**	**268,537,692**
(758,157)	(1,530,286)	(7,882,579)	(650,417)
2,118,245	1,227,295	979,535	4,325,075
693,570	1,070,045	5,210,610	6,974,225
(406,247)	(660,166)	(1,871,868)	(2,938,281)
133,342	218,253	905,221	1,309,254
100,000	—	—	100,000
(100,000)	—	—	(100,000)
—	—	—	988,680
30,026	228,620	3,451,538	4,586,199
(1,261,432)	(13,136)	(268,024)	(7,551,627)
1,307,504	**2,070,911**	**8,407,012**	**7,693,525**
549,347	540,625	524,433	7,043,108
8,538,917	**10,127,094**	**11,590,026** *	**30,865,599**
$ 9,088,264	**$ 10,667,719**	**$ 12,114,459**	**$ 37,908,707**

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		**$ 7,043,108**
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	6,153,315	
Disposal of assets	(2,476,315)	
Depreciation expense, net of asset disposal	(902,207)	
		2,774,793
• Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds.		111,957
• 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.		(264,406)

• 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	(9,046,715)	(652,995)	(1,599,590)	(11,299,300)	
Premium on debt issued	(1,220,421)	(88,832)	—	(1,309,253)	
Accreted interest	—	(43,167)	—	(43,167)	
Principal repayments	7,334,755	817,069	1,212,725	9,364,549	
Payments to refund long-term debt	2,938,281	—	—	2,938,281	
Related expenses not reported in governmental funds:					
Gain on debt extinguishment	—	30,986	—	30,986	
Premium/discount amortization	249,410	18,292	—	267,702	
Deferred gain/loss on refunding	(13,008)	(9,958)	—	(22,966)	
Prepaid insurance	—	(114)	—	(114)	
Accrued interest	(4,247)	218	—	(4,029)	
	238,055	71,499	(386,865)		(77,311)

(continued)

- 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	247,704	
Capital leases	(46,286)	
Net pension liability	(1,102,815)	
Net other postemployment benefits obligation	(3,115,936)	
Mandated cost claims	311,430	
Workers' compensation	(115,020)	
Proposition 98 funding guarantee	556,737	
Pollution remediation obligations	52,461	
Other noncurrent liabilities	4,733	
		(3,206,992)
Change in net position of governmental activities		**$ 6,381,149**
		(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2017
(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 808,769
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	590,000	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	106,676
Due from other funds	6,000	2,552
Due from other governments	—	35,253
Prepaid items	—	—
Inventories	—	5,011
Recoverable power costs (net)	106,000	—
Other current assets	—	—
Total current assets	702,000	958,261
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	582,000	133,976
Investments	302,000	59,913
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	95,136
Loans receivable	—	11,934
Recoverable power costs (net)	2,467,000	—
Long-term prepaid charges	—	1,217,868
Capital assets:		
Land	—	156,934
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	4,787,477
Intangible assets – amortizable	—	39,385
Less: accumulated depreciation/amortization	—	(2,117,138)
Construction/development in progress	—	1,095,997
Intangible assets – nonamortizable	—	111,007
Other noncurrent assets	—	—
Total noncurrent assets	3,351,000	5,592,489
Total assets	**4,053,000**	**6,550,750**
DEFERRED OUTFLOWS OF RESOURCES	119,000	282,685
Total assets and deferred outflows of resources	**$ 4,172,000**	**$ 6,833,435**

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**
$ 703,106	$ 3,946,163	$ 1,305,571	$ 1,056,480	$ 7,820,089	$ 1,484,661
—	11,730	—	—	11,730	—
55,769	—	2,024,709	—	2,080,478	—
—	—	—	443,576	1,033,576	638,075
—	—	—	100,385	100,385	—
—	—	11,055	—	11,055	483,991
503,249	1,183,464	178,750	34,324	2,006,463	23,920
1,546	13,876	5,713	3,540	33,227	597,429
—	38,905	—	160,155	234,313	11,551
—	—	55,969	12	55,981	218,010
8,788	—	—	2,872	16,671	79,801
—	—	—	—	106,000	—
6,601	—	—	—	6,601	—
1,279,059	5,194,138	3,581,767	1,801,344	13,516,569	3,537,438
—	—	744	—	716,720	176,851
—	—	—	—	361,913	—
—	—	—	1,276,297	1,276,297	—
757,789	—	1,670,406	17,964	2,446,159	—
—	—	241,333	—	241,333	7,939,983
—	81,350	337,471	—	418,821	—
—	234,001	—	1,600	330,737	32,045
—	—	77,243	3,496,867	3,586,044	—
—	—	—	—	2,467,000	—
4,877	—	—	—	1,222,745	1,134
15,894	—	84,195	1,272	258,295	2,082
—	—	22,086	—	22,086	—
269,053	26,868	8,615,306	18,910	13,717,614	618,935
—	244,118	135,296	1,681	420,480	69,176
(99,238)	(43,126)	(3,338,619)	(18,114)	(5,616,235)	(507,281)
—	—	654,259	187	1,750,443	787,577
—	—	6,061	—	117,068	—
—	—	21,959	1,961	23,920	—
948,375	543,211	8,527,740	4,798,625	23,761,440	9,120,502
2,227,434	**5,737,349**	**12,109,507**	**6,599,969**	**37,278,009**	**12,657,940**
39,351	66,352	1,829,367	13,757	2,350,512	465,535
$ 2,266,785	**$ 5,803,701**	**$ 13,938,874**	**$ 6,613,726**	**$ 39,628,521**	**$ 13,123,475**

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2017
(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,000	$ 147,651
Due to other funds	—	52,292
Due to other governments	—	95,350
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	29,000	11,491
Benefits payable	—	—
Current portion of long-term obligations	779,000	192,602
Other current liabilities	—	—
Total current liabilities	810,000	499,386
Noncurrent liabilities:		
Interfund payables	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	40	25,313
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	147,165
Capital lease obligations	—	—
General obligation bonds payable	—	54,065
Revenue bonds payable	3,349,000	2,887,798
Net other postemployment benefits obligation	6,960	262,390
Net pension liability	6,000	556,748
Revenues received in advance	—	—
Other noncurrent liabilities	—	92,292
Total noncurrent liabilities	3,362,000	4,025,771
Total liabilities	**4,172,000**	**4,525,157**
DEFERRED INFLOWS OF RESOURCES	—	1,102,850
Total liabilities and deferred inflows of resources	**4,172,000**	**5,628,007**
NET POSITION		
Net investment in capital assets	—	825,218
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	380,210
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	—	380,210
Unrestricted	—	—
Total net position (deficit)	—	**1,205,428**
Total liabilities, deferred inflows of resources, and net position	**$ 4,172,000**	**$ 6,833,435**

 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
$ 54,881	$ 3	$ 260,895	$ 2,590	$ 468,020	$ 457,688
386,378	195,227	6	2,584	636,487	149,858
—	36,666	—	24	132,040	69,379
2,726	55,310	317,108	71	375,215	826,632
—	—	—	—	—	1,562
—	—	—	—	—	19,018
—	—	—	24,485	64,976	101,195
—	457,305	—	—	457,305	—
936,779	385,137	318,784	62,053	2,674,355	626,300
246	46,205	481,695	1	528,147	22,940
1,381,010	1,175,853	1,378,488	91,808	5,336,545	2,274,572
—	—	—	—	—	158,459
684,997	—	—	—	684,997	—
—	49,679	120,666	9,384	205,082	144,776
2,093	—	—	1,546	3,639	41,572
—	—	200	—	147,365	—
—	—	309,716	—	309,716	—
—	—	—	612,934	666,999	—
—	—	6,312,020	1,319,709	13,868,527	9,146,693
68,280	198,402	425,888	16,284	978,204	694,814
132,963	314,405	7,733,925	42,846	8,786,887	1,260,262
—	—	10,840	—	10,840	—
—	—	94,060	38,949	225,301	31,355
888,333	562,486	15,007,315	2,041,652	25,887,557	11,477,931
2,269,343	**1,738,339**	**16,385,803**	**2,133,460**	**31,224,102**	**13,752,503**
280	716	17,394	77	1,121,317	2,785
2,269,623	**1,739,055**	**16,403,197**	**2,133,537**	**32,345,419**	**13,755,288**
185,709	227,860	1,052,547	3,936	2,295,270	432,340
—	—	1,746	—	1,746	—
—	—	23,594	—	23,594	169,018
—	—	67,956	157,601	605,767	—
—	—	—	1,376,682	1,376,682	—
87,373	—	—	—	87,373	—
—	3,836,786	—	—	3,836,786	—
—	—	48,670	328,346	377,016	—
87,373	3,836,786	140,220	1,862,629	6,307,218	169,018
(275,920)	—	(3,658,836)	2,613,624	(1,321,132)	(1,233,171)
(2,838)	**4,064,646**	**(2,464,323)**	**4,480,189**	**7,283,102**	**(631,813)**
$ 2,266,785	**$ 5,803,701**	**$ 13,938,874**	**$ 6,613,726**	**$ 39,628,521**	**$ 13,123,475**

(concluded)

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

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

Proprietary Funds

Year Ended June 30, 2017
(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	$ —	$ —
Lottery ticket sales	—	—
Power sales	(29,000)	85,089
Student tuition and fees	—	—
Services and sales	—	1,138,251
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	**(29,000)**	**1,223,340**
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(42,000)	339,993
Personal services	—	367,083
Supplies	—	—
Services and charges	13,000	177,842
Depreciation	—	77,265
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	57,066
Total operating expenses	**(29,000)**	**1,019,249**
Operating income (loss)	—	204,091
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income (loss)	974,000	—
Interest expense and fiscal charges	(974,000)	(105,768)
Lottery payments for education	—	—
Other	—	(98,323)
Total nonoperating revenues (expenses)	**—**	**(204,091)**
Income (loss) before capital contributions and transfers	—	—
Capital contributions	—	—
Transfers in	—	—
Transfers out	—	—
Change in net position	—	—
Total net position (deficit) – beginning	**—**	**1,205,428**
Total net position (deficit) – ending	**$ —**	**$ 1,205,428**

* 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
$ —	$ 14,410,450	$ —	$ —	$ 14,410,450	$ —
6,233,468	—	—	—	6,233,468	—
—	—	—	—	56,089	—
—	—	2,185,443	—	2,185,443	—
—	—	547,580	104,052	1,789,883	2,802,643
—	—	—	107,670	107,670	10,515
—	—	—	108	108	437,203
—	—	71,277	—	71,277	—
—	—	208,480	1,971	210,451	—
6,233,468	**14,410,450**	**3,012,780**	**213,801**	**25,064,839**	**3,250,361**
3,963,453	—	—	—	3,963,453	—
—	—	—	—	297,993	—
91,254	184,019	5,168,665	36,851	5,847,872	891,258
18,037	—	1,454,430	37,266	1,509,733	10,306
649,656	87,017	—	35,695	963,210	2,036,439
16,890	11,585	330,187	468	436,395	56,092
—	—	844,019	—	844,019	—
—	11,615,853	—	—	11,615,853	—
—	—	—	31,604	31,604	402,506
—	—	—	—	—	238
—	9,149	—	350	66,565	—
4,739,290	**11,907,623**	**7,797,301**	**142,234**	**25,576,697**	**3,396,839**
1,494,178	2,502,827	(4,784,521)	71,567	(511,858)	(146,478)
—	—	1,805,406	—	1,805,406	—
—	—	54,526	—	54,526	—
(20,488)	26,644	52,662	7,405	1,040,223	1,911
(33,580)	—	(204,095)	(12,458)	(1,329,901)	(16)
(1,499,005)	—	—	—	(1,499,005)	—
94	—	104,951	23	6,745	(1,939)
(1,552,979)	**26,644**	**1,813,450**	**(5,030)**	**77,994**	**(44)**
(58,801)	2,529,471	(2,971,071)	66,537	(433,864)	(146,522)
—	—	—	61,027	61,027	125
—	—	3,083,437	—	3,083,437	4,500
—	—	—	—	—	(122,509)
(58,801)	2,529,471	112,366	127,564	2,710,600	(264,406)
55,963	**1,535,175**	**(2,576,689)**	**4,352,625**	**4,572,502**	**(367,407)***
$ (2,838)	**$ 4,064,646**	**$ (2,464,323)**	**$ 4,480,189**	**$ 7,283,102**	**$ (631,813)**

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	$ (29,000)	$ 1,249,998
Receipts from interfund services provided	—	—
Payments to suppliers	(10,000)	(437,278)
Payments to employees	(2,000)	(367,083)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	16,000	21,044
Net cash provided by (used in) operating activities	**(25,000)**	**466,681**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	—	1,034
Changes in interfund payables and loans payable	—	—
Receipt of bond charges	914,000	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	1,000	—
Retirement of revenue bonds	(690,000)	—
Payment to refund long-term debt	(27,000)	—
Interest received	—	—
Interest paid	(215,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Net cash provided by (used in) noncapital financing activities	**(17,000)**	**1,034**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(416,936)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	200,379
Principal paid on notes payable and commercial paper	—	(95,990)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(46,745)
Proceeds from revenue bonds	—	330,700
Retirement of revenue bonds	—	(134,185)
Interest paid	—	(40,069)
Grants received	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**(202,846)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(102,111)
Proceeds from maturity and sale of investments	—	102,111
Earnings on investments	24,000	11,247
Net cash provided by (used in) investing activities	**24,000**	**11,247**
Net increase (decrease) in cash and pooled investments	(18,000)	276,116
Cash and pooled investments – beginning	**1,190,000**	**666,629**
Cash and pooled investments – ending	**$ 1,172,000**	**$ 942,745**

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**
$ 6,212,840	$ 14,443,793	$ 2,741,517	$ 350,987	$ 24,970,135	$ 24,337
—	18,243	—	3,855	22,098	4,052,759
(231,547)	(81,792)	(1,470,971)	(59,572)	(2,291,160)	(1,540,577)
(61,791)	(143,903)	(4,951,651)	(37,626)	(5,564,054)	(787,420)
(23,189)	—	—	(645)	(23,834)	—
(4,392,367)	—	—	—	(4,392,367)	—
(433,649)	(11,596,122)	—	—	(12,029,771)	(469,277)
377,943	(53,149)	(644,992)	(559,896)	(843,050)	(443,429)
1,448,240	**2,587,070**	**(4,326,097)**	**(302,897)**	**(152,003)**	**836,393**
—	74,232	38,846	—	114,112	(6,682)
—	(2,727,041)	(840)	—	(2,727,881)	14,382
—	—	—	—	914,000	—
—	—	—	169,559	169,559	—
—	—	—	(43,775)	(43,775)	—
—	—	64,457	529,467	594,924	—
—	—	(59,164)	(143,950)	(893,114)	—
—	—	—	—	(27,000)	—
—	—	29,080	—	29,080	—
—	—	(19,561)	(21,046)	(255,607)	(16)
—	—	3,083,437	—	3,083,437	4,500
—	—	—	—	—	(122,509)
—	—	1,927,553	61,009	1,988,562	—
(1,543,256)	—	—	—	(1,543,256)	—
(1,543,256)	**(2,652,809)**	**5,063,808**	**551,264**	**1,403,041**	**(110,325)**
(38,693)	(3,659)	(654,079)	(275)	(1,113,642)	(927,313)
68	9,248	1,969	94	11,379	2,403
—	—	—	—	200,379	—
—	—	—	—	(95,990)	—
—	—	1,757	—	1,757	—
—	—	(559,892)	—	(559,892)	—
—	—	—	—	(46,745)	—
—	—	1,403,131	—	1,733,831	1,479,114
—	—	(86,874)	—	(221,059)	(1,800,546)
—	—	—	—	(40,069)	—
—	—	41,772	—	41,772	—
(38,625)	**5,589**	**147,784**	**(181)**	**(88,279)**	**(1,246,342)**
(13,915)	—	(9,904,594)	(1,332)	(10,021,952)	—
87,670	(19)	9,636,678	525	9,826,965	—
21,719	26,644	54,491	5,659	143,760	1,911
95,474	**26,625**	**(213,425)**	**4,852**	**(51,227)**	**1,911**
(38,167)	(33,525)	672,070	253,038	1,111,532	(518,363)
741,273	**3,979,688**	**634,245**	**1,247,018**	**8,458,853**	**2,817,950**
$ 703,106	**$ 3,946,163**	**$ 1,306,315**	**$ 1,500,056**	**$ 9,570,385**	**$ 2,299,587**

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2017
(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ —	$ 204,091
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	—	77,265
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Amortization of long-term prepaid charges and credits	—	7,631
Other	—	21,044
Change in account balances:		
Receivables	—	13,025
Due from other funds	—	—
Due from other governments	—	3,343
Prepaid items	—	—
Inventories	—	161
Net investment in direct financing leases	—	—
Recoverable power costs (net)	(26,000)	—
Other current assets	—	—
Loans receivable	—	—
Deferred outflow of resources	1,000	—
Accounts payable	—	54,362
Due to other funds	—	12,922
Due to other governments	—	799
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	—	72,038
Deferred inflow of resources	—	—
Total adjustments	(25,000)	262,590
Net cash provided by (used in) operating activities	**$ (25,000)**	**$ 466,681**
Noncash investing, capital, and financing activities:		
Long-term debt retirement from bond issuance	$ 565,000	$ 97,430
Amortization/defeasance of bond premium and discount	74,000	34,541
Issuance of notes receivable through proceeds from long-term debt	—	—
Unrealized loss on investments	—	—
Amortization of deferred loss on refundings	31,000	11,109
Unclaimed lottery prizes directly allocated to another entity	—	—
Interest accreted on annuitized prizes	—	—
Change in accrued capital asset purchases	—	—
Interest accreted on zero coupon bonds	—	—
Contributed capital assets	—	—
Acquisition of capital assets through capital lease obligations	—	—
Other miscellaneous noncash transactions	1,000	—

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

Business-type Activities – Enterprise Funds: State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Governmental Activities: Internal Service Funds
$ 1,494,178	$ 2,502,827	$ (4,784,521)	$ 71,567	$ (511,858)	$ (146,478)
16,890	11,585	330,187	468	436,395	56,092
19,520	—	—	855	20,375	—
—	—	—	(295)	(295)	(85,086)
—	—	—	—	7,631	238
36	—	(76,406)	(11,237)	(66,563)	14,221
(61,600)	22,602	(20,024)	1,145	(44,852)	73,066
(1)	10,394	(30,431)	(141)	(20,179)	(83,886)
—	(2,175)	—	(1,737)	(569)	1,280
3,858	5,223	(7,327)	(12)	1,742	(28,544)
(1,723)	—	—	(441)	(2,003)	(2,693)
—	—	—	—	—	458,802
—	—	—	—	(26,000)	—
(1,289)	—	—	1,835	546	—
—	—	—	(359,206)	(359,206)	—
—	(37,323)	(914,528)	(5,349)	(956,200)	(142,346)
12,690	2	20,572	240	87,866	38,601
(19,851)	(41,352)	—	127	(48,154)	59,738
—	(541)	—	20	278	1,283
—	—	—	—	—	415
—	—	—	—	—	10,239
—	—	—	(571)	(571)	(7,311)
(133)	10,741	24,373	20	35,001	351,990
508	7,917	2,261	190	10,876	(3,333)
—	19,731	24,465	672	44,868	3,986
(51,033)	—	—	—	(51,033)	—
—	(4,747)	18,239	(1,220)	12,272	(15,089)
36,190	86,975	1,212,816	782	1,408,801	301,747
—	(4,789)	(125,773)	(609)	(131,171)	(20,539)
(45,938)	84,243	458,424	(374,464)	359,855	982,871
$ 1,448,240	**$ 2,587,070**	**$ (4,326,097)**	**$ (302,897)**	**$ (152,003)**	**$ 836,393**

(concluded)

$ —	$ —	$ —	$ —	$ 662,430	$ —
—	—	28,040	—	136,581	—
—	—	68,915	—	68,915	—
57,379	—	—	—	57,379	—
—	—	6,114	—	48,223	—
46,521	—	—	—	46,521	—
33,580	—	—	—	33,580	—
—	—	16,724	—	16,724	—
15,636	—	—	—	15,636	—
—	—	14,801	—	14,801	—
—	—	9,092	—	9,092	—
—	—	5,916	842	7,758	—

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2017

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust — Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	$ 116,408	$ 2,144,203	$ 22,864,579	$ 4,477,249
Investments, at fair value:				
Short-term	—	35,128,322	—	—
Equity securities	3,945,139	271,743,637	—	—
Debt securities	2,414,142	133,315,958	—	—
Real estate	239,299	62,186,041	—	—
Securities lending collateral	—	22,972,901	—	—
Other	1,127,103	58,036,723	—	—
Total investments	7,725,683	583,383,582	—	—
Receivables (net)	89,032	9,913,354	—	3,733,442
Due from other funds	16,857	696,336	—	19,633,095
Due from other governments	—	15,241	—	37,166
Loans receivable	—	2,823,149	—	4,328
Other assets	167,893	857,989	—	37,070
Total assets	**8,115,873**	**599,833,854**	**22,864,579**	**$ 27,922,350**
DEFERRED OUTFLOWS OF RESOURCES	—	71,284	—	
Total assets and deferred outflows of resources	**8,115,873**	**599,905,138**	**22,864,579**	
LIABILITIES				
Accounts payable	56,914	3,646,492	—	$ 18,013,174
Due to other governments	—	170,734	51,758	7,844,568
Tax overpayments	—	—	—	832
Benefits payable	—	376,593	—	—
Revenues received in advance	—	—	—	794
Deposits	172,799	—	—	1,179,722
Securities lending obligations	—	22,959,651	—	—
Loans payable	—	2,824,259	—	—
Other liabilities	317	9,703,313	—	883,260
Total liabilities	**230,030**	**39,681,042**	**51,758**	**$ 27,922,350**
DEFERRED INFLOWS OF RESOURCES	—	540	—	
Total liabilities and deferred inflows of resources	**230,030**	**39,681,582**	**51,758**	
NET POSITION				
Restricted for pension and other postemployment benefits	—	545,222,149	—	
Held in trust for:				
Deferred compensation participants	—	14,990,010	—	
Pool participants	—	—	22,812,821	
Individuals, organizations, or other governments	7,885,843	11,397	—	
Total net position	**$ 7,885,843**	**$ 560,223,556**	**$ 22,812,821**	

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, 2017

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment
ADDITIONS			
Contributions:			
Employer	$ —	$ 20,560,390	$ —
Plan member	—	8,400,801	—
Non-employer	—	2,478,230	—
Total contributions	—	31,439,421	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	376,935	53,969,711	—
Interest, dividends, and other investment income	341,823	7,864,572	164,238
Less: investment expense	(3,409)	(1,357,380)	—
Net investment income	715,349	60,476,903	164,238
Receipts from depositors	4,026,756	—	24,031,499
Other	—	114,296	—
Total additions	**4,742,105**	**92,030,620**	**24,195,737**
DEDUCTIONS			
Distributions paid and payable to participants	—	37,985,506	162,667
Refunds of contributions	—	342,846	—
Administrative expense	7	666,364	1,571
Interest expense	—	57,958	—
Payments to and for depositors	3,679,759	389,424	23,930,836
Total deductions	**3,679,766**	**39,442,098**	**24,095,074**
Change in net position	1,062,339	52,588,522	100,663
Net position – beginning	**6,823,504**	**507,635,034**	**22,712,158**
Net position – ending	**$ 7,885,843**	**$ 560,223,556**	**$ 22,812,821**

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, 2017

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 457,470	$ 1,202,611	$ 1,160,613	$ 2,820,694
Investments	7,941,751	32,268	503,066	8,477,085
Restricted assets:				
Cash and pooled investments	—	—	386,587	386,587
Investments	—	—	47,996	47,996
Receivables (net)	4,035,092	194,757	335,491	4,565,340
Due from primary government	204,062	—	—	204,062
Due from other governments	123,896	—	—	123,896
Prepaid items	—	477	4,524	5,001
Inventories	226,995	—	—	226,995
Other current assets	342,789	1,163	35,048	379,000
Total current assets	13,332,055	1,431,276	2,473,325	17,236,656
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	34,934	34,934
Investments	—	—	80,329	80,329
Investments	25,965,036	277,722	2,078,489	28,321,247
Receivables (net)	2,278,897	—	244,385	2,523,282
Loans receivable	—	2,779,626	325,154	3,104,780
Capital assets:				
Land	1,162,911	—	155,779	1,318,690
Collections – nondepreciable	459,956	—	8,352	468,308
Buildings and other depreciable property	49,463,683	1,286	2,078,495	51,543,464
Intangible assets – amortizable	1,018,271	—	11,194	1,029,465
Less: accumulated depreciation/amortization	(23,955,218)	(634)	(1,087,023)	(25,042,875)
Construction/development in progress	2,520,150	—	40,307	2,560,457
Intangible assets – nonamortizable	—	—	5,411	5,411
Other noncurrent assets	170,244	5,652	45,767	221,663
Total noncurrent assets	59,083,930	3,063,652	4,021,573	66,169,155
Total assets	**72,415,985**	**4,494,928**	**6,494,898**	**83,405,811**
DEFERRED OUTFLOWS OF RESOURCES	5,549,644	25,123	49,180	5,623,947
Total assets and deferred outflows of resources	**$ 77,965,629**	**$ 4,520,051**	**$ 6,544,078**	**$ 89,029,758**

(continued)

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

Statement of Net Position (continued)

Discretely Presented Component Units – Enterprise Activity

June 30, 2017

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ 2,523,830	$ 51,259	$ 720,830	$ 3,295,919
Revenues received in advance	1,263,295	—	85,610	1,348,905
Deposits	627,780	228,227	1,999	858,006
Contracts and notes payable	—	—	9,457	9,457
Interest payable	—	32,826	4,024	36,850
Securities lending obligations	1,121,899	—	—	1,121,899
Current portion of long-term obligations	3,862,773	80,959	81,371	4,025,103
Other current liabilities	1,146,845	84,565	166,573	1,397,983
Total current liabilities	10,546,422	477,836	1,069,864	12,094,122
Noncurrent liabilities:				
Compensated absences payable	340,353	—	14,141	354,494
Workers' compensation benefits payable	409,007	—	36,244	445,251
Commercial paper and other borrowings	—	—	200	200
Capital lease obligations	160,671	—	261,990	422,661
Revenue bonds payable	17,838,435	2,018,112	464,998	20,321,545
Net other postemployment benefits obligation	—	33,335	114,301	147,636
Net other postemployment benefits liability	19,290,424	—	—	19,290,424
Net pension liability	10,739,355	53,160	195,099	10,987,614
Other noncurrent liabilities	1,367,377	150,535	492,903	2,010,815
Total noncurrent liabilities	50,145,622	2,255,142	1,579,876	53,980,640
Total liabilities	**60,692,044**	**2,732,978**	**2,649,740**	**66,074,762**
DEFERRED INFLOWS OF RESOURCES	6,286,094	8,833	20,953	6,315,880
Total liabilities and deferred inflows of resources	**66,978,138**	**2,741,811**	**2,670,693**	**72,390,642**
NET POSITION				
Net investment in capital assets	13,342,824	652	578,726	13,922,202
Restricted:				
Nonexpendable – endowments	5,222,499	—	1,198,242	6,420,741
Expendable:				
Endowments and gifts	11,244,201	—	10,739	11,254,940
Education	281,627	—	1,022,627	1,304,254
Indenture	—	576,548	—	576,548
Statute	—	1,251,054	385,188	1,636,242
Other purposes	—	—	29,016	29,016
Total expendable	11,525,828	1,827,602	1,447,570	14,801,000
Unrestricted	(19,103,660)	(50,014)	648,847	(18,504,827)
Total net position	**10,987,491**	**1,778,240**	**3,873,385**	**16,639,116**
Total liabilities, deferred inflows of resources, and net position	**$ 77,965,629**	**$ 4,520,051**	**$ 6,544,078**	**$ 89,029,758**

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2017
(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	$ 21,561,102	$ 39,796	$ 533,073	$ 22,133,971
Scholarships and fellowships	728,594	—	68,666	797,260
Supplies	3,239,587	—	10,513	3,250,100
Services and charges	292,447	45,953	1,333,410	1,671,810
Department of Energy laboratories	1,139,232	—	—	1,139,232
Depreciation	1,909,870	192	76,848	1,986,910
Interest expense and fiscal charges	721,328	75,535	32,633	829,496
Other	4,678,126	46,642	70,782	4,795,550
Total operating expenses	**34,270,286**	**208,118**	**2,125,925**	**36,604,329**
PROGRAM REVENUES				
Charges for services	21,777,538	95,432	1,079,450	22,952,420
Operating grants and contributions	9,422,754	—	639,510	10,062,264
Capital grants and contributions	86,776	—	12,142	98,918
Total program revenues	**31,287,068**	**95,432**	**1,731,102**	**33,113,602**
Net revenues (expenses)	(2,983,218)	(112,686)	(394,823)	(3,490,727)
GENERAL REVENUES				
Investment and interest income (loss)	2,951,457	295,417	238,303	3,485,177
Other	2,162,444	(266)	495,477	2,657,655
Total general revenues	**5,113,901**	**295,151**	**733,780**	**6,142,832**
Change in net position	2,130,683	182,465	338,957	2,652,105
Net position – beginning	**8,856,808 ***	**1,595,775 ***	**3,534,428 ***	**13,987,011**
Net position – ending	**$ 10,987,491**	**$ 1,778,240**	**$ 3,873,385**	**$ 16,639,116**

* 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, 2017:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the fiscal year ended June 30, 2017, establishes financial reporting standards for postemployment benefit plans other than pension plans (other postemployment benefits or OPEB) to improve the usefulness of information included in the financial statements of state and local governments related to these plans. This Statement supersedes GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Implementation of GASB Statement No. 74 resulted in additional note disclosures and required supplementary information related to OPEB plans.

GASB Statement No. 77, *Tax Abatement Disclosures*, is effective for the fiscal year ended June 30, 2017. The objective of this Statement is to provide financial statement users with information about the nature and magnitude of tax abatement programs and agreements that reduce the State's tax revenues. Implementation of GASB Statement No. 77 resulted in identification of certain types of tax abatement programs that in aggregate had an immaterial impact on the State's total tax revenues for the fiscal year ended June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is effective for the fiscal year ended June 30, 2017. This Statement amends the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, to exclude pensions provided to employees of state or local governmental employers through cost-sharing multiple-employer defined benefit pension plans that are not state or local government pension plans. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information. Implementation of GASB Statement No. 78 had no impact on the financial statements for the fiscal year ended June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the fiscal year ended June 30, 2017, clarifies the financial statement presentation requirements for certain component units by requiring blending of a component unit incorporated as a not-for-profit entity in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the State's financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14.*

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No.68, and No. 73*, effective for the fiscal year ended June 30, 2017, addresses certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No.25*; No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contributions requirements. Implementation of GASB Statement No. 82 had no impact on the financial statements for the fiscal year ended June 30, 2017.

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 the following four pension plans and an other employee benefit trust fund: the State Teachers' Retirement Plan, a defined benefit retirement 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 deferred compensation fund. 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, 2016).

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, 2017, CADA had total assets and deferred outflows of resources of $35.6 million, total liabilities and deferred inflows of resources of $23.2 million, and total net position of $12.4 million. Total revenues for the fiscal year were $11.8 million and expenses were $11.6 million, resulting in an increase in net position of $0.2 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, P.O. Box 989725, West Sacramento, California 95798-9725.

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.

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 Program 2.0, the California Competes Tax Credit, and the Low-Income Housing Tax Credit.

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, which was recently updated by the provisions of GASB Statement No. 72, *Fair Value Measurement and Application.* 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 five 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 three 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 obligation (OPEB), 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*: The University of California, a discretely presented component unit, reports changes in its net retiree health benefit liability that were not included in its retiree health benefits expense as deferred outflows of resources. Also, employer contributions subsequent to the measurement date of the net retiree health benefit liability are reported as deferred outflows of resources.

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.

- *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*: The University of California reports the changes in its net retiree health benefit liability that were not included in pension expense as deferred inflows of resources.

- *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 is reported as a deferred inflow of resources.

M. Abnormal Account Balances

In fiscal year 2016-17, the Water Resources Electric Power Fund had a net refund of $29 million in power charges revenue. The refund resulted from lower power sales, return of prior year over-collection, and return of reserves as lower levels of reserve were required. During fiscal year 2016-17, the fund returned $29 million through adjustments to power charges and through separate monthly payments to its ratepayers.

N. Nonmajor Enterprise Segment Information

Two 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.

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

O. 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, 2017, the government-wide financial statements show restricted net position for the primary government of $40.1 billion, of which $8.4 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. 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, 2017, the Budget Stabilization Account had a restricted fund balance of $6.7 billion.

P. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *nonmajor governmental funds* decreased by $58 million for the movement of a housing assistance program from the Financing for Local Governments and the Public Fund to the California Housing Finance Agency, a discretely presented component unit.

The beginning net position of the *internal service funds* increased by $90 million for the allocation of net pension liability and related amounts from the Service Revolving Fund to the unallocated total reported only within governmental activities in the government-wide financial statements. An additional $53 million was reallocated from the Service Revolving Fund to other internal service funds.

The beginning net position of the *discretely presented component units* decreased by $8.0 billion. This decrease is primarily the result of the University of California's implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. The University's $8.1 billion decrease was offset by a $58 million increase in the California Housing Finance Agency for the movement of a housing assistance program from a nonmajor governmental fund and a $110 million increase in the

Financing Authorities consolidated nonmajor component unit segment for a previously unreported financial assistance program for small businesses.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* decreased by $121 million. In addition to the $58 million decrease described in the previous section for nonmajor governmental funds, the restatement also includes a $63 million decrease for overstated capital assets. As internal service funds are also included in *governmental activities* in the government-wide financial statements, there is no impact to *governmental activities* for the allocation of net pension liability and related amounts described in the previous section for internal service funds.

The beginning net position of *component units* was restated as described in the previous section for discretely presented component units.

Q. 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, 2017, increased spending authority for the budgetary/legal basis-reported General Fund and the Environmental and Natural Resources Funds, and decreased spending authority for Transportation 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, 2017, these discretely presented component units and related organizations account for approximately 3.5% 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, 2017, totaling approximately $6.4 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, 2017, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $24 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 $88 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2016-17 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; and 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, 2017
(amounts in thousands)

		Fair Value Measurements Using	
	June 30, 2017	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Pooled Investments			
U.S. Treasury bills and notes	$ 33,297,173	$ 33,297,173	$ —
U.S. Agency bonds and discount notes	11,353,758	11,353,758	—
Supranational debentures and discount notes	1,594,981	1,594,981	—
Small Business Administration loans	872,312	872,312	—
Mortgage-backed securities	40,715	40,715	—
Certificates of deposit	15,294,086	—	15,294,086
Bank notes	599,802	—	599,802
Commercial paper	8,235,999	—	8,235,999
Total pooled investments at fair value	**71,288,826**	**$ 47,158,939**	**$ 24,129,887**
Other primary government investments			
U.S. Treasuries and agencies	2,866,955	$ 1,381,784	$ 1,485,171
Commercial paper	93,451	—	93,451
Corporate debt securities	1,017,548	135,868	881,680
Repurchase agreements	10,391	—	10,391
Other	932,386	638,750	293,636
Total other primary government investments at fair value	**4,920,731**	**$ 2,156,402**	**$ 2,764,329**
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	375,081		
Total investments measured at the NAV	**375,081**		
Other investment instruments			
Guaranteed investment contracts[1]	200,000		
Total other investment instruments	**200,000**		
Funds outside primary government included in pooled investments			
Less: investment trust funds	22,802,325		
Less: other trust and agency funds	2,050,572		
Less: discretely presented component units and related organizations	2,515,730		
Total primary government investments	**$ 49,416,011**		

[1] Reported at carrying value.

As of June 30, 2017, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 203 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, 2017, 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, 2017, structured notes and medium-term asset-backed securities comprised approximately 2.4% 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 0.7% 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 $5.6 billion of time deposits and $646 million of internal loans to state funds. Repurchase agreements of the California State University system mature in three days. 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, 2017, only $41 million, or 0.1% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2017
(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	$ 33,297,173	0.86
U.S. Agency bonds and discount notes	11,353,758	0.42
Supranational debentures and discount notes	1,594,981	0.62
Small Business Administration loans	872,312	0.25
Mortgage-backed securities	40,715	2.18
Certificates of deposit	15,294,086	0.25
Bank notes	599,802	0.27
Commercial paper	8,235,999	0.13
Total pooled investments	**71,288,826**	
Other primary government investments		
U.S. Treasuries and agencies	2,866,955	2.78
Commercial paper	93,451	1.36
Guaranteed investment contracts	200,000	4.83
Corporate debt securities	1,017,548	1.27
Repurchase agreements	10,391	0.01
Other	1,307,467	1.88
Total other primary government investments	**5,495,812**	
Funds outside primary government included in pooled investments		
Less: investment trust funds	22,802,325	
Less: other trust and agency funds	2,050,572	
Less: discretely presented component units and related organizations	2,515,730	
Total primary government investments	**$ 49,416,011**	

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, 2017
(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	$	8,214,938
A-1/P-1/F-1	AA/Aa/AA		27,813,735
A-2/P-2/F-2	A/A/A		1,049,953
Not rated			40,715
Not applicable			34,169,485
Total pooled investments		**$**	**71,288,826**
Other primary government investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	$	949,401
A-1/P-1/F-1	AA/Aa/AA		2,809,982
A-2/P-2/F-2	A/A/A		1,031,024
A-3/P-3/F-3	BBB/Baa/BBB		20,892
B/NP/B	BB/Ba/BB		5,212
Not rated			679,301
Total other primary government investments		**$**	**5,495,812**

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, 2017, 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, 2017, the State had investments in the Federal Home Loan Mortgage Corporation totaling 6.4% and the Federal Home Loan Bank totaling 6.5% 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 96.6% 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 92.7% 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 can be obtained from the University 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, 2017
(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	$ 15,025,921	$ —	$ —
Federal Fund	—	—	—
Transportation Fund	466,681	439,448	—
Environmental and Natural Resources Fund	16,829	388,136	—
Nonmajor governmental funds	923,577	3,084,637	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue[1]	(1,454,268)	(45,807)	—
Total current governmental activities	**$ 14,978,740**	**$ 3,866,414**	**$ —**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 1,454,268**	**$ 45,807**	**$ —**
Current business-type activities			
Water Resources Fund	$ —	$ —	$ —
State Lottery Fund	—	—	503,249
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	**$ —**	**$ —**	**$ 503,249**
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 $60 million that were not included in the governmental fund financial statements.

Unemployment Programs		California State University		Other		Total	
$	—	$	—	$	917,147	$	15,943,068
	—		—		19,729		19,729
	—		—		59,002		965,131
	—		—		59,008		463,973
	—		—		440,437		4,448,651
	—		—		23,920		23,920
	—		—		(515,598)		(2,015,673)
$	**—**	**$**	**—**	**$**	**1,003,645**	**$**	**19,848,799**
$	**—**	**$**	**—**	**$**	**576,090** [2]	**$**	**2,076,165**
$	—	$	—	$	106,676	$	106,676
	—		—		—		503,249
	1,183,464		—		—		1,183,464
	—		178,750		—		178,750
	—		—		34,324		34,324
$	**1,183,464**	**$**	**178,750**	**$**	**141,000**	**$**	**2,006,463**
$	**81,350**	**$**	**337,471**	**$**	**—**	**$**	**418,821**

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, 2017
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	$ 1,803,809	$ 361,913	$ 100,385	$ 1,276,297	$ 3,542,404
Construction	725,380	—	—	—	725,380
Operations	35,000	—	—	—	35,000
Other	1,033	—	—	—	1,033
Total primary government	**2,565,222**	**361,913**	**100,385**	**1,276,297**	**4,303,817**
Discretely presented component units					
Debt service	369,261	128,325	—	—	497,586
Other	52,260	—	—	—	52,260
Total discretely presented component units	**421,521**	**128,325**	**—**	**—**	**549,846**
Total restricted assets	**$ 2,986,743**	**$ 490,238**	**$ 100,385**	**$ 1,276,297**	**$ 4,853,663**

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 $8.1 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)

	State Public Works Board			
Year Ending June 30	**Primary Government Agencies**	**Local Agencies**	**Total**	**California State University**
2018	$ 24,864	$ 32,698	$ 57,562	$ 24,662
2019	15,986	26,183	42,169	20,452
2020	15,978	13,369	29,347	20,468
2021	15,960	12,754	28,714	20,419
2022	15,966	12,739	28,705	20,662
2023-2027	79,580	63,453	143,033	108,545
2028-2032	78,923	50,276	129,199	93,894
2033-2037	47,047	1,390	48,437	45,575
2038-2042	—	—	—	14,885
2043-2047	—	—	—	6,765
Total minimum lease payments	**294,304**	**212,862**	**507,166**	**376,327**
Less: unearned income	129,130	51,634	180,764	123,939
Net investment in direct financing leases	**165,174**	**161,228**	**326,402**	**252,388**
Less: current portion	11,907	24,970	36,877	11,055
Noncurrent net investment in direct financing leases	**$ 153,267**	**$ 136,258**	**$ 289,525**	**$ 241,333**

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, 2017
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 19,370,355 *	$ 570,959	$ 225,323	$ 19,715,991
State highway infrastructure	73,462,607	1,787,402	178,987	75,071,022
Collections	22,627	—	—	22,627
Construction/development in progress	15,219,442 *	3,652,993	3,001,745	15,870,690
Intangible assets	426,186	2,613	123	428,676
Total capital assets not being depreciated/amortized	**108,501,217**	**6,013,967**	**3,406,178**	**111,109,006**
Capital assets being depreciated/amortized				
Buildings and improvements	23,929,432 *	1,251,919	25,441	25,155,910
Infrastructure	737,665	12,485	11,463	738,687
Equipment and other depreciable assets	4,993,483 *	421,399	194,446	5,220,436
Intangible assets	2,014,052 *	103,812	41,891	2,075,973
Total capital assets being depreciated/amortized	**31,674,632**	**1,789,615**	**273,241**	**33,191,006**
Less accumulated depreciation/amortization for:				
Buildings and improvements	8,289,931 *	615,362	20,665	8,884,628
Infrastructure	376,994	28,892	11,462	394,424
Equipment and other depreciable assets	4,008,253 *	357,374	190,800	4,174,827
Intangible assets	703,926 *	184,574	38,077	850,423
Total accumulated depreciation/amortization	**13,379,104**	**1,186,202**	**261,004**	**14,304,302**
Total capital assets being depreciated/amortized, net	**18,295,528**	**603,413**	**12,237**	**18,886,704**
Governmental activities, capital assets, net	**$ 126,796,745**	**$ 6,617,380**	**$ 3,418,415**	**$ 129,995,710**
Business-type activities				
Capital assets not being depreciated/amortized				
Land	$ 244,725	$ 13,596	$ 26	$ 258,295
Collections	16,206	5,880	—	22,086
Construction/development in progress	1,639,244	1,015,044	903,845	1,750,443
Intangible assets	113,531	4,420	883	117,068
Total capital assets not being depreciated/amortized	**2,013,706**	**1,038,940**	**904,754**	**2,147,892**
Capital assets being depreciated/amortized				
Buildings and improvements	11,543,285	915,315	68,897	12,389,703
Infrastructure	372,849	60,187	3,503	429,533
Equipment and other assets	827,310	91,259	20,191	898,378
Intangible assets	336,460	88,320	4,300	420,480
Total capital assets being depreciated/amortized	**13,079,904**	**1,155,081**	**96,891**	**14,138,094**
Less accumulated depreciation/amortization for:				
Buildings and improvements	4,499,062	316,043	38,761	4,776,344
Infrastructure	100,346	21,616	2,606	119,356
Equipment and other assets	488,619	79,543	18,929	549,233
Intangible assets	156,370	19,193	4,261	171,302
Total accumulated depreciation/amortization	**5,244,397**	**436,395**	**64,557**	**5,616,235**
Total capital assets being depreciated/amortized, net	**7,835,507**	**718,686**	**32,334**	**8,521,859**
Business-type activities, capital assets, net	**$ 9,849,213**	**$ 1,757,626**	**$ 937,088**	**$ 10,669,751**

* 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, 2017
(amounts in thousands)

		Amount
Governmental activities		
General government	$	268,631
Education		172,157
Health and human services		124,742
Natural resources and environmental protection		66,451
Business, consumer services, and housing		13,840
Transportation		194,011
Corrections and rehabilitation		290,278
Internal service funds (charged to the activities that utilize the fund)		56,092
Total governmental activities		**1,186,202**
Business-type activities		436,395
Total primary government	$	**1,622,597**

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, 2017
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	$ 1,316,721	$ 12,008	$ 10,039	$ 1,318,690
Collections	445,459 *	26,348	3,499	468,308
Construction/development in progress	3,091,841	39,103	570,487	2,560,457
Intangible assets	5,214 *	250	53	5,411
Total capital assets not being depreciated/amortized	**4,859,235**	**77,709**	**584,078**	**4,352,866**
Capital assets being depreciated/amortized				
Buildings and improvements	36,991,094	2,684,417	109,457	39,566,054
Infrastructure	750,187	31,118	—	781,305
Equipment and other depreciable assets	10,743,771 *	763,978	311,644	11,196,105
Intangible assets	921,040 *	143,013	34,588	1,029,465
Total capital assets being depreciated/amortized	**49,406,092**	**3,622,526**	**455,689**	**52,572,929**
Less accumulated depreciation/amortization for:				
Buildings and improvements	14,904,643	1,202,830	42,343	16,065,130
Infrastructure	372,093	25,832	—	397,925
Equipment and other depreciable assets	7,688,491	601,831	244,853	8,045,469
Intangible assets	403,744	156,417	25,810	534,351
Total accumulated depreciation/amortization	**23,368,971**	**1,986,910**	**313,006**	**25,042,875**
Total capital assets being depreciated/amortized, net	**26,037,121**	**1,635,616**	**142,683**	**27,530,054**
Capital assets, net	**$ 30,896,356**	**$ 1,713,325**	**$ 726,761**	**$ 31,882,920**

* Reclassified

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, 2017
(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	$ 8,232	$ 309,288	$ 672,857
Federal Fund	93,235	225,040	311,127
Transportation Fund	1,894	7,543	5
Environmental and Natural Resources Fund	7,716	37	85
Nonmajor governmental funds	563,850	7,047	113,330
Internal service funds	251,088	—	177,261
Adjustment:			
Fiduciary funds	790,198	746,730	18,743,383
Total governmental activities	**$ 1,716,213**	**$ 1,295,685**	**$ 20,018,048**
Business-type activities			
Electric Power Fund	$ —	$ —	$ —
Water Resources Fund	—	—	—
State Lottery Fund	54,881	—	—
Unemployment Programs Fund	—	—	3
California State University	—	260,895	—
Nonmajor enterprise funds	28	248	138
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	**$ 54,909**	**$ 261,143**	**$ 141**

	Natural Resources and Environmental Protection	Transportation	Other	Total
	$ 204,649	$ —	$ 368,334	$ 1,563,360
	51,606	219,179	38,310	938,497
	9,131	397,579	13	416,165
	303,889	87,109	313	399,149
	5,916	254	11,863	702,260
	15,484	—	13,855	457,688
	—	65,962	—	20,346,273
	$ 590,675	**$ 770,083**	**$ 432,688**	**$ 24,823,392**
	$ 2,000	$ —	$ —	$ 2,000
	147,651	—	—	147,651
	—	—	—	54,881
	—	—	—	3
	—	—	—	260,895
	566	—	1,610	2,590
	—	—	15	15
	$ 150,217	**$ —**	**$ 1,625**	**$ 468,035**

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2017, the primary government had long-term obligations totaling $243.9 billion. Of that amount, $8.6 billion is due within one year. Governmental activities had a net increase in long-term obligations of $15.7 billion. Significant increases included $13.0 billion in net pension liability and $3.2 billion in net other postemployment benefits obligation. Significant decreases included $331 million in revenue bonds payable, $263 million in compensated absences payable, and $243 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, 2017, the pollution remediation obligations decreased by $53 million to $970 million. 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, 2017, the State estimates that remediation costs at Stringfellow will total $426 million. At BKK Landfill, an obligating event has occurred that will probably result in 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 other long-term obligations for governmental activities consist of $14 million owed to the University of California, Technology Services Revolving Fund notes payable of $35 million, and Water Resources Revolving Fund notes payable of $14 million. The 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 net pension liabilities, the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Business-type activities had a net decrease in long-term obligations of $334 million. Significant decreases included $2.7 billion in loans payable to the U.S. Department of Labor for prior-year shortfalls in the Unemployment Programs Fund. Significant increases included $1.3 billion in net pension liability and $1.0 billion in revenue bonds payable.

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Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2017.

Table 12

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

	Balance July 1, 2016	Additions
Governmental activities		
Compensated absences payable	$ 3,783,366	$ 1,456,903
Workers' compensation benefits payable	3,936,438	534,339
Commercial paper and other borrowings	771,215	1,599,590
Capital lease obligations	370,182	104,065
General obligation bonds outstanding	74,941,755	9,046,715
Premiums	4,101,540	1,220,421
Total general obligation bonds payable	79,043,295	10,267,136
Revenue bonds outstanding	15,932,639	1,935,275
Accreted interest	512,663	43,167
Premiums	765,617	285,666
Discounts	(420)	—
Total revenue bonds payable	17,210,499	2,264,108
Mandated cost claims payable	2,942,150	344,519
Net other postemployment benefits obligation	24,967,059	5,564,686
Net pension liability	64,294,029	23,637,072
Other long-term obligations:		
Proposition 98 funding guarantee	1,214,740	—
Pollution remediation obligations	1,023,358	14,417
Other	45,967	34,860
Total other long-term obligations	2,284,065	49,277
Total governmental activities	**$ 199,602,298**	**$ 45,821,695**
Business-type activities		
Loans payable	$ 3,112,178	$ —
Lottery prizes and annuities	1,677,469	4,374,913
Compensated absences payable	356,874	137,425
Workers' compensation benefits payable	3,282	524
Commercial paper and other borrowings	47,416	400,504
Capital lease obligations	389,385	9,917
General obligation bonds outstanding	792,260	—
Premiums	3,625	—
Discounts	(1,516)	—
Total general obligation bonds payable	794,369	—
Revenue bonds outstanding	12,779,178	2,808,615
Premiums	1,149,246	303,339
Discounts	(50)	(505)
Total revenue bonds payable	13,928,374	3,111,449
Net other postemployment benefits obligation	850,827	204,298
Net pension liability	7,462,215	2,405,100
Other long-term obligations	273,776	28,502
Total business-type activities	**$ 28,896,165**	**$ 10,672,632**

Deductions	Balance June 30, 2017	Due Within One Year	Noncurrent Liabilities
$ 1,719,696	$ 3,520,573	$ 9,920	$ 3,510,653
433,122	4,037,655	395,427	3,642,228
1,212,725	1,158,080	—	1,158,080
57,779	416,468	57,504	358,964
10,150,630	73,837,840	3,195,650	70,642,190
359,684	4,962,277	275,213	4,687,064
10,510,314	78,800,117	3,470,863	75,329,254
2,465,739	15,402,175	679,616	14,722,559
30,986	524,844	—	524,844
98,385	952,898	112,873	840,025
(403)	(17)	(5)	(12)
2,594,707	16,879,900	792,484	16,087,416
323,597	2,963,072	510,033	2,453,039
2,350,717	28,181,028	—	28,181,028
10,653,015	77,278,086	—	77,278,086
171,457	1,043,283	603,280	440,003
67,915	969,860	78,847	891,013
17,933	62,894	22,139	40,755
257,305	2,076,037	704,266	1,371,771
$ 30,112,977	**$ 215,311,016**	**$ 5,940,497**	**$ 209,370,519**
$ 2,727,041	$ 385,137	$ 385,137	$ —
4,438,888	1,613,494	928,497	684,997
124,305	369,994	164,912	205,082
167	3,639	—	3,639
300,155	147,765	400	147,365
45,849	353,453	43,737	309,716
90,520	701,740	36,755	664,985
192	3,433	—	3,433
(97)	(1,419)	—	(1,419)
90,615	703,754	36,755	666,999
1,934,620	13,653,173	1,008,480	12,644,693
149,388	1,303,197	78,851	1,224,346
(43)	(512)	—	(512)
2,083,965	14,955,858	1,087,331	13,868,527
76,921	978,204	—	978,204
1,080,428	8,786,887	—	8,786,887
38,551	263,727	27,586	236,141
$ 11,006,885	**$ 28,561,912**	**$ 2,674,355**	**$ 25,887,557**

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 Benefits 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.

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' and CalSTRS' plans and changes to the plans' fiduciary net positions has 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, 2016, included the primary government and certain discretely presented component units; 1,439 school employers, including charter schools; and 1,624 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, 2015 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2015-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 ten 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, 2016 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, 2016

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	186,382	13,421	23,680	36,757	8,813	**269,053**
Inactive employees entitled to but not yet receiving benefits	54,854	3,319	6,186	6,798	401	**71,558**
Active employees	207,772	20,216	32,783	47,100	7,417	**315,288**
Total	**449,008**	**36,956**	**62,649**	**90,655**	**16,631**	**655,899**

***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, 2016.

Table 14

Contribution Rates – PERF Plans
June 30, 2016

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	6.669 %	7.807 %	10.433 %	11.310 %	10.448 %
Employer rate of annual payroll	25.153	18.656	19.192	38.910	46.673
Total	**31.822 %**	**26.463 %**	**29.625 %**	**50.220 %**	**57.121 %**

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2016 (measurement date), by rolling forward the total pension liability determined by the June 30, 2015 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, 2015
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.
Post-retirement benefit adjustments (COLAs)	Contract COLA up to 2.75% until the Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

Discount Rate: The discount rate used to measure the total pension liability was 7.65% for the PERF. 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. Results of the testing showed that none of the tested plans would exhaust assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% was applied to all plans in the PERF. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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-2016.pdf.

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.

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. Taking into account historical returns of all the Public Employees Retirement Fund's asset classes (which include the agent plan and two cost-sharing plans also referred to as PERF A, B, C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 to 60 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 rounded down to the nearest one quarter of one percent.

Table 16 shows 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	Current Target Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global equity	47.0 %	5.25 %	5.71 %
Global fixed income	19.0	0.99	2.43
Inflation sensitive	6.0	0.45	3.36
Private equity	12.0	6.83	6.95
Real estate	11.0	4.50	5.13
Infrastructure and forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	**100.0 %**		

[1] An expected inflation rate of 2.5% used for this period.
[2] An expected inflation rate of 3.0% used for this period.

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.5% to 7.0% (net of 0.15% administrative expenses) effective July 1, 2017. As shown in Table 18 – Net Pension Liability Sensitivity – PERF Plans, a reduction to the discount rate will increase the State's net pension liability. This increase will be amortized over the expected remaining service lives of all employees provided benefits through the pension plans. For the five plans, this period ranges from 3.5 to 5.3 years.

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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, 2015 (Valuation Date)	$ 96,332,123	$ 68,090,181	$ 28,241,942	$ 3,595,387	$ 2,885,303	$ 710,084
Changes recognized for the measurement period:						
Service cost	1,668,682	—	1,668,682	107,868	—	107,868
Interest on total pension liability	7,220,961	—	7,220,961	273,308	—	273,308
Difference between expected and actual experience	(101,381)	—	(101,381)	7,009	—	7,009
Plan to plan resource movement	—	(1,154)	1,154	—	216	(216)
Employer contributions	—	2,818,406	(2,818,406)	—	116,730	(116,730)
Employee contributions	—	801,023	(801,023)	—	52,775	(52,775)
Net investment income	—	339,588	(339,588)	—	14,444	(14,444)
Benefit payments, including refunds of employee contributions	(5,346,864)	(5,346,864)	—	(167,359)	(167,359)	—
Administrative expense	—	(41,497)	41,497	—	(1,758)	1,758
Net changes	**3,441,398**	**(1,430,498)**	**4,871,896**	**220,826**	**15,048**	**205,778**
Balance at June 30, 2016 (Measurement Date)	**$ 99,773,521**	**$ 66,659,683**	**$ 33,113,838**	**$ 3,816,213**	**$ 2,900,351**	**$ 915,862**

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
$ 10,310,139	$ 8,148,500	$ 2,161,639	$ 38,408,656	$ 26,737,191	$ 11,671,465
438,147	—	438,147	861,694	—	861,694
786,096	—	786,096	2,902,900	—	2,902,900
(2,235)	—	(2,235)	18,316	—	18,316
—	548	(548)	—	114	(114)
—	401,108	(401,108)	—	1,265,145	(1,265,145)
—	221,615	(221,615)	—	381,185	(381,185)
—	42,258	(42,258)	—	137,927	(137,927)
(502,427)	(502,427)	—	(1,822,841)	(1,822,841)	—
—	(4,966)	4,966	—	(16,295)	16,295
719,581	**158,136**	**561,445**	**1,960,069**	**(54,765)**	**2,014,834**
$ 11,029,720	**$ 8,306,636**	**$ 2,723,084**	**$ 40,368,725**	**$ 26,682,426**	**$ 13,686,299**

(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, 2015 (Valuation Date)	$ 10,611,630	$ 6,745,342	$ 3,866,288	**$ 159,257,935**	**$ 112,606,517**	**$ 46,651,418**
Changes recognized for the measurement period:						
Service cost	210,619	—	210,619	**3,287,010**	—	**3,287,010**
Interest on total pension liability	809,691	—	809,691	**11,992,956**	—	**11,992,956**
Difference between expected and actual experience	125,614	—	125,614	**47,323**	—	**47,323**
Plan to plan resource movement	—	292	(292)	—	**16**	**(16)**
Employer contributions	—	375,928	(375,928)	—	**4,977,317**	**(4,977,317)**
Employee contributions	—	86,111	(86,111)	—	**1,542,709**	**(1,542,709)**
Net investment income	—	33,918	(33,918)	—	**568,135**	**(568,135)**
Benefit payments, including refunds of employee contributions	(516,723)	(516,723)	—	**(8,356,214)**	**(8,356,214)**	—
Administrative expense	—	(4,111)	4,111	—	**(68,627)**	**68,627**
Net changes	**629,201**	**(24,585)**	**653,786**	**6,971,075**	**(1,336,664)**	**8,307,739**
Balance at June 30, 2016 (Measurement Date)	**$ 11,240,831**	**$ 6,720,757**	**$ 4,520,074**	**$ 166,229,010**	**$ 111,269,853**	**$ 54,959,157**

Reported in governmental activities	$ 44,161,542
Reported in business-type activities	8,786,887
Reported by discretely presented component units	152,670
Not reported in government-wide Statement of Net Position [1]	1,858,058
Total net pension liability – PERF plans	**$ 54,959,157**

(concluded)

[1] Includes amounts allocated to related organizations and fiduciary funds, including $594 million allocated to CalPERS, a fiduciary component unit, that was not reported in its financial statements. Also includes the difference in net pension liability for a discretely presented component unit with a reporting period ended December 31, 2016; 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 7.65%, 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 (6.65%) or one percentage point higher (8.65%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans
June 30, 2017
(amounts in thousands)

	Current Rate -1%	Current Rate 7.65%	Current Rate +1%
State Miscellaneous	$ 45,080,706	$ 33,113,838	$ 23,067,443
State Industrial	1,428,589	915,862	491,644
State Safety	4,157,684	2,723,084	1,532,857
State Peace Officers and Firefighters	19,280,455	13,686,299	9,093,122
California Highway Patrol	6,078,590	4,520,074	3,241,521
Total PERF plans	**$ 76,026,024**	**$ 54,959,157**	**$ 37,426,587**

***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, 2017, the State recognized pension expense of $6.4 billion. At June 30, 2017, 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, 2016, but prior to the fiscal year ended June 30, 2017. Differences between expected and actual expenses 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, 2017
(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	$ 3,665,345	$ 143,609	$ 453,888	$ 1,639,592	$ 518,209	**$ 6,420,643**
Deferred Outflows of Resources:						
Employer contributions	3,098,305	123,789	431,991	1,431,851	426,014	**5,511,950**
Difference between expected and actual experience	337,926	16,114	—	190,173	149,509	**693,722**
Net difference between projected and actual earnings on pension plan investments	3,658,064	160,233	460,475	1,465,901	370,517	**6,115,190**
Deferred Inflows of Resources:						
Difference between expected and actual experience	(76,036)	—	(3,979)	—	—	**(80,015)**

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
2018	$ 661,171	$ 33,686	$ 69,320	$ 272,722	$ 91,299	**$ 1,128,198**
2019	643,385	28,925	69,320	272,722	91,299	**1,105,651**
2020	1,658,752	72,648	201,270	722,128	205,258	**2,860,056**
2021	956,646	41,088	116,586	387,797	125,060	**1,627,177**
2022	—	—	—	705	7,110	**7,823**

***Payable to the Pension Plans*:** At June 30, 2017, the State reported a payable of $696 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2017.

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 5 years of service.
- Disability Retirement – The service requirement is four years. 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.
- 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, 2016 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, 2016

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,897	120	238	**2,255**
Inactive employees entitled to but not yet receiving benefits	12	2	11	**25**
Active employees	216	1,488	9	**1,713**
Total	**2,125**	**1,610**	**258**	**3,993**

***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 calculated on January 1, 2013, as 30.727%. The percentage only changes in any given year 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 50.0% 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, 2016.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2016

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	8.000 %	7.532 %
Employer rate of annual payroll	as-you-	23.370	42.265
Total	go"	**31.370 %**	**49.797 %**

***Actuarial Methods and Assumptions*:** The total pension liability for single-employer plans was measured as of June 30, 2016 (measurement date), by rolling forward the total pension liability determined by the June 30, 2015 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, 2015
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 2.85%, Judges' II 7.15%, Legislators' 6.00%
Inflation	All single-employer plans – 2.75%
Salary increases	All single-employer plans – 3.00%
Investment rate of return	Judges' 2.85%, Judges' II 7.15%, Legislators' 6.00%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.
Post-retirement benefit adjustments (COLAs)	Judges' – 3.00% Judges' II – 2.75% Legislators' – 2.75%

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' – 2.85%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 2.85%, 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 – 7.15%

Legislators' – 6.00%

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	50.0 %	24.0 %	5.25 %	5.71 %
Global fixed income	34.0	39.0	1.79	2.40
Inflation sensitive	5.0	26.0	1.00	2.25
Commodities	3.0	3.0	1.66	4.95
Real estate	8.0	8.0	3.25	7.88
Total	**100.0 %**	**100.0 %**		

[1] An expected inflation rate of 2.5% used for this period.
[2] An expected inflation rate of 3.0% used for this period.

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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, 2015 (Valuation Date)	$ 3,532,580	$ 41,178	$ 3,491,402	$ 1,068,752	$ 1,084,141	$ (15,389)
Changes recognized for the measurement period:						
Service cost	29,314	—	29,314	86,635	—	86,635
Interest on total pension liability	107,514	—	107,514	78,412	—	78,412
Difference between expected and actual experience	(59,421)	—	(59,421)	(4,546)	—	(4,546)
Changes of assumptions	384,306	—	384,306	—	—	—
Employer contributions	—	192,287	(192,287)	—	65,839	(65,839)
Employee contributions	—	3,559	(3,559)	—	24,598	(24,598)
Net investment income	—	193	(193)	—	20,810	(20,810)
Benefit payments, including refunds of employee contributions	(199,349)	(199,349)	—	(21,704)	(21,704)	—
Administrative expense	—	(642)	642	—	(732)	732
Other miscellaneous income	—	2,568	(2,568)	—	—	—
Net changes	**262,364**	**(1,384)**	**263,748**	**138,797**	**88,811**	**49,986**
Balance at June 30, 2016 (Measurement Date)	**$ 3,794,944**	**$ 39,794**	**$ 3,755,150**	**$ 1,207,549**	**$ 1,172,952**	**$ 34,597**

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)
$ 106,571	$ 121,469	$ (14,898)	$ **4,707,903**	$ **1,246,788**	$ **3,461,115**
608	—	608	**116,557**	—	**116,557**
5,978	—	5,978	**191,904**	—	**191,904**
(3,530)	—	(3,530)	**(67,497)**	—	**(67,497)**
—	—	—	**384,306**	—	**384,306**
—	549	(549)	—	**258,675**	**(258,675)**
—	96	(96)	—	**28,253**	**(28,253)**
—	4,545	(4,545)	—	**25,548**	**(25,548)**
(7,407)	(7,407)	—	**(228,460)**	**(228,460)**	—
—	(202)	202	—	**(1,576)**	**1,576**
—	—	—	—	**2,568**	**(2,568)**
(4,351)	**(2,419)**	**(1,932)**	**396,810**	**85,008**	**311,802**
$ 102,220	**$ 119,050**	**$ (16,830)**	**$ 5,104,713**	**$ 1,331,796**	**$ 3,772,917**
				Reported in governmental activities	**$ 3,772,917**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Judges' net pension liability was calculated using a discount rate of 2.85%; Judges' II used 7.15%; and Legislators' used 6.00%. 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, 2017
(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (2.85%)	$ 4,221,659	$ 3,755,150	$ 3,366,379
Judges' II (7.15%)	183,817	34,597	(77,096)
Legislators' (6.00%)	(5,232)	(16,830)	(26,372)
Total Single-employer Plans	**$ 4,400,244**	**$ 3,772,917**	**$ 3,262,911**

***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, 2016, the State recognized pension expense of $511 million. At June 30, 2017, 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, 2016, but prior to the fiscal year ended June 30, 2017, 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, 2017
(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	$ 454,238	$ 60,457	$ (3,516)	**$ 511,179**
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	202,368	55,966	516	**258,850**
Net difference between projected and actual earnings on pension plan investments	3,226	57,288	3,345	**63,859**
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(17,290)	—	**(17,290)**
Changes of assumptions	—	(12,754)	—	**(12,754)**

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
2018	$ 1,242	$ 4,576	$ 401	**$ 6,219**
2019	1,242	4,576	400	**6,218**
2020	550	22,829	2,037	**25,416**
2021	192	7,331	507	**8,030**
2022	—	(4,494)	—	**(4,494)**
Thereafter	—	(7,574)	—	**(7,574)**

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 Benefit (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 1,745 contributing employers, 445,778 active and 192,688 inactive program members, and 294,835 benefit recipients as of June 30, 2017. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2016, was approximately $31.9 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 8.56% and 10.73% of creditable compensation, respectively. The General Fund contributed an additional 2.874% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 4.311% in the next year and continue to increase until fiscal year 2045-46. The State contributed a total of $2.5 billion for fiscal year 2016-17. CalSTRS' June 30, 2015 Defined Benefit Actuarial Valuation Report, may be found on CalSTRS' website at www.CalSTRS.com/sites/main/files/file-attachements/2015_db_valuation_report.pdf.

The CB Benefit 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 CB Benefit Program is optional. However, if the employer elects to offer the CB Benefit Program, then each eligible employee will automatically be covered by the CB Benefit 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, 2016, the CB Benefit Program had 30 contributing school districts and 37,972 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, 2016, 323 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions**:** The total pension liability in the June 30, 2015 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2016.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%
Post-retirement benefit increases (COLAs)	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience through June 30, 2015. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

Discount Rate**:** The discount rate used to measure the total pension liability was 7.60%. 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 (7.60%) 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 2012 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 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
Absolute return/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, 2016 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2015 (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, 2016, the State's proportionate share of the CalSTRS' net pension liability was 36.28%, or $29.3 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2017.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of $2.7 billion for the fiscal year ended June 30, 2017, 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, 2017
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 2,332,804	$ —
Difference between expected and actual experiences	—	715,804
Proportionate share change	1,069,129	1,590,230
State contributions subsequent to the measurement date	2,472,993	—
Total	**$ 5,874,926**	**$ 2,306,034**

The $2.5 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, 2018.

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
2018	$ (219,603)
2019	(219,602)
2020	1,085,570
2021	604,497
2022	(270,504)
Thereafter	115,541

***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 7.60%, 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 (6.60%) or one percentage point higher (8.60%) than the current rate.

Table 33

Net Pension Liability Sensitivity – CalSTRS
June 30, 2017
(amounts in thousands)

	Current Rate –1%	Current Rate 7.60%	Current Rate +1%
State's proportionate share of net pension liability	$ 42,232,097	$ 29,343,627	$ 18,639,213

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

NOTE 11: POSTEMPLOYMENT HEALTH CARE BENEFITS

***Other Postemployment Benefits (OPEB) Plan Description*:** The primary government provides health benefits (medical and prescription drug benefits) and dental benefits to annuitants of retirement systems through a substantive single-employer defined benefit plan to which the primary government contributes as an employer (state substantive plan). The primary government also offers life insurance, long-term care, and vision benefits to retirees; however, because these benefits are completely paid for by the retirees, the primary government has no liability. The design of health and dental benefit plans can be amended by the California Public Employees' Retirement System (CalPERS) Board of Administration and the California Department of Human Resources (CalHR), respectively. Employer and retiree contributions are governed by the primary government and can be amended by the primary government through the Legislature. The State contributes to the California Employers' Retiree Benefit Trust Fund (CERBTF). The CERBTF is a self-funded trust fund for the prefunding of health, dental, and other non-pension benefits. 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.

Fifty-eight county superior courts (trial courts) are included in the primary government. However, each trial court is a separate employer for GASB Statement No. 45 reporting purposes. Fifty-one trial courts have a single-employer defined benefit plan; these plans have separate biennial actuarial valuations. One trial court (San Diego) has a cost-sharing multiple-employer defined benefit plan. Six trial courts (Alameda, Fresno, Mendocino, Modoc, San Benito, and Stanislaus) have no plan. Twenty-one plans are not accounted for in a trust fund and do not issue separate reports.

To be eligible for these benefits, primary government first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second-tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits. During fiscal year 2016-17, approximately 185,560 annuitants were enrolled to receive health benefits and approximately 155,440 annuitants were enrolled to receive dental benefits. As of July 1, 2015, the most recent actuarial valuation date, the trial courts had approximately 4,750 enrolled retirees and spouses.

***Funding Policy*:** The contribution requirements of plan members and the State are established and may be amended by the Legislature. 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 family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon 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, 10, 12, 16, and state employees of the Judicial Branch (excluding justices/judges). The maximum 2017 monthly State contribution was $707 for one-party coverage, $1,349 for two-party coverage, and $1,727 for family coverage.

Each of the trial courts determines its respective retirees' benefits and benefit levels as well as the funding policy for its respective plan. Nineteen trial courts fund retirees' benefits on a strictly "pay-as-you-go" basis. The fiscal year 2016-17 monthly contribution rate for the trial courts with single-employer defined benefit plans, the latest year for which contribution information is available, ranged from $0 to $3,582,876, with the average being $115,419. One trial court (Yolo) continuously contributes at least the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. San Diego's plan, a cost-sharing multiple-employer defined benefit plan, had a contribution rate of 1.78% of annual covered payroll for active members of the San Diego County Employees Retirement Association. Twenty-one trial courts will make future trust contributions as funds are made available. For 2016, Orange contributed either 3.5% of payroll or no less than the ARC, with no commitment to future contributions. Kern and Lassen are fully funded and no future trust contributions are expected. Sonoma and Solano anticipate future contributions to be equal to the annual direct subsidy amount, with Sonoma ceasing contributions once the plan is fully funded. Both Marin and Santa Clara expect to contribute to their trusts until sufficient funds are available to pay all future benefits, with Santa Clara expecting to initially contribute $31 million in fiscal year 2015-16 and an amount annually thereafter, and Marin expecting to annually contribute $100,000. Los Angeles and Nevada expect to contribute to their trusts as funds are available, with Los Angeles initially contributing $21 million in fiscal year 2016-17, and Nevada contributing $25,000 in fiscal year 2015-16. Shasta will make future trust contributions as funds are available, with an annual target of $100,000. For the fiscal year ended June 30, 2017, the State contributed $2.5 billion toward annuitants' health and dental benefits. Of this amount, the trial courts represent $72 million and certain discretely presented component units represent $4 million.

***Annual OPEB Cost and Net OPEB Obligation*:** The State's annual OPEB cost (expense) is calculated based on the ARC. Table 34 presents the State's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the two preceding years, including trial courts.

Table 34

Schedule of Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed and Net OPEB Obligation
(amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 5,156,787	39.33 %	$ 22,617,653
June 30, 2016	5,693,106	37.74	26,162,194
June 30, 2017	5,851,928	41.99	29,553,965

Table 35 presents the components of the State's net OPEB obligation to the OPEB plan, including trial courts.

Table 35

Schedule of Net OPEB Obligation
June 30, 2017
(amounts in thousands)

	Amount
Annual required contribution	$ 5,774,872
Interest on net OPEB obligation	1,116,760
Adjustment to annual required contribution	(1,039,704)
Annual OPEB cost	**5,851,928**
Contributions made	(2,457,207)
Increase in net OPEB obligation	**3,394,721**
Net OPEB obligation – beginning of year	26,159,244
Net OPEB obligation – end of year [1]	**$ 29,553,965**

[1] Includes amounts allocated to CalPERS, a fiduciary component unit, that were not reported in its financial statements—$234 million for fiduciary funds and $21 million for a nonmajor component unit.

***Funded Status and Funding Progress*:** As of June 30, 2017—the most recent actuarial valuation date for the state substantive plan—the actuarial accrued liability (AAL) for benefits was $86.7 billion, and the actuarial value of assets was $500 million, resulting in an unfunded actuarial accrued liability (UAAL) of $86.2 billion. The covered payroll (annual payroll of active employees covered by the plan) was $21.4 billion, and the ratio of the UAAL to the covered payroll was 403%.

For the trial courts, as of July 1, 2015—the most recent actuarial valuation date—the AAL for benefits was $1.5 billion and the actuarial value of assets was $88 million, resulting in an UAAL of $1.4 billion. The covered payroll was $1.0 billion and the ratio of the UAAL to covered payroll was 139%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the plan's funded status and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions*:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical 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.

In the June 30, 2017 state substantive plan actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual health care cost trend rate of actual increases for 2018 and 8.50% in 2019 initially, reduced to an ultimate rate of 4.50% in 2027. Both rates included a 2.75% annual inflation assumption. Annual wage inflation is assumed to be 3.00%. The UAAL is being amortized as a level percentage of active member payroll on a closed basis over 30 years.

In the July 1, 2015 biennial actuarial valuations, the entry age normal cost method was used for 51 of the trial courts. The actuarial assumptions included a 3.75% investment rate of return for 19 trial courts. There are 32 other trial courts with investment rates of return ranging from 4.95% to 7.28%. The actuarial assumptions included a health care cost trend assumption based on the Society of Actuaries' "Getzen" trend model that incorporates (1) initial short-term rates (up to five years); (2) a multi-decade transition period of medium-term rates until projected healthcare costs reach gross domestic product capacity; and (3) a transition to the ultimate trend rate. The initial trend rates start at 8.25% for most trial courts and then reduce gradually to an ultimate trend rate of 4.40% after 60 years. Annual inflation and payroll growth are assumed to be 2.75% and 3.00%, respectively, for most trial courts. The UAAL is amortized on an open basis over 30 years as a level percentage of payroll for 47 trial courts. Three other trial courts (Lassen, Orange, and Yolo) amortize on a closed basis as a level percentage of payroll over 27, 22, and 23 years, respectively. Alpine is amortizing using the level dollar amount over 22 years on a closed basis.

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 program 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 restricted primarily for construction costs of general obligation bond program projects 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. The current "Letter of Credit" or "Note Purchase" agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $2.2 billion. As of June 30, 2017, the general obligation commercial paper program had $1.2 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 $800 million. As of June 30, 2017, the enterprise fund commercial paper program had $147 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, 2017, $600,000 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, 2017, was approximately $1.9 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, 2017, amounted to approximately $253 million for governmental activities and $31 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 $770 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University—reported as an enterprise fund and the State Public Works Board (SPWB)—reported as an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of $182 million, which are included in the capital lease commitments. This amount represents 23.6% 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 $463 million for business-type activities.

The capital lease commitments do not include $8.1 billion in lease-purchase agreements with the SPWB and $148 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 36 summarizes future minimum lease commitments of the primary government.

Table 36

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**
2018	$ 226,395	$ 73,938	$ 27,183	$ 61,803	$ 389,319
2019	181,056	67,817	18,371	35,728	302,972
2020	122,178	51,290	16,585	34,181	224,234
2021	64,276	43,472	15,763	33,257	156,768
2022	32,175	26,475	12,338	32,226	103,214
2023-2027	79,776	65,954	29,554	143,701	318,985
2028-2032	11,417	58,836	15,401	125,477	211,131
2033-2037	2,096	51,510	3,135	71,504	128,245
2038-2042	104	15,974	2,085	10,263	28,426
2043-2047	104	—	1,024	—	1,128
2048-2052	104	—	—	—	104
2053-2057	90	—	—	—	90
2058-2062	31	—	—	—	31
Total minimum lease payments	**$ 719,802**	**455,266**	**$ 141,439**	**548,140**	**$ 1,864,647**
Less: amount representing interest		38,798		194,687	
Present value of net minimum lease payments		**416,468**		**353,453**	
Less: current portion		57,504		43,737	
Capital lease obligation, net of current portion		**$ 358,964**		**$ 309,716**	

NOTE 14: COMMITMENTS

As of June 30, 2017, the primary government had commitments of $7.8 billion for certain highway construction and high-speed rail 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 $1.3 billion from local governments and $6.5 billion from proceeds of approved federal grants. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of $498 million for various education programs, $521 million for terrorism prevention and disaster-preparedness response projects, $327 million for services under the workforce development program, $183 million for services provided under various public health programs, $125 million for community service programs, $45 million for services provided under the welfare program, and $16 million for services provided under the child support program.

The primary government had other commitments, totaling $11.1 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The $11.1 billion in commitments includes grant agreements totaling approximately $5.7 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 $11.1 billion in commitments includes $606 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need and $2.7 billion for undisbursed loan commitments to qualified agencies for clean water projects.

The $11.1 billion in commitments also includes contracts of $975 million 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 $568 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of natural gas and electricity. As of June 30, 2017, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $29 million in electricity through December 2019 and $1 million in natural gas through June 2018. The primary government also had commitments of $39 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of $513 million 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, 2017, the primary government encumbered expenditures of $1.1 billion for the General Fund, $1.8 billion for the Transportation Fund, $1.3 billion for the Environmental and Natural Resources Fund, and $1.0 billion 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, 2017, 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 funds.

As of June 30, 2017, the State had $73.8 billion in outstanding general obligation bonds related to governmental activities and $702 million related to business-type activities. In addition, $34.1 billion in long-term general obligation bonds had been authorized but not issued, of which $33.7 billion is related to governmental activities and $368 million is related to business-type activities. The total amount authorized but not issued includes $14.5 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, $1.2 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, 2017, the State had $3.2 billion in variable-rate general obligation bonds outstanding, consisting of $863 million in daily-rate bonds with credit enhancement and $1.4 billion in weekly-rate bonds with credit enhancement, and $870 million in weekly- or monthly-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 by the Securities Industry and Financial Markets Association (SIFMA) Index rate or 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 for each series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments or the commitment amounts to the bondholders; 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 bank commitment amounts. 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 bonds to a new investor. If the remarketing of the bonds is unsuccessful, the bonds will enter into a bank bond period and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed or redeemed. If the bonds cannot be remarketed and remain in a bank bond period ranging from 45 days to 90 days, the bonds will be subject to term loan payment in equal quarterly installments under the terms stated in the credit agreements. The term loan period may exceed the expiration dates of the credit agreements. The bonds may be remarketed at any time during the bank bond or term loan period. There were no bank bonds during fiscal year 2016-17.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of September 7, 2018; September 13, 2018; November 2, 2018; November 16, 2018; and April 26, 2019. The letters of credit for the Series 2004 variable-rate bonds have expiration dates of April 5, 2018; September 7, 2018; and August 11, 2020. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of September 13, 2018; November 16, 2018; November 4, 2019; November 15, 2019; and March 26, 2021.

The Series 2012A, 2013C, 2013D, and 2013E, 2016B, and 2017C Index Floating Rate Bonds have mandatory purchase dates on December 1, 2017 (Series 2013D); May 1, 2018 (Series 2012A); December 3, 2018 (Series 2013E); December 1, 2020 (Series 2013C); December 1, 2021 (Series 2016B); and April 1, 2022 (Series 2017C). The Series 2012B SIFMA Index Floating Rate Bonds have final maturities from 2018 to 2020.

Per the Official Statements, sinking fund deposits for the variable-rate general obligation bonds are required to be set aside in a sinking fund at the beginning of fiscal years 2015-16 through 2033-34, and at the beginning of 2039-40 and 2046-47. 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 of any other general obligation bonds then outstanding. To the extent that the deposit is not applied by January 31 of each fiscal year, the variable-rate general obligation bonds 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 2016-17.

B. Mandatory Tender Bonds

As of June 30, 2017, the State had $1.8 billion in outstanding general obligation mandatory tender bonds, including $975 million with a fixed interest rate and $800 million with an index floating rate (discussed in Section A). On their respective 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 on or prior to that day. These bonds have mandatory tender dates on December 1, 2017; May 1, 2018; December 3, 2018; December 1, 2019; April 1, 2020; December 1, 2020; December 1, 2021; and April 1, 2022. In the event of an unsuccessful remarketing of all the outstanding bonds on the scheduled mandatory tender dates, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Current state laws limit interest rates to 11% per annum. With respect to $100 million of the Index Floating Rate Bonds, beginning six months after the scheduled mandatory tender date, the bonds will be subject to special mandatory redemption in 20 equal quarterly installments until they are remarketed or refunded.

C. Build America Bonds

As of June 30, 2017, 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 6.8% for the federal fiscal year ending September 30, 2016, and by 6.9% for the federal fiscal year ending September 30, 2017. 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 37 shows the debt service requirements for all general obligation bonds as of June 30, 2017. The estimated debt service requirements for the $3.2 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2017. For mandatory tender bonds, the debt service requirements shown in Table 37 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 do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 37

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**
2018	$ 3,195,650	$ 3,770,016	$ 6,965,666	$ 36,755	$ 23,322	$ 60,077
2019	3,170,605	3,663,937	6,834,542	49,000	21,821	70,821
2020	2,966,985	3,510,322	6,477,307	41,365	20,524	61,889
2021	2,875,580	3,379,015	6,254,595	31,445	19,319	50,764
2022	3,115,845	3,239,033	6,354,878	15,785	18,566	34,351
2023 - 2027	12,963,785	14,304,968	27,268,753	42,750	89,237	131,987
2028 - 2032	14,656,980	11,115,531	25,772,511	198,380	73,069	271,449
2033 - 2037	15,180,275	7,304,778	22,485,053	166,165	35,968	202,133
2038 - 2042	11,933,810	2,733,813	14,667,623	84,440	13,340	97,780
2043 - 2047	3,778,325	381,369	4,159,694	35,655	2,634	38,289
Total	**$ 73,837,840**	**$ 53,402,782**	**$ 127,240,622**	**$ 701,740**	**$ 317,800**	**$ 1,019,540**

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 13, 2016, the primary government issued $2.0 billion in general obligation bonds to current and advance refund $2.3 billion in outstanding general obligation bonds maturing in 2017 to 2038. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $629 million and resulted in an economic gain of $495 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 2.03% per year over the life of the new bonds.

On November 3, 2016, the primary government issued $1.4 billion in general obligation bonds to current refund $1.6 billion in outstanding general obligation bonds maturing in 2017 to 2034. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $314 million and resulted in an economic gain of $268 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 1.98% per year over the life of the new bonds.

On March 14, 2017, the primary government issued $2.3 billion in general obligation bonds to current and advance refund $2.5 billion in outstanding general obligation bonds maturing in 2017 to 2039. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $406 million and resulted in an economic gain of $295 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 3.15% per year over the life of the new bonds.

On April 19, 2017, the primary government issued $604 million in general obligation bonds to current refund $701 million in outstanding general obligation bonds maturing in 2018 to 2031. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $137 million and resulted in an economic gain of $104 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 2.58% 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 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 the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2017, the outstanding balance of defeased general obligation bonds was approximately $2.6 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 $34 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 $15.7 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 $1.1 billion, while Tobacco Settlement Revenue and interest earned totaled

$371 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 constructing state office buildings. 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 $14.0 billion, payable through 2042. 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.

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 2016-17, 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 2016-17, which may be found on its website at www.CalHFA.ca.gov.

Table 38 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 38

Schedule of Revenue Bonds Payable
June 30, 2017
(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	$ 34,312
Public Buildings Construction Fund	9,768,378
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,896,944
Building authorities	180,266
Total governmental activities	**16,879,900**
Business-type activities	
Electric Power Fund	4,128,000
Water Resources Fund	3,026,368
California State University	6,432,390
Nonmajor enterprise funds	1,369,100
Total business-type activities	**14,955,858**
Total primary government	**31,835,758**
Discretely presented component units	
University of California	19,116,522
California Housing Finance Agency	2,095,874
Nonmajor component units	479,814
Total discretely presented component units	**21,692,210**
Total revenue bonds payable	**$ 53,527,968**

Table 39 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 38.

Table 39

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 *
2018	$ 679,616	$ 756,441	$ 1,008,480	$ 619,238	$ 442,630	$ 922,835
2019	657,096	726,956	1,091,640	563,296	463,805	914,540
2020	649,226	694,752	1,169,838	513,373	772,710	892,371
2021	614,126	663,520	1,179,465	459,180	740,315	868,721
2022	600,046	633,527	1,266,665	408,114	522,335	842,081
2023-2027	2,856,784	2,868,898	2,109,365	1,573,710	3,516,055	3,725,129
2028-2032	3,286,489	2,109,314	2,052,730	1,077,381	3,547,420	2,889,612
2033-2037	2,779,555	1,309,675	1,762,725	634,613	3,463,415	2,050,126
2038-2042	1,802,955	782,820	985,385	333,290	3,131,509	1,245,144
2043-2047	2,001,126	3,258,311	741,910	133,495	2,158,255	656,928
2048-2052	—	—	284,970	20,392	407,680	357,872
2053-2115	—	—	—	—	1,374,345	4,010,839
Total	**$ 15,927,019**	**$ 13,804,214**	**$ 13,653,173**	**$ 6,336,082**	**$ 20,540,474**	**$ 19,376,198**

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2017.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

In April 2017, the GSTSC issued $631 million in Tobacco Settlement Asset-Backed bonds. The bond proceeds were used to current refund $617 million in outstanding Tobacco Settlement Asset-Backed bonds, and a portion equal to a $460 million aggregate principal amount at their June 2047 maturity ($77 million principal and compound interest at redemption) in outstanding capital appreciation bonds. The refunding decreased debt service payments by $620 million and resulted in an economic gain of $620 million.

During fiscal year 2016-17, the SPWB issued $1.1 billion in lease revenue refunding bonds. The bond proceeds were used to refund $1.2 billion in outstanding lease revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account 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 $284 million and resulted in an economic gain of $185 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

During fiscal year 2016-17, the Los Angeles State Building Authority issued $9 million in lease revenue refunding bonds to current refund $13 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds were deposited in an escrow account 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 $5 million and resulted in an economic gain of $4 million.

During fiscal year 2016-17, the San Bernardino Joint Powers Financing Authority issued $13 million in lease revenue refunding bonds to current refund $21 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds were deposited in an escrow account 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 $5 million and resulted in an economic gain of $5 million.

2. Current Year – Business-type Activities

In March 2017, the California State University issued $1.2 billion in systemwide revenue bonds to 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 $18 million and resulted in an economic gain of $16 million.

In September 2016, the Department of Water Resources issued $567 million in power supply revenue bonds to advance refund $555 million in outstanding power supply revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account 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 $75 million and resulted in an economic gain of $43 million.

In October 2016, the Department of Water Resources issued $428 million of tax-exempt water system revenue bonds to provide funds for the construction of water system projects and to pay off or refund certain outstanding debt obligations. A portion of the revenue bond proceeds was deposited in an escrow account to advance refund $97 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 $9 million and resulted in an economic gain of $7 million.

In October 2016, the primary government issued $167 million in veterans home purchase revenue bonds to finance new and refinance existing contracts of purchase and to refund certain outstanding debt obligations. A portion of the revenue bond proceeds was deposited in an escrow account to current refund $50 million of outstanding home purchase 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 $44 million and resulted in an economic gain of $19 million.

3. Outstanding Balances

In current and prior fiscal years, the primary government defeased certain bonds by placing the proceeds of new bonds 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, 2017, the outstanding balances of defeased revenue bonds were $1.2 billion for governmental activities and $2.9 billion 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 $4.0 billion as of June 30, 2017. 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 $5.8 billion is discounted to $4.0 billion using a 3.5% interest rate. Of the total discounted liability, $396 million is a current liability, of which $265 million is included in the General Fund, $128 million in the special revenue funds, and $3 million in the internal service funds. The remaining $3.6 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 40 shows the changes in the self-insurance claims liability for the primary government.

Table 40

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

	2017	2016
Unpaid claims, beginning	$ 3,939,720	$ 3,843,167
Incurred claims	534,863	540,310
Claim payments	(433,289)	(443,757)
Unpaid claims, ending	**$ 4,041,294**	**$ 3,939,720**

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, interfund borrowing, mainly from nonmajor governmental funds and fiduciary funds, is used to meet temporary imbalances of receipts and disbursements in the General Fund.

Table 41 shows the amounts due from and due to other funds.

Table 41

Schedule of Due From Other Funds and Due To Other Funds
June 30, 2017
(amounts in thousands)

	Due To				
Due From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Nonmajor Governmental Funds**	**Electric Power Fund**
Governmental funds					
General Fund	$ —	$ 61,430	$ 15,516	$ 495,729	$ —
Federal Fund	682,314	927,300	407,264	20,944	—
Transportation Fund	—	—	—	65,728	—
Environmental and Natural Resources Fund	—	14,763	—	322	—
Nonmajor governmental funds	2,095,521	27,734	4,552	14,688	—
Total governmental funds	**2,777,835**	**1,031,227**	**427,332**	**597,411**	**—**
Enterprise funds					
Water Resources Fund	—	—	—	—	—
State Lottery Fund	343	—	—	386,035	—
Unemployment Programs Fund	195,227	—	—	—	—
California State University Fund	—	—	—	—	—
Nonmajor enterprise funds	1,954	—	276	250	—
Total enterprise funds	**197,524**	**—**	**276**	**386,285**	**—**
Internal service funds	13,389	20,687	15,714	28,730	6,000
Total due from other funds	**$ 2,988,748**	**$ 1,051,914**	**$ 443,322**	**$ 1,012,426**	**$ 6,000**

	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
	$ —	$ —	$ —	$ 5,292	$ —	$ 325,284	$ 3,947,070	$ 4,850,321
	—	—	5,877	—	83	65,510	13,080,935	15,190,227
	—	—	—	—	—	15,676	57,220	138,624
	—	—	—	—	—	13,144	3	28,232
	—	—	—	156	79	80,006	3,256,869	5,479,605
	—	**—**	**5,877**	**5,448**	**162**	**499,620**	**20,342,097**	**25,687,009**
	—	—	—	—	—	52,292	—	52,292
	—	—	—	—	—	—	—	386,378
	—	—	—	—	—	—	—	195,227
	—	—	—	—	—	6	—	6
	—	—	—	—	—	89	15	2,584
	—	**—**	**—**	**—**	**—**	**52,387**	**15**	**636,487**
	2,552	1,546	7,999	265	3,378	45,422	4,176	**149,858**
	$ 2,552	**$ 1,546**	**$ 13,876**	**$ 5,713**	**$ 3,540**	**$ 597,429**	**$ 20,346,288**	**$ 26,473,354**

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 41, 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 $2.2 billion in Transportation Fund loans payable from the General Fund also includes $706 million in deferred Proposition 42 transfers for traffic congestion relief and other direct loans from the Traffic Congestion Relief Program.

Table 42 shows the primary government's interfund receivables and payables.

Table 42

Schedule of Interfund Receivables and Payables
June 30, 2017
(amounts in thousands)

	Interfund Payables		
Interfund Receivables	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**
Governmental funds			
General Fund	$ —	$ 2,230,616	$ 439,800
Transportation Fund	—	—	—
Environmental and Natural Resources Fund	4,790	10,000	—
Nonmajor governmental funds	49,126	1,448	—
Total governmental funds	**53,916**	**2,242,064**	**439,800**
Internal service funds	43,082	—	—
Total primary government	**$ 96,998**	**$ 2,242,064**	**$ 439,800**

Interfund Payables					
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
$ 477,210	$ —	$ 234,001	$ 1,600	$ 11,205	$ 3,394,432
20,000	—	—	—	656	20,656
—	—	—	—	—	14,790
—	—	—	—	—	50,574
497,210	**—**	**234,001**	**1,600**	**11,861**	**3,480,452**
57	95,136	—	—	20,184	**158,459**
$ 497,267	**$ 95,136**	**$ 234,001**	**$ 1,600**	**$ 32,045**	**$ 3,638,911**

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

Table 43

Schedule of Due From Primary Government and Due To Component Units
June 30, 2017
(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	$ 194,265
Nonmajor governmental funds	9,797
Total governmental funds	**204,062**
Total primary government	**$ 204,062**

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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 $3.1 billion to the California State University, an enterprise fund. The General Fund also transferred $2.2 billion to nonmajor governmental funds, mainly for support of trial courts, local governments, and health care related programs. The Transportation Fund transferred $1.2 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 $505 million to the General Fund for administration of the Unemployment Insurance Program.

Table 44 shows interfund transfers of the primary government.

Table 44

Schedule of Interfund Transfers
June 30, 2017
(amounts in thousands)

	Transferred To		
Transferred From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**
Governmental funds			
General Fund	$ —	$ 30,000	$ 25,133
Federal Fund	504,866	—	158,516
Transportation Fund	78,610	—	10,431
Environmental and Natural Resources Fund	2,029	5	—
Nonmajor governmental funds	207,461	21	34,540
Total governmental funds	**792,966**	**30,026**	**228,620**
Internal service funds	83,049	—	—
Total primary government	**$ 876,015**	**$ 30,026**	**$ 228,620**

Transferred To			
Nonmajor Governmental Funds	**California State University Fund**	**Internal Service Funds**	**Total**
$ 2,190,010	$ 3,083,437	$ 1,500	$ 5,330,080
15,573	—	—	678,955
1,172,391	—	—	1,261,432
11,102	—	—	13,136
26,002	—	—	268,024
3,415,078	**3,083,437**	**1,500**	**7,551,627**
36,460	—	3,000	**122,509**
$ 3,451,538	**$ 3,083,437**	**$ 4,500**	**$ 7,674,136**

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

A. Fund Balances

Table 45 shows the composition of the governmental fund balances.

Table 45

Schedule of Fund Balances by Function
June 30, 2017
(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Nonmajor Governmental Funds
Nonspendable					
Long-term interfund receivables	$ 96,998	$ —	$ —	$ —	$ —
Long-term loans receivable	6,905	—	—	—	—
Other	—	—	—	—	20,172
Total nonspendable	**103,903**	**—**	**—**	**—**	**20,172**
Restricted					
General government	30,657	—	—	4,978	3,697,394
Education	459,597	429	1,001	—	368,489
Health and human services	183,992	257	—	1,826,337	2,747,771
Natural resources and environmental protection	4,908	10,887	—	4,557,094	168,270
Business, consumer services, and housing	2,381	216,306	227,182	31,160	3,545,504
Transportation	—	—	8,823,282	—	6,374
Corrections and rehabilitation	34,868	—	—	—	674
Budget stabilization	6,713,422	—	—	—	—
Total restricted	**7,429,825**	**227,879**	**9,051,465**	**6,419,569**	**10,534,476**
Committed					
General government	141,411	—	—	17,173	363,999
Education	4,587	—	—	—	50,597
Health and human services	4,503	—	1,133	—	360,984
Natural resources and environmental protection	2,953	—	3	4,184,588	628,062
Business, consumer services, and housing	—	—	48,997	48,207	136,540
Transportation	—	—	—	—	4,091
Corrections and rehabilitation	27,301	—	—	—	3,505
Total committed	**180,755**	**—**	**50,133**	**4,249,968**	**1,547,778**
Assigned – general government	—	—	—	—	12,033
Unassigned	(1,904,097)	—	(13,334)	(1,818)	—
Total fund balances	**$ 5,810,386**	**$ 227,879**	**$ 9,088,264**	**$ 10,667,719**	**$ 12,114,459**

B. Net Position Deficits

Table 46 shows the net position deficit balances.

Table 46

Schedule of Net Position Deficits
June 30, 2017
(amounts in thousands)

	Internal Service Funds	Enterprise Funds
Architecture Revolving Fund	$ 92,873	$ —
Service Revolving Fund	537,521	—
Technology Services Revolving Fund	242,955	—
Water Resources Revolving Fund	14,562	—
Other Internal Service Programs Fund	335,799	—
State Lottery Fund	—	2,838
California State University Fund	—	2,464,323
Total net position deficits	**$ 1,223,710**	**$ 2,467,161**

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, 2017, the value of restricted endowments and gifts totaled $16.4 billion, and unrestricted endowments and gifts totaled $3.9 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 $2.4 billion at June 30, 2017. 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 $1.2 billion and $11 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $2.0 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 47 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 47

Schedule of Deferred Outflows and Deferred Inflows of Resources
June 30, 2017
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred outflows of resources:				
Loss on refunding of debt	$ 994,258	$ 376,655	$ 1,370,913	$ 360,611
Decrease in fair value of hedging derivatives	—	—	—	100,283
Net pension liability	16,178,606	1,973,857	18,152,463	1,056,112
Net other postemployment benefits liability	—	—	—	4,106,941
Total deferred outflows of resources	**$ 17,172,864**	**$ 2,350,512**	**$ 19,523,376**	**$ 5,623,947**
Deferred inflows of resources:				
Gain on refunding of debt	$ 261,947	$ —	$ 261,947	$ 3,705
Service concession arrangements	60,492	—	60,492	95,725
Net pension liability	2,391,776	29,858	2,421,634	813,477
Net other postemployment benefits liability	—	—	—	4,934,470
Other deferred inflows	—	1,091,459	1,091,459	468,503
Total deferred inflows of resources	**$ 2,714,215**	**$ 1,121,317**	**$ 3,835,532**	**$ 6,315,880**

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, 2017, the CalHFA had $700 million 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, 2017, these component units had approximately $4.3 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, 2017; those in progress as of June 30, 2017, and settled or decided against the primary government as of March 21, 2018; and those having a high probability of resulting in a decision against the primary government as of March 21, 2018, 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 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 has denied class certification and the plaintiffs have appealed. Briefing of the appeal was completed on December 17, 2014, and the parties are waiting for notice of oral argument. 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.

The primary government is a defendant in another case, *Abercrombie & Fitch and Subsidiaries v. Franchise Tax Board,* regarding the constitutionality of Revenue and Taxation Code section 25101.15. If the plaintiff were to prevail and obtain the remedy it seeks, the estimated loss to the plaintiff and all similarly situated taxpayers is approximately $5.0 billion in refunds and $1.5 billion in lost annual revenues going forward. The case went to trial and on September 13, 2016, the court granted the State's motion for judgement, which was entered for the State on October 31, 2016. Abercrombie & Fitch has appealed and filed its

Opening Brief on August 11, 2017. The Franchise Tax Board's Respondent's Brief was due on December 13, 2017.

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 be based on the full "unbundled" price of the phone, rather than any discounted price that is contingent on a service plan commitment. 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 have appealed that order. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring the CDTFA to refund up to $1.0 billion in sales tax collections. In the writ action, the original briefing schedule and hearing on the merits were vacated and there are currently no deadlines set.

The primary government was a defendant in the following cases: *Anthem Blue Cross v. David Maxwell-Jolly, et al.*; *Molina Family Health Plan v. DHCS*; *and Health Net of California v. DHCS* 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 was involved in similar disputes with L.A. Care and other local initiatives regarding application of budget reduction factors to managed-care capitation rates; these disputes were settled in December 2017. The combined total settlement amount is $155 million, estimated to be paid over five years, starting in fiscal year 2017-18.

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, 2017, but prior to the date of the auditor's report.

A. Debt Issuances

In August and October 2017, and March 2018, the primary government issued a total of $6.3 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; and to pay related issuance costs. In November 2017, the primary government remarketed $425 million of variable-rate general obligation mandatory tender bonds.

In August 2017, the California Housing Finance Agency, a major component unit, used a total of $278 million in previously issued home mortgage revenue bond proceeds to refund certain outstanding home mortgage revenue bonds.

In August 2017, the Department of Water Resources remarketed $259 million in variable-rate revenue bonds. As a result of this remarketing transaction, the weighted average interest rate of the bonds decreased and the remarketing term increased.

In August, September, and December 2017, the University of California, a major component unit, issued a total of $1.6 billion in revenue bonds to finance and refinance projects; for acquisition, construction, improvement, and renovation of certain facilities of the university; and to pay related issuance costs.

In September and October 2017, the State Public Works Board issued a total of $400 million in lease revenue bonds to refund outstanding lease revenue bonds, to finance and refinance certain design and construction cost on various projects for the benefit of the Department of Corrections and Rehabilitation, to reimburse interim loans, and to pay related issuance costs.

In November 2017, the primary government issued $107 million in veterans general obligation bonds to finance the purchase of homes and farms for California military veterans.

In December 2017, the Department of Water Resources issued $491 million in revenue bonds to advance refund certain outstanding water system revenue bonds, and to pay related issuance costs.

Subsequent to June 30, 2017, the California State University issued $48 million in bond anticipation notes to finance projects at two campuses.

In February 2018, the primary government issued $449 million in revenue bonds to finance various water pollution control projects, and to pay related issuance costs.

B. Other

In August and November 2017, the Department Water Resources received a total of $69 million in Federal Emergency Management Agency disaster grants to reimburse the department for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

California's demand for unemployment insurance benefits required the State to continue borrowing from the U.S. Department of Labor during fiscal year 2017-18. As of June 30, 2017, the State had $385 million in outstanding loans with the U.S. Department of Labor which were used to cover deficits in the Unemployment Programs Fund; these loans were fully repaid on March 20, 2018.

The 2017-18 Budget Act includes a one-time $6.0 billion supplemental payment to the California Public Employees' Retirement System (CalPERS) to help reduce the State's net pension liability. This supplemental pension payment is being made in three equal installments; the first two installments have already been paid and the final installment is expected to occur in April 2018. The supplemental payment is being funded through a cash loan from the State's internal investment pool, which is described in Note 3, Deposits and

Investments. The General Fund's share of the loan repayment will be counted towards the minimum annual debt reduction payments required by Proposition 2 over the expected term of the loan. The remaining balance of the loan will be repaid from other funds that contribute to CalPERS and will benefit from the loan.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Three Fiscal Years[1]

(amounts in thousands)

	2014[3]	2015[3]	2016[3]
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE MISCELLANEOUS[2]			
Total pension liability			
Service cost	$ 1,477,762	$ 1,576,695	$ 1,668,682
Interest on total pension liability	6,670,928	6,970,837	7,220,961
Differences between expected and actual experience	—	693,639	(101,381)
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)	(5,346,864)
Net change in total pension liability	3,304,059	4,142,949	3,441,398
Total pension liability – beginning	**88,885,115**	**92,189,174**	**96,332,123**
Total pension liability – ending (a)	**$ 92,189,174**	**$ 96,332,123**	**$ 99,773,521**
Plan fiduciary net position			
Contributions – employer	$ 2,156,312	$ 2,608,785	$ 2,818,406
Contributions – employee	766,896	771,046	801,023
Net investment income	10,370,838	1,505,042	339,588
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)	(5,346,864)
Net plan to plan resource movement	—	(354)	(1,154)
Administrative expense	(86,473)	(76,678)	(41,497)
Net change in plan fiduciary net position	8,362,942	(290,381)	(1,430,498)
Plan fiduciary net position – beginning	**60,017,620**	**68,380,562**	**68,090,181**
Plan fiduciary net position – ending (b)	**$ 68,380,562**	**$ 68,090,181**	**$ 66,659,683**
State's net pension liability – ending (a) – (b)	**$ 23,808,612**	**$ 28,241,942**	**$ 33,113,838**
Plan fiduciary net position as a percentage of the total pension liability	74.17%	70.68%	66.81%
Covered payroll	$ 10,019,739	$ 10,640,884	$ 11,189,932
State's net pension liability as a percentage of covered payroll	237.62%	265.41%	295.93%

(continued)

[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.

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

For the Past Three Fiscal Years[1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE INDUSTRIAL[2]

	2014[3]	2015[3]	2016[3]
Total pension liability			
Service cost	$ 92,324	$ 100,006	$ 107,868
Interest on total pension liability	241,278	257,527	273,308
Differences between expected and actual experience	—	26,976	7,009
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)
Net change in total pension liability	186,625	227,480	220,826
Total pension liability – beginning	**3,181,282**	**3,367,907**	**3,595,387**
Total pension liability – ending (a)	**$ 3,367,907**	**$ 3,595,387**	**$ 3,816,213**
Plan fiduciary net position			
Contributions – employer	$ 88,516	$ 107,238	$ 116,730
Contributions – employee	44,459	49,482	52,775
Net investment income	423,076	62,385	14,444
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)
Net plan to plan resource movement	—	30	216
Administrative expense	(3,583)	(3,252)	(1,758)
Net change in plan fiduciary net position	405,491	58,854	15,048
Plan fiduciary net position – beginning	**2,420,958**	**2,826,449**	**2,885,303**
Plan fiduciary net position – ending (b)	**$ 2,826,449**	**$ 2,885,303**	**$ 2,900,351**
State's net pension liability – ending (a) – (b)	**$ 541,458**	**$ 710,084**	**$ 915,862**
Plan fiduciary net position as a percentage of the total pension liability	83.92%	80.25%	76.00%
Covered payroll	$ 532,490	$ 577,711	$ 625,220
State's net pension liability as a percentage of covered payroll	101.68%	122.91%	146.49%

(continued)

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

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

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]	2016[3]
STATE SAFETY[2]			
Total pension liability			
Service cost	$ 402,902	$ 422,634	$ 438,147
Interest on total pension liability	663,219	734,333	786,096
Differences between expected and actual experience	—	(4,150)	(2,235)
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)	(502,427)
Net change in total pension liability	636,768	683,542	719,581
Total pension liability – beginning	**8,682,750**	**9,626,597** *	**10,310,139**
Total pension liability – ending (a)	**$ 9,319,518**	**$ 10,310,139**	**$ 11,029,720**
Plan fiduciary net position			
Contributions – employer	$ 339,232	$ 393,925	$ 401,108
Contributions – employee	196,148	215,482	221,615
Net investment income	1,162,050	175,677	42,258
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)	(502,427)
Net plan to plan resource movement	—	499	548
Administrative expense	(9,945)	(9,200)	(4,966)
Net change in plan fiduciary net position	1,258,132	307,108	158,136
Plan fiduciary net position – beginning	**6,583,260**	**7,841,392**	**8,148,500**
Plan fiduciary net position – ending (b)	**$ 7,841,392**	**$ 8,148,500**	**$ 8,306,636**
State's net pension liability – ending (a) – (b)	**$ 1,478,126**	**$ 2,161,639**	**$ 2,723,084**
Plan fiduciary net position as a percentage of the total pension liability	84.14%	79.03%	75.31%
Covered payroll	$ 1,901,235	$ 2,003,777	$ 2,100,295
State's net pension liability as a percentage of covered payroll	77.75%	107.88%	129.66%

(continued)

* Restated

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

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

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE PEACE OFFICERS AND FIREFIGHTERS[2]

	2014[3]	2015[3]	2016[3]
Total pension liability			
Service cost	$ 816,836	$ 838,628	$ 861,694
Interest on total pension liability	2,622,406	2,759,982	2,902,900
Differences between expected and actual experience	—	288,526	18,316
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)	(1,822,841)
Net change in total pension liability	1,870,504	2,189,460	1,960,069
Total pension liability – beginning	**34,655,771**	**36,219,196** *	**38,408,656**
Total pension liability – ending (a)	**$ 36,526,275**	**$ 38,408,656**	**$ 40,368,725**
Plan fiduciary net position			
Contributions – employer	$ 959,741	$ 1,146,192	$ 1,265,145
Contributions – employee	331,956	366,419	381,185
Net investment income	3,964,754	584,142	137,927
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)	(1,822,841)
Net plan to plan resource movement	—	194	114
Administrative expense	(33,334)	(30,069)	(16,295)
Net change in plan fiduciary net position	3,654,379	369,202	(54,765)
Plan fiduciary net position – beginning	**22,713,610**	**26,367,989**	**26,737,191**
Plan fiduciary net position – ending (b)	**$ 26,367,989**	**$ 26,737,191**	**$ 26,682,426**
State's net pension liability – ending (a) – (b)	**$ 10,158,286**	**$ 11,671,465**	**$ 13,686,299**
Plan fiduciary net position as a percentage of the total pension liability	72.19%	69.61%	66.10%
Covered payroll	$ 3,030,525	$ 3,115,287	$ 3,241,895
State's net pension liability as a percentage of covered payroll	335.20%	374.65%	422.17%

(continued)

* Restated

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

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

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]	2016[3]
CALIFORNIA HIGHWAY PATROL			
Total pension liability			
Service cost	$ 191,730	$ 198,665	$ 210,619
Interest on total pension liability	724,474	764,348	809,691
Differences between expected and actual experience	—	75,593	125,614
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)
Net change in total pension liability	455,213	551,545	629,201
Total pension liability – beginning	**9,604,872**	**10,060,085**	**10,611,630**
Total pension liability – ending (a)	**$ 10,060,085**	**$ 10,611,630**	**$ 11,240,831**
Plan fiduciary net position			
Contributions – employer	$ 277,702	$ 351,197	$ 375,928
Contributions – employee	83,161	85,791	86,111
Net investment income	1,005,007	146,782	33,918
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)
Net plan to plan resource movement	—	(214)	292
Administrative expense	(8,417)	(7,600)	(4,111)
Net change in plan fiduciary net position	896,462	88,895	(24,585)
Plan fiduciary net position – beginning	**5,759,985**	**6,656,447**	**6,745,342**
Plan fiduciary net position – ending (b)	**$ 6,656,447**	**$ 6,745,342**	**$ 6,720,757**
State's net pension liability – ending (a) – (b)	**$ 3,403,638**	**$ 3,866,288**	**$ 4,520,074**
Plan fiduciary net position as a percentage of the total pension liability	66.17%	63.57%	59.79%
Covered payroll	$ 765,283	$ 809,610	$ 808,032
State's net pension liability as a percentage of covered payroll	444.76%	477.55%	559.40%

(continued)

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

For the Past Three Fiscal Years[1]

(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]
JUDGES'			
Total pension liability			
Service cost	$ 27,581	$ 27,841	$ 29,314
Interest on total pension liability	140,256	133,181	107,514
Differences between expected and actual experience	—	57,568	(59,421)
Changes of assumptions	—	158,646	384,306
Benefit payments, including refunds of employee contributions	(193,935)	(201,868)	(199,349)
Net change in total pension liability	(26,098)	175,368	262,364
Total pension liability – beginning	**3,383,310**	**3,357,212**	**3,532,580**
Total pension liability – ending (a)	**$ 3,357,212**	**$ 3,532,580**	**$ 3,794,944**
Plan fiduciary net position			
Contributions – employer	$ 191,148	$ 180,910	$ 192,287
Contributions – employee	7,248	3,877	3,559
Net investment income	59	88	193
Benefit payments, including refunds of employee contributions	(193,935)	(201,867)	(199,349)
Administrative expense	(1,141)	(1,227)	(642)
Other miscellaneous income	—	2,198	2,568
Net change in plan fiduciary net position	3,379	(16,021)	(1,384)
Plan fiduciary net position – beginning	**53,820**	**57,199**	**41,178**
Plan fiduciary net position – ending (b)	**$ 57,199**	**$ 41,178**	**$ 39,794**
State's net pension liability – ending (a) – (b)	**$ 3,300,013**	**$ 3,491,402**	**$ 3,755,150**
Plan fiduciary net position as a percentage of the total pension liability	1.70%	1.17%	1.05%
Covered payroll	$ 163,574	$ 28,770	$ 23,537
State's net pension liability as a percentage of covered payroll	2017.44%	12135.56%	15954.25%

(continued)

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

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

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]
JUDGES' II			
Total pension liability			
Service cost	$ 78,670	$ 79,641	$ 86,635
Interest on total pension liability	61,044	69,128	78,412
Differences between expected and actual experience	—	(17,319)	(4,546)
Changes of assumptions	—	(16,619)	—
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)
Net change in total pension liability	130,764	100,790	138,797
Total pension liability – beginning	**837,198**	**967,962**	**1,068,752**
Total pension liability – ending (a)	**$ 967,962**	**$ 1,068,752**	**$ 1,207,549**
Plan fiduciary net position			
Contributions – employer	$ 57,027	$ 65,629	$ 65,839
Contributions – employee	20,413	22,242	24,598
Net investment income	150,168	(2,402)	20,810
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)
Administrative expense	(785)	(1,127)	(732)
Net change in plan fiduciary net position	217,873	70,301	88,811
Plan fiduciary net position – beginning	**795,967**	**1,013,840**	**1,084,141**
Plan fiduciary net position – ending (b)	**$ 1,013,840**	**$ 1,084,141**	**$ 1,172,952**
State's net pension liability/(asset) – ending (a) – (b)	**$ (45,878)**	**$ (15,389)**	**$ 34,597**
Plan fiduciary net position as a percentage of the total pension liability	104.74%	101.44%	97.13%
Covered payroll	$ 40,476	$ 180,230	$ 192,739
State's net pension liability as a percentage of covered payroll	-113.35%	-8.54%	17.95%

(continued)

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

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

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]
LEGISLATORS'			
Total pension liability			
Service cost	$ 732	$ 769	$ 608
Interest on total pension liability	6,465	6,268	5,978
Differences between expected and actual experience	—	(4,246)	(3,530)
Changes of assumptions	—	(2,654)	—
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)	(7,407)
Net change in total pension liability	(285)	(8,950)	(4,351)
Total pension liability – beginning	**115,806**	**115,521**	**106,571**
Total pension liability – ending (a)	**$ 115,521**	**$ 106,571**	**$ 102,220**
Plan fiduciary net position			
Contributions – employer	$ 565	$ 590	$ 549
Contributions – employee	113	105	96
Net investment income	15,372	(94)	4,545
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)	(7,407)
Administrative expense	(362)	(399)	(202)
Net change in plan fiduciary net position	8,206	(8,885)	(2,419)
Plan fiduciary net position – beginning	**122,148**	**130,354**	**121,469**
Plan fiduciary net position – ending (b)	**$ 130,354**	**$ 121,469**	**$ 119,050**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,833)**	**$ (14,898)**	**$ (16,830)**
Plan fiduciary net position as a percentage of the total pension liability	112.84%	113.98%	116.46%
Covered payroll	$ 1,471	$ 1,397	$ 1,298
State's net pension liability as a percentage of covered payroll	-1008.36%	-1066.43%	-1296.61%

(concluded)

Schedule of State Pension Contributions

For the Past Three Fiscal Years[1]

(amounts in thousands)

	2015	2016	2017
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE MISCELLANEOUS[2]			
Actuarially determined contribution	$ 2,421,157	$ 2,718,895	$ 3,078,232
Contributions in relation to the actuarially determined contribution	(2,583,400)	(2,814,126)	(3,098,305)
Contribution deficiency (excess)	$ (162,243)	$ (95,231)	$ (20,073)
Covered payroll	$ 10,655,117	$ 11,197,607	$ 11,591,576
Contributions as a percentage of covered payroll	24.25%	25.13%	26.73%
STATE INDUSTRIAL[2]			
Actuarially determined contribution	$ 92,024	$ 103,293	$ 116,880
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)	(123,789)
Contribution deficiency (excess)	$ (12,745)	$ (13,301)	$ (6,909)
Covered payroll	$ 577,713	$ 625,220	$ 643,295
Contributions as a percentage of covered payroll	18.14%	18.65%	19.24%
STATE SAFETY[2]			
Actuarially determined contribution	$ 341,509	$ 368,444	$ 400,379
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)	(431,991)
Contribution deficiency (excess)	$ (45,999)	$ (36,151)	$ (31,612)
Covered payroll	$ 2,003,716	$ 2,100,289	$ 2,167,429
Contributions as a percentage of covered payroll	19.34%	19.26%	19.93%
STATE PEACE OFFICERS AND FIREFIGHTERS[2]			
Actuarially determined contribution	$ 1,086,102	$ 1,197,160	$ 1,343,177
Contributions in relation to the actuarially determined contribution	(1,148,597)	(1,263,436)	(1,431,851)
Contribution deficiency (excess)	$ (62,495)	$ (66,276)	$ (88,674)
Covered payroll	$ 3,115,364	$ 3,241,763	$ 3,416,627
Contributions as a percentage of covered payroll	36.87%	38.97%	41.91%

(continued)

[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.

Schedule of State Pension Contributions (continued)

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

	2015	2016	2017
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
CALIFORNIA HIGHWAY PATROL			
Actuarially determined contribution	$ 323,393	$ 363,634	$ 414,975
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)	(426,014)
Contribution deficiency (excess)	$ (28,746)	$ (13,900)	$ (11,039)
Covered payroll	$ 809,610	$ 808,032	$ 851,427
Contributions as a percentage of covered payroll	43.49%	46.72%	50.04%
SINGLE-EMPLOYER PLANS			
JUDGES'			
Actuarially determined contribution	$ 1,884,555	$ 463,073	$ 448,636
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)	(202,368)
Contribution deficiency (excess)	$ 1,880,957	$ 459,821	$ 246,268
Covered payroll	$ 167,542	$ 29,771	$ 23,822
Contributions as a percentage of covered payroll	2.15%	10.92%	849.50%
JUDGES' II			
Actuarially determined contribution	$ 63,193	$ 58,362	$ 66,951
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)	(55,965)
Contribution deficiency (excess)	$ 3,211	$ (2,114)	$ 10,986
Covered payroll	$ 41,458	$ 186,505	$ 195,066
Contributions as a percentage of covered payroll	144.68%	32.43%	28.69%
LEGISLATORS'			
Actuarially determined contribution	$ 260	$ 141	$ —
Contributions in relation to the actuarially determined contribution	(544)	(549)	(516)
Contribution deficiency (excess)	$ (284)	$ (408)	$ (516)
Covered payroll	$ 1,397	$ 1,298	$ 1,270
Contributions as a percentage of covered payroll	38.94%	42.3%	40.63%

(continued)

Schedule of State Pension Contributions (continued)

For the Past Three 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, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2014 Actuarial Valuation Report.
Asset valuation method	Actuarial value of assets; for details see each plan's June 30, 2014 Actuarial Valuation Report.
Inflation	2.75%
Salary increases	PERF – varies by entry age and service
	Judges' – 3.00%
	Judges' II – varies by entry age and service
	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 – 7.50%, which is used for contribution purposes
	Judges' – 4.25%
	Judges' II – 7.00%
	Legislators' – 5.75%
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 adopted by the CalPERS Board and post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

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

For the Past Three Fiscal Years[1]

(amounts in thousands)

	2014[2]	2015[2]	2016[2]
State's proportion of CalSTRS' net pension liability	37.65%	34.59%	36.28%
State's proportionate share of CalSTRS' net pension liability	$ 22,001,531	$ 23,289,391	$ 29,343,626
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

[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 Three Fiscal Years[1]

(amounts in thousands)

	2015	2016	2017
Statutorily required contribution	$ 1,486,004	$ 1,935,288	$ 2,472,993
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288	2,472,993
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 and 22955, as well as California Public Resources Code section 6217.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 31 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	3.00%
Payroll growth	3.75%
Investment rate of return	For calculating the actuarially determined contribution: 7.50%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.60%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	4.50%
Post-retirement benefit increases (COLAs)	2.00% simple

Schedule of Funding Progress

(amounts in millions)

Other Postemployment Benefit Plans

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
State substantive plan						
June 30, 2015	$ 86	$ 74,189	$ 74,103	0.1 %	$ 20,180	367.2 %
June 30, 2016	148	76,681	76,533	0.2	20,160	379.6
June 30, 2017	500	86,679	86,179	0.6	21,386	403.0
Trial Courts [1]						
July 1, 2011	$ 17	$ 1,385	$ 1,368	1.2 %	$ 922	148.4 %
July 1, 2013	30	1,421	1,391	2.1	931	149.4
July 1, 2015	88	1,494	1,406	5.9	1,014	138.7

[1] The trial courts reporting is based on 52 individual biennial actuarial valuations as of July 1, 2015.

Note: The University of California provides OPEB benefits through its Retirement Health Plan to its eligible retirees and their families. As the University is the employer providing these benefits, the State will not be reporting these benefits in Note 11 or the Required Supplementary Information. Information regarding the University and references to its financial statements can be found in Note 1, Section A.3., Discretely Presented Component Units.

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 roadways and bridges). Under the modified approach, the State does not report depreciation expense for roads and bridges but capitalizes all costs that add to the capacity and efficiency of state-owned roads and bridges. 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, 2017, are in the following categories and amounts: state highway infrastructure (completed highway projects) totaling $75.1 billion, land purchased for highway projects totaling $14.4 billion, and infrastructure construction-in-progress (uncompleted highway projects) totaling $10.9 billion.

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, 2017, there were no donations of infrastructure land, and relinquishments are $166 million of state highway infrastructure (completed highway projects) and $34 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation Act (FAST Act) required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets.

Previously, the State used the Bridge Health Index (BHI)—a numerical rating scale from 0 to 100 that used element-level inspection data—to determine the aggregate condition of its bridges. The inspection data was based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection*. 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 now based on the *Caltrans Bridge Element Inspection Manual*.

The following table shows the State's established condition baseline and actual BHI for the previous two fiscal years:

Fiscal Year Ended June 30	Established BHI Baseline[1]	Actual BHI
2015	80.0	95.7
2016	80.0	94.5

[1] The actual statewide BHI should not be lower than the minimum BHI established by the State.

Effective July 1, 2016, the State began using the performance measures established by the FAST Act, so the data is not comparable to the prior year's BHI. The State's established condition baseline for fiscal year 2016-17 is to have at least 90% of the State's bridge deck area be in fair or better condition.

The following table shows the State's established condition baseline and actual statewide bridge condition for fiscal year 2016-17:

Fiscal Year Ended June 30	Established Condition[1]	Actual Condition
2017	90.0 % Fair or Better	96.6 % 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, 2017:

Condition[1]	Number of Bridges	Deck Area (sq. ft.)	Deck Area (%)
Good	9,388	175,738,608	68.68 %
Fair	3,200	71,348,940	27.89
Poor	388	8,770,706	3.43
Total	**12,976**	**255,858,254**	**100.00 %**

[1] Effective fiscal year 2016-17, the performance measure for bridges has changed to total deck area of the structures in good, fair, or poor condition.

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[1]	Established Condition Baseline Distressed Lane Miles (maximum)[2]	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
December 2011	18,000	12,333	24.9 %
December 2013	18,000	7,820	15.7
December 2015	18,000	7,889	15.9

[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.

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	26,484	—
Fair	15,272	—
Poor	7,889	7,889
Total	**49,645**	**7,889**

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]
2013	$ 184	$ 182
2014	152	151
2015	135	134
2016	153	146
2017	191	143

[1] In fiscal year 2014-15, the methodology for identifying the preservation budgeted and actual costs was adjusted to include additional costs not previously reported.

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]
2013	$ 2,497	$ 2,389
2014	2,413	2,287
2015	3,086	2,847
2016	3,958	3,163
2017	3,687	1,919

[1] In fiscal year 2014-15, the methodology for identifying the preservation budgeted and actual costs was adjusted to include additional costs not previously reported.

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2017

(amounts in thousands)

	General			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ 10,388,788	$ 10,210,000	$ 10,116,798	$ (93,202)
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	79,297	79,000	80,342	1,342
Insurance gross premiums tax	2,308,534	2,483,000	2,422,105	(60,895)
Vehicle license fees	23,197	23,197	26,391	3,194
Motor vehicle fuel tax	—	—	—	—
Personal income tax	83,135,898	83,161,000	83,808,162	647,162
Retail sales and use taxes	24,994,096	24,494,000	24,893,888	399,888
Other major taxes and licenses	371,075	375,000	369,404	(5,596)
Other revenues	1,140,265	1,228,803	1,418,020	189,217
Total revenues	**122,441,150**	**122,054,000**	**123,135,110**	**1,081,110**
EXPENDITURES				
Business, consumer services, and housing	77,001	78,168	77,992	(176)
Transportation	3,891	3,891	3,891	—
Natural resources and environmental protection	1,885,639	2,032,545	1,777,967	(254,578)
Health and human services	33,511,833	34,826,369	34,000,309	(826,060)
Corrections and rehabilitation	10,588,861	10,997,024	10,747,170	(249,854)
Education	62,304,697	62,303,275	62,262,013	(41,262)
General government:				
Tax relief	466,709	466,709	417,697	(49,012)
Debt service	5,415,446	5,415,446	4,985,656	(429,790)
Other general government	6,741,043	6,845,339	5,599,856	(1,245,483)
Total expenditures	**120,995,120**	**122,968,766**	**119,872,551**	**(3,096,215)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	406,060	—
Transfers to other funds	—	—	(4,470,354)	—
Other additions (deductions)	—	—	452,356	—
Total other financing sources (uses)	**—**	**—**	**(3,611,938)**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(349,379)	—
Fund balances – beginning	**—**	**—**	**6,280,033**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 5,930,654**	**$ —**

Federal				Transportation			
Budgeted Amounts		**Actual**	**Variance with**	**Budgeted Amounts**		**Actual**	**Variance with**
Original	**Final**	**Amounts**	**Final Budget**	**Original**	**Final**	**Amounts**	**Final Budget**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
85,364,622	85,364,622	85,364,622	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	4,732,215	4,806,681	4,845,820	39,139
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	5,281,471	4,298,541	4,293,960	(4,581)
68	68	68	—	411,239	421,583	427,771	6,188
85,364,690	**85,364,690**	**85,364,690**	**—**	**10,424,925**	**9,526,805**	**9,567,551**	**40,746**
76,055	76,055	76,055	—	114,769	109,922	97,755	(12,167)
5,988,413	5,988,413	5,988,413	—	9,822,984	9,162,896	7,967,672	(1,195,224)
426,676	426,676	426,676	—	183,456	182,472	154,951	(27,521)
69,211,403	69,211,403	69,211,403	—	3,279	3,278	2,338	(940)
111,713	111,713	111,713	—	—	—	—	—
7,268,051	7,268,051	7,268,051	—	7,660	7,511	3,976	(3,535)
—	—	—	—	—	—	—	—
—	—	—	—	1,500	2,030	1,119	(911)
1,082,621	1,082,621	1,082,621	—	944,978	949,599	933,925	(15,674)
84,164,932	**84,164,932**	**84,164,932**	**—**	**11,078,626**	**10,417,708**	**9,161,736**	**(1,255,972)**
—	—	5,708,462	—	—	—	13,805,044	—
—	—	(6,899,970)	—	—	—	(14,679,347)	—
—	—	(8,365)	—	—	—	(499,941)	—
—	**—**	**(1,199,873)**	**—**	**—**	**—**	**(1,374,244)**	**—**
—	—	(115)	—	—	—	(968,429)	—
—	**—**	**6,344**	**—**	**—**	**—**	**15,171,639**	**—**
$ —	**$ —**	**$ 6,229**	**$ —**	**$ —**	**$ —**	**$ 14,203,210**	**$ —**

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2017

(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	182,407	182,407	182,407	—
Other revenues	4,628,112	4,628,112	4,628,112	—
Total revenues	**4,810,519**	**4,810,519**	**4,810,519**	**—**
EXPENDITURES				
Business, consumer services, and housing	92,729	94,311	85,816	(8,495)
Transportation	241,555	297,059	296,246	(813)
Natural resources and environmental protection	4,932,769	5,371,433	4,756,006	(615,427)
Health and human services	77,409	91,066	83,759	(7,307)
Corrections and rehabilitation	—	—	—	—
Education	4,964	4,959	2,446	(2,513)
General government:				
Tax relief	—	—	—	—
Debt service	—	—	—	—
Other general government	130,780	140,485	134,970	(5,515)
Total expenditures	**5,480,206**	**5,999,313**	**5,359,243**	**(640,070)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	448,675	—
Transfers to other funds	—	—	(314,391)	—
Other additions (deductions)	—	—	13,176	—
Total other financing sources (uses)	**—**	**—**	**147,460**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(401,264)	—
Fund balances – beginning	**—**	**—**	**20,514,624**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 20,113,360**	**$ —**

(concluded)

Reconciliation of Budgetary Basis Fund Balances of the General Fund and Major Special Revenue Funds to GAAP Basis Fund Balances

June 30, 2017
(amounts in thousands)

		Major Special Revenue Funds		
	General	Federal	Transportation	Environmental and Natural Resources
Budgetary fund balance reclassified into GAAP statement fund structure	$ 5,930,654	$ 6,229	$ 14,203,210	$ 20,113,360
Basis difference:				
Interfund receivables	93,998	—	2,242,064	439,800
Loans receivable	39,520	221,070	—	1,598,440
Interfund payables	(3,394,432)	—	(20,656)	(14,790)
Escheat property	(1,020,537)	—	—	—
Bonds authorized but unissued	—	—	(9,223,535)	(11,338,897)
Tax revenues	233,800	—	—	—
Fund classification changes	7,514,019	1,980	—	—
Other	—	—	2,348,251	(33,892)
Timing difference:				
Liabilities budgeted in subsequent years	(3,586,636)	(1,400)	(461,070)	(96,302)
GAAP fund balance – ending	**$ 5,810,386**	**$ 227,879**	**$ 9,088,264**	**$ 10,667,719**

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 the General Fund on the budgetary basis is restated for prior-year revenue adjustments and prior-year expenditure adjustments. A prior-year revenue adjustment occurs when the actual amount received in the current year differs from the amount of revenue accrued in the prior year. A prior-year expenditure adjustment results when the actual amount paid in the current year differs from the prior-year accrual for appropriations for which the ability to encumber funds has lapsed in previous periods. The beginning fund balance on a GAAP basis is not affected by these adjustments.

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 $94 million in the General Fund, $2.2 billion in the Transportation Fund, and $440 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of $40 million in the General Fund, $221 million in the Federal Fund, and $1.6 billion in the Environmental and Natural Resources 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 $3.4 billion in the General Fund, $21 million in the Transportation Fund, and $15 million in the Environmental and Natural Resources 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 $1.0 billion decrease in the General Fund.

Bonds Authorized but Unissued: In the year that general obligation bonds are authorized by the voters, the full amount authorized is recognized as revenue on a budgetary basis. In accordance with GAAP, only the amount of bonds issued each year is reported as an other financing source. The adjustments related to bonds authorized but unissued caused decreases of $9.2 billion in the Transportation Fund and $11.3 billion in the Environmental and Natural Resources 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 an increase of $234 million 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 $7.5 billion in the General Fund and $2 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 $2.3 billion in the Transportation Fund and a decrease of $34 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 $3.6 billion in the General Fund, $1 million in the Federal Fund, $461 million in the Transportation Fund, and $96 million in the Environmental and Natural Resources Fund. The large decrease in the General Fund primarily consists of $1.2 billion for June 2017 payroll that was deferred to July 2017, $757 million for medical assistance, $695 million for pension contributions, $603 million for payments to K-12 schools and higher education institutions, and $273 million for workers' compensation claims.

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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 and Tobacco Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health 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 **Health Care Related Programs Fund** accounts for fees, taxes, bond proceeds, transfers from other state funds, and other revenues used for the Medi-Cal program, medical research, and other health and human services 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, 2017
(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	**Financing for Local Governments and the Public**	**Cigarette and Tobacco Tax**
ASSETS			
Cash and pooled investments	$ 1,447,703	$ 1,387,095	$ 653,039
Investments	—	—	—
Receivables (net)	91,573	3,769	471,054
Due from other funds	33,509	476,840	2,156
Due from other governments	11,008	3,088	—
Interfund receivables	113,207	68,660	—
Loans receivable	104,328	2,520,862	—
Other assets	20	—	—
Total assets	**$ 1,801,348**	**$ 4,460,314**	**$ 1,126,249**
LIABILITIES			
Accounts payable	$ 33,732	$ 154,978	$ 16,062
Due to other funds	37,221	240	6,488
Due to component units	—	—	9,434
Due to other governments	1,775	232,876	9,761
Interfund payables	45,401	202	—
Revenues received in advance	45,281	3,441	—
Deposits	—	—	—
Other liabilities	39,746	641	—
Total liabilities	**203,156**	**392,378**	**41,745**
DEFERRED INFLOWS OF RESOURCES	—	—	187,748
Total liabilities and deferred inflows of resources	**203,156**	**392,378**	**229,493**
FUND BALANCES			
Nonspendable	—	—	—
Restricted	857,366	3,812,532	896,756
Committed	740,826	255,404	—
Assigned	—	—	—
Total fund balances	**1,598,192**	**4,067,936**	**896,756**
Total liabilities, deferred inflows of resources, and fund balances	**$ 1,801,348**	**$ 4,460,314**	**$ 1,126,249**

Special Revenue					
Local Revenue and Public Safety	Health Care Related Programs	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
$ 2,998,292	$ 1,899,744	$ 1,367,131	$ 333,832	$ 2,244,840	$ 12,331,676
—	—	359,226	248,036	—	607,262
100,611	3,118,443	242,268	200,601	220,304	4,448,623
51,030	12,900	2,353	—	406,081	984,869
—	823,217	21,256	—	48,729	907,298
—	—	90,000	—	225,400	497,267
—	37,156	—	—	59,787	2,722,133
—	—	14,931	—	—	14,951
$ 3,149,933	**$ 5,891,460**	**$ 2,097,165**	**$ 782,469**	**$ 3,205,141**	**$ 22,514,079**
$ 255	$ 36,175	$ 211,431	$ 18	$ 243,060	$ 695,711
209,708	5,108,747	40,689	—	70,138	5,473,231
—	—	—	—	363	9,797
2,875,012	9,335	106,119	—	383,004	3,617,882
—	—	—	—	4,971	50,574
—	17,386	13,554	—	44,616	124,278
—	—	460,153	—	22,119	482,272
—	—	74,673	—	13,643	128,703
3,084,975	**5,171,643**	**906,619**	**18**	**781,914**	**10,582,448**
—	—	—	—	6,462	194,210
3,084,975	**5,171,643**	**906,619**	**18**	**788,376**	**10,776,658**
—	—	20,172	—	—	20,172
16,340	606,515	1,054,940	782,451	2,150,055	10,176,955
48,618	113,302	103,401	—	266,710	1,528,261
—	—	12,033	—	—	12,033
64,958	**719,817**	**1,190,546**	**782,451**	**2,416,765**	**11,737,421**
$ 3,149,933	**$ 5,891,460**	**$ 2,097,165**	**$ 782,469**	**$ 3,205,141**	**$ 22,514,079**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2017

(amounts in thousands)

	Debt Service	
	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS		
Cash and pooled investments	$ —	$ —
Investments	—	—
Receivables (net)	—	—
Due from other funds	—	—
Due from other governments	—	—
Interfund receivables	—	—
Loans receivable	—	—
Other assets	—	—
Total assets	**$ —**	**$ —**
LIABILITIES		
Accounts payable	$ —	$ —
Due to other funds	—	—
Due to component units	—	—
Due to other governments	—	—
Interfund payables	—	—
Revenues received in advance	—	—
Deposits	—	—
Other liabilities	—	—
Total liabilities	—	—
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	—	—
FUND BALANCES		
Nonspendable	—	—
Restricted	—	—
Committed	—	—
Assigned	—	—
Total fund balances	—	—
Total liabilities, deferred inflows of resources, and fund balances	**$ —**	**$ —**

Capital Projects						
Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
$ 157,701	$ 20,439	$ 32,638	$ 18,189	$ 132,864	$ 361,831	$ 12,693,507
—	—	—	—	—	—	607,262
—	—	2	—	26	28	4,448,651
312	62	762	19,705	6,716	27,557	1,012,426
—	—	636	—	—	636	907,934
—	—	—	—	—	—	497,267
—	—	—	—	—	—	2,722,133
—	—	—	—	—	—	14,951
$ 158,013	**$ 20,501**	**$ 34,038**	**$ 37,894**	**$ 139,606**	**$ 390,052**	**$ 22,904,131**
$ 12	$ 36	$ 1,000	$ 3	$ 5,498	$ 6,549	$ 702,260
339	299	4,698	—	1,038	6,374	5,479,605
—	—	—	—	—	—	9,797
—	—	—	—	—	—	3,617,882
—	—	—	—	—	—	50,574
—	—	—	—	—	—	124,278
—	—	—	—	—	—	482,272
—	—	—	91	—	91	128,794
351	**335**	**5,698**	**94**	**6,536**	**13,014**	**10,595,462**
—	—	—	—		—	194,210
351	**335**	**5,698**	**94**	**6,536**	**13,014**	**10,789,672**
—	—	—	—	—	—	20,172
157,662	20,166	28,340	37,800	113,553	357,521	10,534,476
—	—	—	—	19,517	19,517	1,547,778
—	—	—	—	—	—	12,033
157,662	**20,166**	**28,340**	**37,800**	**133,070**	**377,038**	**12,114,459**
$ 158,013	**$ 20,501**	**$ 34,038**	**$ 37,894**	**$ 139,606**	**$ 390,052**	**$ 22,904,131**

(concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2017

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette and Tobacco Tax
REVENUES			
Personal income taxes	$ —	$ 1,484,054	$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	39,298	27,699	—
Insurance taxes	—	—	—
Managed care organization enrollment tax	—	—	—
Other taxes	1,130	654,994	1,146,226
Intergovernmental	—	—	—
Licenses and permits	499,198	17,633	315
Charges for services	52,321	4,178	1,564
Fees	1,134,874	579	16
Penalties	15,320	7,502	—
Investment and interest	16,639	18,852	3,464
Escheat	115	—	—
Other	18,101	39,862	829
Total revenues	**1,776,996**	**2,255,353**	**1,152,414**
EXPENDITURES			
Current:			
General government	665,030	550,968	16,410
Education	23,502	10,809	26,906
Health and human services	439,892	1,882,592	706,803
Natural resources and environmental protection	68,435	85,945	8,560
Business, consumer services, and housing	576,370	215,675	—
Transportation	5,828	—	—
Corrections and rehabilitation	—	125,405	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	—	186,575	—
Interest and fiscal charges	—	158	—
Total expenditures	**1,779,057**	**3,058,127**	**758,679**
Excess (deficiency) of revenues over (under) expenditures	(2,061)	(802,774)	393,735
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	430,120	—
Refunding debt issued	—	6,755	—
Payment to refund long-term debt	—	(5,573)	—
Premium on bonds issued	—	16,530	—
Transfers in	4,035	622,436	—
Transfers out	(14,365)	(24,203)	(21,099)
Total other financing sources (uses)	**(10,330)**	**1,046,065**	**(21,099)**
Net change in fund balances	(12,391)	243,291	372,636
Fund balances – beginning	**1,610,583**	**3,824,645** *	**524,120**
Fund balances – ending	**$ 1,598,192**	**$ 4,067,936**	**$ 896,756**

* Restated

Special Revenue					
Local Revenue and Public Safety	**Health Care Related Programs**	**Trial Courts**	**Golden State Tobacco Securitization Corporation**	**Other Special Revenue Programs**	**Total Nonmajor Special Revenue**
$ —	$ —	$ —	$ —	$ —	$ 1,484,054
13,393,035	—	—	—	—	13,393,035
—	—	—	—	—	66,997
—	291,638	—	—	—	291,638
—	2,282,313	—	—	—	2,282,313
—	—	—	—	—	1,802,350
—	2,386,364	817,905	—	—	3,204,269
2,676,161	—	—	—	11,270	3,204,577
—	79	58,962	—	169,145	286,249
—	4,602,971	559,159	—	1,349,309	7,646,908
—	6,934	374,135	—	283,419	687,310
3,522	10,185	11,293	1,163	26,302	91,420
—	—	1,859	—	—	1,974
—	279,916	162,874	369,449	370,334	1,241,365
16,072,718	**9,860,400**	**1,986,187**	**370,612**	**2,209,779**	**35,684,459**
4,562,108	3,635	3,266,082	462	1,344,133	10,408,828
—	190,336	—	—	9,854	261,407
10,082,226	10,055,003	—	—	736,300	23,902,816
—	316	—	—	58,806	222,062
—	—	245	—	24,103	816,393
—	—	—	—	1,255	7,083
1,419,566	—	—	—	32,638	1,577,609
—	—	—	—	—	—
—	120,000	—	745,888	—	1,052,463
—	72	—	308,638	—	308,868
16,063,900	**10,369,362**	**3,266,327**	**1,054,988**	**2,207,089**	**38,557,529**
8,818	(508,962)	(1,280,140)	(684,376)	2,690	(2,873,070)
—	328,500	—	—	—	758,620
—	—	—	630,855	—	637,610
—	—	—	—	—	(5,573)
—	72	—	87,140	—	103,742
4	225,869	1,336,737	—	28,314	2,217,395
(171,530)	—	(12)	—	(35,868)	(267,077)
(171,526)	**554,441**	**1,336,725**	**717,995**	**(7,554)**	**3,444,717**
(162,708)	45,479	56,585	33,619	(4,864)	571,647
227,666	**674,338**	**1,133,961**	**748,832**	**2,421,629**	**11,165,774**
$ 64,958	**$ 719,817**	**$ 1,190,546**	**$ 782,451**	**$ 2,416,765**	**$ 11,737,421**

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2017

(amounts in thousands)

	Debt Service	
	Transportation Debt Service	**Total Nonmajor Debt Service**
REVENUES		
Personal income taxes	$ —	$ —
Sales and use taxes	—	—
Motor vehicle excise taxes	—	—
Insurance taxes	—	—
Managed care organization enrollment tax	—	—
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	418,819	418,819
Interest and fiscal charges	719,835	719,835
Total expenditures	**1,138,654**	**1,138,654**
Excess (deficiency) of revenues over (under) expenditures	(1,138,654)	(1,138,654)
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	—	—
Transfers in	1,138,654	1,138,654
Transfers out	—	—
Total other financing sources (uses)	**1,138,654**	**1,138,654**
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**
$ —	$ —	$ —	$ —	$ —	$ —	$ 1,484,054
—	—	—	—	—	—	13,393,035
—	—	—	—	—	—	66,997
—	—	—	—	—	—	291,638
—	—	—	—	—	—	2,282,313
—	—	—	—	—	—	1,802,350
—	—	—	—	—	—	3,204,269
—	—	—	—	1,143	1,143	3,205,720
—	—	—	—	—	—	286,249
—	—	—	—	—	—	7,646,908
—	—	—	—	—	—	687,310
1,190	191	4,639	22	115	6,157	97,577
—	—	—	—	—	—	1,974
—	—	—	—	2,265	2,265	1,243,630
1,190	**191**	**4,639**	**22**	**3,523**	**9,565**	**35,694,024**
—	45,237	—	—	—	45,237	10,454,065
—	—	117,238	—	—	117,238	378,645
—	—	—	—	—	—	23,902,816
—	—	—	—	26,728	26,728	248,790
—	—	—	—	—	—	816,393
—	—	—	—	—	—	7,083
—	—	—	—	—	—	1,577,609
19,728	1,530	8,390	—	20,507	50,155	50,155
631,910	26,860	2,809,950	61,395	14,665	3,544,780	5,016,062
20,960	822	64,173	10,096	231	96,282	1,124,985
672,598	**74,449**	**2,999,751**	**71,491**	**62,131**	**3,880,420**	**43,576,603**
(671,408)	(74,258)	(2,995,112)	(71,469)	(58,608)	(3,870,855)	(7,882,579)
2,635	14,080	198,435	—	5,765	220,915	979,535
1,293,020	71,670	3,173,590	22,140	12,580	4,573,000	5,210,610
(854,034)	(52,170)	(960,091)	—	—	(1,866,295)	(1,871,868)
211,250	7,967	579,554	1,692	1,016	801,479	905,221
—	—	—	40,696	54,793	95,489	3,451,538
—	—	(947)	—	—	(947)	(268,024)
652,871	**41,547**	**2,990,541**	**64,528**	**74,154**	**3,823,641**	**8,407,012**
(18,537)	(32,711)	(4,571)	(6,941)	15,546	(47,214)	524,433
176,199	**52,877**	**32,911**	**44,741**	**117,524**	**424,252**	**11,590,026**
$ 157,662	**$ 20,166**	**$ 28,340**	**$ 37,800**	**$ 133,070**	**$ 377,038**	**$ 12,114,459**

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds[1]

Year Ended June 30, 2017
(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	$ 452,141	$ 452,141	$ —
Vehicle license fees	2,020,333	2,020,333	—
Personal income tax	1,484,054	1,484,054	—
Retail sales and use taxes	13,445,833	13,445,833	—
Other major taxes and licenses	2,139,317	2,139,317	—
Other revenues	13,289,106	13,289,106	—
Total revenues	**32,830,784**	**32,830,784**	**—**
EXPENDITURES			
Business, consumer services, and housing	739,780	652,869	(86,911)
Transportation	1,148,194	1,147,370	(824)
Natural resources and environmental protection	281,257	225,133	(56,124)
Health and human services	26,457,927	25,585,826	(872,101)
Corrections and rehabilitation	26,729	25,889	(840)
Education	479,265	445,419	(33,846)
General government:			
Tax relief	2,302	2,302	—
Other general government	8,151,010	7,714,818	(436,192)
Total expenditures	**37,286,464**	**35,799,626**	**(1,486,838)**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	29,238,908	—
Transfers to other funds	—	(26,297,806)	—
Other additions and deductions	—	283,746	—
Total other financing sources (uses)	**—**	**3,224,848**	**—**
Excess of revenues and other sources over expenditures and other uses	—	256,006	—
Fund balances – beginning, restated	**—**	**11,748,168**	**—**
Fund balances – ending	**$ —**	**$ 12,004,174**	**$ —**

[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, 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, and Environmental and Natural Resources 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 California Technology Agency.

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, 2017

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 632,542
Restricted assets:		
Cash and pooled investments	638,075	—
Net investment in direct financing leases	483,991	—
Receivables (net)	—	26
Due from other funds	252,855	1,063
Due from other governments	—	—
Prepaid items	—	46,496
Inventories	—	—
Total current assets	1,374,921	680,127
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	176,851	—
Net investment in direct financing leases	7,939,983	—
Interfund receivables	—	—
Long-term prepaid charges	1,134	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	317
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(317)
Construction/development in progress	509,676	—
Total noncurrent assets	8,627,644	—
Total assets	**10,002,565**	**680,127**
DEFERRED OUTFLOWS OF RESOURCES	179,156	14,090
Total assets and deferred outflows of resources	**$ 10,181,721**	**$ 694,217**

	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
	$ 94,109	$ 240,238	$ 42,757	$ 64,761	$ 15,176	$ 395,078	$ 1,484,661
	—	—	—	—	—	—	638,075
	—	—	—	—	—	—	483,991
	650	895	32	10,139	8,810	3,368	23,920
	54,676	679	6,965	35,515	76,961	168,715	597,429
	1,750	95	—	779	—	8,927	11,551
	153,473	856	6,394	899	8,474	1,418	218,010
	4,324	42,564	—	31,867	1,046	—	79,801
	308,982	285,327	56,148	143,960	110,467	577,506	3,537,438
	—	—	—	—	—	—	176,851
	—	—	—	—	—	—	7,939,983
	—	—	—	—	—	32,045	32,045
	—	—	—	—	—	—	1,134
	—	—	—	—	—	2,082	2,082
	158,451	189,234	2,465	226,056	34,963	7,449	618,935
	9,986	3,928	2,418	48,512	4,219	113	69,176
	(110,877)	(133,605)	(2,518)	(216,529)	(39,182)	(4,253)	(507,281)
	—	1,595	270,844	5,291	—	171	787,577
	57,560	61,152	273,209	63,330	—	37,607	9,120,502
	366,542	**346,479**	**329,357**	**207,290**	**110,467**	**615,113**	**12,657,940**
	93,733	24,719	9,125	61,860	—	82,852	465,535
	$ 460,275	**$ 371,198**	**$ 338,482**	**$ 269,150**	**$ 110,467**	**$ 697,965**	**$ 13,123,475**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2017
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	$ 56,652	$ 5,099
Due to other funds	473	14,314
Due to other governments	67,614	—
Revenues received in advance	—	658,870
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	101,195	—
Current portion of long-term obligations	621,685	—
Other liabilities	18,391	—
Total current liabilities	866,010	678,283
Noncurrent liabilities:		
Interfund payables	—	14,774
Compensated absences payable	—	7,134
Workers' compensation benefits payable	—	1,219
Revenue bonds payable	9,146,693	—
Net other postemployment benefits obligation	—	18,920
Net pension liability	—	66,607
Other noncurrent liabilities	—	—
Total noncurrent liabilities	9,146,693	108,654
Total liabilities	**10,012,703**	**786,937**
DEFERRED INFLOWS OF RESOURCES	—	153
Total liabilities and deferred inflows of resources	**10,012,703**	**787,090**
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	169,018	—
Total expendable	169,018	—
Unrestricted	—	(92,873)
Total net position (deficit)	**169,018**	**(92,873)**
Total liabilities, deferred inflows of resources, and net position	**$ 10,181,721**	**$ 694,217**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 50,156	$ 13,855	$ 27,619	$ 14,642	$ 15,484	$ 274,181	$ 457,688
57,233	4,772	180	628	246	72,012	149,858
310	—	63	4	8	1,380	69,379
30,517	558	—	—	212	136,475	826,632
1,562	—	—	—	—	—	1,562
1,036	—	—	14,078	3,904	—	19,018
—	—	—	—	—	—	101,195
—	3,136	1,215	—	—	264	626,300
38	1,359	—	—	—	3,152	22,940
140,852	23,680	29,077	29,352	19,854	487,464	2,274,572
7,186	—	37,650	3,827	94,965	57	158,459
56,548	9,935	3,775	40,038	—	27,346	144,776
22,458	15,405	—	2,490	—	—	41,572
—	—	—	—	—	—	9,146,693
330,704	72,184	—	125,236	—	147,770	694,814
439,040	54,326	40,578	289,365	—	370,346	1,260,262
—	—	—	21,145	10,210	—	31,355
855,936	151,850	82,003	482,101	105,175	545,519	11,477,931
996,788	**175,530**	**111,080**	**511,453**	**125,029**	**1,032,983**	**13,752,503**
1,008	98	93	652	—	781	2,785
997,796	**175,628**	**111,173**	**512,105**	**125,029**	**1,033,764**	**13,755,288**
57,560	61,152	273,209	34,968	—	5,451	432,340
—	—	—	—	—	—	169,018
—	—	—	—	—	—	169,018
(595,081)	134,418	(45,900)	(277,923)	(14,562)	(341,250)	(1,233,171)
(537,521)	**195,570**	**227,309**	**(242,955)**	**(14,562)**	**(335,799)**	**(631,813)**
$ 460,275	**$ 371,198**	**$ 338,482**	**$ 269,150**	**$ 110,467**	**$ 697,965**	**$ 13,123,475**

(concluded)

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

Internal Service Funds

Year Ended June 30, 2017
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	$ —	$ 181,064
Investment and interest	10,515	—
Rent	436,723	—
Total operating revenues	**447,238**	**181,064**
OPERATING EXPENSES		
Personal services	—	32,131
Supplies	—	—
Services and charges	6,899	169,579
Depreciation	—	—
Interest expense	402,201	—
Amortization of long-term prepaid charges	238	—
Total operating expenses	**409,338**	**201,710**
Operating income (loss)	37,900	(20,646)
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	—	—
Interest expense and fiscal charges	—	—
Other	224	—
Total nonoperating revenues (expenses)	**224**	**—**
Income (loss) before transfers	38,124	(20,646)
Capital contributions	—	—
Transfers in	—	—
Transfers out	—	—
Change in net position	38,124	(20,646)
Total net position (deficit) – beginning	**130,894**	**(72,227)***
Total net position (deficit) – ending	**$ 169,018**	**$ (92,873)**

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 638,112	$ 359,144	$ 92,981	$ 387,825	$ 472,246	$ 671,271	$ 2,802,643
—	—	—	—	—	—	10,515
—	—	—	—	—	480	437,203
638,112	**359,144**	**92,981**	**387,825**	**472,246**	**671,751**	**3,250,361**
310,302	90,750	15,888	180,721	—	261,466	891,258
—	5,017	—	—	4,728	561	10,306
320,293	173,914	13,354	218,503	469,277	664,620	2,036,439
12,591	7,657	737	27,372	7,502	233	56,092
—	—	—	305	—	—	402,506
—	—	—	—	—	—	238
643,186	**277,338**	**29,979**	**426,901**	**481,507**	**926,880**	**3,396,839**
(5,074)	81,806	63,002	(39,076)	(9,261)	(255,129)	(146,478)
—	693	—	520	—	698	1,911
—	(16)	—	—	—	—	(16)
—	(236)	—	(1,927)	—	—	(1,939)
—	**441**	**—**	**(1,407)**	**—**	**698**	**(44)**
(5,074)	82,247	63,002	(40,483)	(9,261)	(254,431)	(146,522)
—	125	—	—	—	—	125
3,000	—	—	—	—	1,500	4,500
(36,460)	(62,600)	—	—	—	(23,449)	(122,509)
(38,534)	19,772	63,002	(40,483)	(9,261)	(276,380)	(264,406)
(498,987)*	**175,798**	**164,307**	**(202,472)**	**(5,301)**	**(59,419)***	**(367,407)**
$ (537,521)	**$ 195,570**	**$ 227,309**	**$ (242,955)**	**$ (14,562)**	**$ (335,799)**	**$ (631,813)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2017

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 17,295	$ —
Receipts from interfund services provided	838,898	421,804
Payments to suppliers	(292)	(176,602)
Payments to employees	—	(25,679)
Claims paid to other than employees	—	—
Other receipts (payments)	(466,613)	(76)
Net cash provided by (used in) operating activities	**389,288**	**219,447**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	—	—
Changes in interfund payables and loans payable	—	14,280
Interest paid	—	—
Transfers in	—	—
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	**—**	**14,280**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(815,340)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	1,479,114	—
Retirement of revenue bonds	(1,800,546)	—
Net cash used in capital and related financing activities	**(1,136,772)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	—	—
Net cash provided by (used in) investing activities	**—**	**—**
Net increase (decrease) in cash and pooled investments	(747,484)	233,727
Cash and pooled investments – beginning	**1,562,410**	**398,815**
Cash and pooled investments – ending	**$ 814,926**	**$ 632,542**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ —	$ 7,042	$ —	$ —	$ —	$ —	$ 24,337
651,443	353,125	61,150	389,262	476,150	860,927	4,052,759
(355,255)	(177,538)	—	(222,985)	(4,176)	(603,729)	(1,540,577)
(278,136)	(80,288)	(12,611)	(158,533)	—	(232,173)	(787,420)
—	—	—	—	(469,277)	—	(469,277)
(498)	107	14	11,507	8,855	3,275	(443,429)
17,554	**102,448**	**48,553**	**19,251**	**11,552**	**28,300**	**836,393**
—	—	—	—	—	(6,682)	(6,682)
(1,060)	—	—	1,244	(82)	—	14,382
—	(16)	—	—	—	—	(16)
3,000	—	—	—	—	1,500	4,500
(36,460)	(62,600)	—	—	—	(23,449)	(122,509)
(34,520)	**(62,616)**	**—**	**1,244**	**(82)**	**(28,631)**	**(110,325)**
(13,203)	(16,764)	(54,268)	(20,162)	(7,502)	(74)	(927,313)
422	571	631	779	—	—	2,403
—	—	—	—	—	—	1,479,114
—	—	—	—	—	—	(1,800,546)
(12,781)	**(16,193)**	**(53,637)**	**(19,383)**	**(7,502)**	**(74)**	**(1,246,342)**
—	693	—	520	—	698	1,911
—	**693**	**—**	**520**	**—**	**698**	**1,911**
(29,747)	24,332	(5,084)	1,632	3,968	293	(518,363)
123,856	**215,906**	**47,841**	**63,129**	**11,208**	**394,785**	**2,817,950**
$ 94,109	**$ 240,238**	**$ 42,757**	**$ 64,761**	**$ 15,176**	**$ 395,078**	**$ 2,299,587**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2017

(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)	$ 37,900	$ (20,646)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(85,086)	—
Amortization of long-term prepaid charges	238	—
Other	14,221	—
Change in account balances:		
Receivables	—	4
Due from other funds	(39,975)	16,209
Due from other governments	—	—
Prepaid items	—	(363)
Inventories	—	—
Net investment in direct financing leases	458,802	—
Deferred outflow of resources	13,383	(7,175)
Accounts payable	184	(6,660)
Due to other funds	—	9,437
Due to other governments	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(7,311)	—
Revenues received in advance	—	215,090
Other current liabilities	(3,068)	(76)
Benefits payable	—	—
Compensated absences payable	—	(1,491)
Other noncurrent liabilities	—	16,116
Deferred inflow of resources	—	(998)
Total adjustments	351,388	240,093
Net cash provided by (used in) operating activities	**$ 389,288**	**$ 219,447**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ (5,074)	$ 81,806	$ 63,002	$ (39,076)	$ (9,261)	$ (255,129)	$ (146,478)
12,591	7,657	737	27,372	7,502	233	56,092
—	—	—	—	—	—	(85,086)
—	—	—	—	—	—	238
—	—	—	—	—	—	14,221
345	253	(12)	(94)	18,363	54,207	73,066
4,929	578	(7,732)	(4,961)	(13,441)	(39,493)	(83,886)
(702)	89	—	(160)	—	2,053	1,280
(28,348)	(505)	102	155	880	(465)	(28,544)
3,951	(3,414)	—	(3,022)	(208)	—	(2,693)
—	—	—	—	—	—	458,802
(50,364)	(10,823)	(4,347)	(38,632)	—	(44,388)	(142,346)
(10,565)	5,312	(9,852)	(1,615)	(120)	61,917	38,601
8,044	(96)	(983)	6,491	(1,142)	37,987	59,738
310	—	14	(19)	3	975	1,283
415	—	—	—	—	—	415
(559)	—	—	7,992	2,806	—	10,239
—	—	—	—	—	—	(7,311)
13	288	—	—	124	136,475	351,990
38	18	—	—	(492)	247	(3,333)
—	—	—	—	—	3,986	3,986
(11,276)	76	(441)	(3,525)	—	1,568	(15,089)
100,920	22,191	8,669	73,147	6,538	74,166	301,747
(7,114)	(982)	(604)	(4,802)	—	(6,039)	(20,539)
22,628	20,642	(14,449)	58,327	20,813	283,429	982,871
$ 17,554	**$ 102,448**	**$ 48,553**	**$ 19,251**	**$ 11,552**	**$ 28,300**	**$ 836,393**

(concluded)

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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 **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, 2017

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 630,939	$ 173,256	$ 252,285	$ 1,056,480
Restricted assets:				
Cash and pooled investments	443,576	—	—	443,576
Due from other governments	100,385	—	—	100,385
Receivables (net)	186	33,526	612	34,324
Due from other funds	2,540	353	647	3,540
Due from other governments	159,907	—	248	160,155
Prepaid items	—	—	12	12
Inventories	—	—	2,872	2,872
Total current assets	1,337,533	207,135	256,676	1,801,344
Noncurrent assets:				
Restricted assets:				
Loans receivable	1,276,297	—	—	1,276,297
Investments	—	17,964	—	17,964
Interfund receivables	—	—	1,600	1,600
Loans receivable	2,505,265	880,725	110,877	3,496,867
Capital assets:				
Land	—	443	829	1,272
Buildings and other depreciable property	—	16,260	2,650	18,910
Intangible assets – amortizable	—	—	1,681	1,681
Less: accumulated depreciation/amortization	—	(16,151)	(1,963)	(18,114)
Construction/development in progress	—	—	187	187
Other noncurrent assets	—	1,961	—	1,961
Total noncurrent assets	3,781,562	901,202	115,861	4,798,625
Total assets	**5,119,095**	**1,108,337**	**372,537**	**6,599,969**
DEFERRED OUTFLOWS OF RESOURCES	—	5,006	8,751	13,757
Total assets and deferred outflows of resources	**$ 5,119,095**	**$ 1,113,343**	**$ 381,288**	**$ 6,613,726**

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ —	$ 26	$ 2,564	$ 2,590
Due to other funds	82	707	1,795	2,584
Due to other governments	—	—	24	24
Revenues received in advance	21	—	50	71
Interest payable	10,603	13,882	—	24,485
Current portion of long-term obligations	46,201	5,710	10,142	62,053
Other current liabilities	—	—	1	1
Total current liabilities	56,907	20,325	14,576	91,808
Noncurrent liabilities:				
Compensated absences payable	—	—	9,384	9,384
Workers' compensation benefits payable	—	—	1,546	1,546
General obligation bonds payable	—	612,934	—	612,934
Revenue bonds payable	988,785	330,924	—	1,319,709
Net other postemployment benefits obligation	—	5,888	10,396	16,284
Net pension liability	—	19,171	23,675	42,846
Other noncurrent liabilities	—	329	38,620	38,949
Total noncurrent liabilities	988,785	969,246	83,621	2,041,652
Total liabilities	**1,045,692**	**989,571**	**98,197**	**2,133,460**
DEFERRED INFLOWS OF RESOURCES	—	44	33	77
Total liabilities and deferred inflows of resources	**1,045,692**	**989,615**	**98,230**	**2,133,537**
NET POSITION				
Net investment in capital assets	—	552	3,384	3,936
Restricted – expendable:				
Debt service	157,601	—	—	157,601
Security for revenue bonds	1,376,682	—	—	1,376,682
Other purposes	—	123,176	205,170	328,346
Total expendable	1,534,283	123,176	205,170	1,862,629
Unrestricted	2,539,120	—	74,504	2,613,624
Total net position	**4,073,403**	**123,728**	**283,058**	**4,480,189**
Total liabilities, deferred inflows of resources, and net position	**$ 5,119,095**	**$ 1,113,343**	**$ 381,288**	**$ 6,613,726**

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

Nonmajor Enterprise Funds

Year Ended June 30, 2017

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
OPERATING REVENUES				
Services and sales	$ 10,277	$ 2,491	$ 91,284	$ 104,052
Investment and interest	59,615	47,693	362	107,670
Rent	—	—	108	108
Other	—	1,933	38	1,971
Total operating revenues	**69,892**	**52,117**	**91,792**	**213,801**
OPERATING EXPENSES				
Personal services	—	14,390	22,461	36,851
Supplies	—	—	37,266	37,266
Services and charges	3,602	16,802	15,291	35,695
Depreciation	—	89	379	468
Interest expense	—	31,604	—	31,604
Other	350	—	—	350
Total operating expenses	**3,952**	**62,885**	**75,397**	**142,234**
Operating income (loss)	65,940	(10,768)	16,395	71,567
NONOPERATING REVENUES (EXPENSES)				
Investment and interest income	6,020	—	1,385	7,405
Interest expense and fiscal charges	(12,458)	—	—	(12,458)
Other	(702)	725	—	23
Total nonoperating revenues (expenses)	**(7,140)**	**725**	**1,385**	**(5,030)**
Income (loss) before capital contributions and transfers	58,800	(10,043)	17,780	66,537
Capital contributions	61,027	—	—	61,027
Change in net position	119,827	(10,043)	17,780	127,564
Total net position – beginning	**3,953,576**	**133,771**	**265,278**	**4,352,625**
Total net position – ending	**$ 4,073,403**	**$ 123,728**	**$ 283,058**	**$ 4,480,189**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2017

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/employers	$ 56,298	$ 201,094	$ 93,595	$ 350,987
Receipts from interfund services provided	—	—	3,855	3,855
Payments to suppliers	(3,902)	(7,181)	(48,489)	(59,572)
Payments to employees	—	(14,390)	(23,236)	(37,626)
Payments for interfund services used	(42)	—	(603)	(645)
Other receipts (payments)	(297,742)	(249,230)	(12,924)	(559,896)
Net cash provided by (used in) operating activities	**(245,388)**	**(69,707)**	**12,198**	**(302,897)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from general obligation bonds	—	169,559	—	169,559
Retirement of general obligation bonds	—	(43,775)	—	(43,775)
Proceeds from revenue bonds	529,467	—	—	529,467
Retirement of revenue bonds	(12,940)	(131,010)	—	(143,950)
Interest paid	(21,046)	—	—	(21,046)
Grants received	61,009	—	—	61,009
Net cash provided by (used in) noncapital financing activities	**556,490**	**(5,226)**	**—**	**551,264**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	—	—	(275)	(275)
Proceeds from sale of capital assets	—	—	94	94
Net cash provided by (used in) capital and related financing activities	**—**	**—**	**(181)**	**(181)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	—	(1,332)	—	(1,332)
Proceeds from maturity and sale of investments	—	525	—	525
Earnings on investments	4,274	—	1,385	5,659
Net cash provided by (used in) investing activities	**4,274**	**(807)**	**1,385**	**4,852**
Net increase (decrease) in cash and pooled investments	315,376	(75,740)	13,402	253,038
Cash and pooled investments – beginning	**759,139**	**248,996**	**238,883**	**1,247,018**
Cash and pooled investments – ending	**$ 1,074,515**	**$ 173,256**	**$ 252,285**	**$ 1,500,056**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2017

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 65,940	$ (10,768)	$ 16,395	$ 71,567
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	—	89	379	468
Provisions and allowances	—	855	—	855
Amortization of premiums and discounts	—	(295)	—	(295)
Other	(11,237)	—	—	(11,237)
Change in account balances:				
Receivables	—	(389)	1,534	1,145
Due from other funds	(42)	—	(99)	(141)
Due from other governments	(1,807)	—	70	(1,737)
Prepaid items	—	—	(12)	(12)
Inventories	—	—	(441)	(441)
Other current assets	—	1,835	—	1,835
Loans receivable	(298,248)	(64,578)	3,620	(359,206)
Deferred outflow of resources	—	(1,693)	(3,656)	(5,349)
Accounts payable	—	(397)	637	240
Due to other funds	50	(14)	91	127
Due to other governments	—	—	20	20
Interest payable	—	(571)	—	(571)
Revenues received in advance	3	—	17	20
Other current liabilities	(47)	—	237	190
Benefits payable	—	—	672	672
Compensated absences payable	—	—	(1,220)	(1,220)
Other noncurrent liabilities	—	6,335	(5,553)	782
Deferred inflows of resources	—	(116)	(493)	(609)
Total adjustments	(311,328)	(58,939)	(4,197)	(374,464)
Net cash provided by (used in) operating activities	**$ (245,388)**	**$ (69,707)**	**$ 12,198**	**$ (302,897)**

(concluded)

Noncash investing, capital, and financing activities				
Miscellaneous noncash activities	$ —	$ 842	$ —	$ 842

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, 2017
(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	$ —	$ 91,168	$ 25,240	$ 116,408
Investments, at fair value:				
Equity securities	3,945,139	—	—	3,945,139
Debt securities	2,414,142	—	—	2,414,142
Real estate	239,299	—	—	239,299
Other	1,127,103	—	—	1,127,103
Total investments	7,725,683	—	—	7,725,683
Receivables (net)	23,768	65,264	—	89,032
Due from other funds	—	16,802	55	16,857
Other assets	—	167,893	—	167,893
Total assets	**7,749,451**	**341,127**	**25,295**	**8,115,873**
LIABILITIES				
Accounts payable	23,995	14,291	18,628	56,914
Deposits	—	167,893	4,906	172,799
Other liabilities	—	2	315	317
Total liabilities	**23,995**	**182,186**	**23,849**	**230,030**
NET POSITION				
Held in trust for individuals, organizations, or other governments	**$ 7,725,456**	**$ 158,941**	**$ 1,446**	**$ 7,885,843**

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2017

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	$ 376,935	$ —	$ —	$ 376,935
Interest, dividends, and other investment income	341,823	—	—	341,823
Less: investment expense	(3,409)	—	—	(3,409)
Net investment income	715,349	—	—	715,349
Receipts from depositors	3,565,028	455,900	5,828	4,026,756
Total additions	**4,280,377**	**455,900**	**5,828**	**4,742,105**
DEDUCTIONS				
Administrative expenses	—	—	7	7
Payments to and for depositors	3,302,926	371,051	5,782	3,679,759
Total deductions	**3,302,926**	**371,051**	**5,789**	**3,679,766**
Change in net position	977,451	84,849	39	1,062,339
Net position – beginning	**6,748,005**	**74,092**	**1,407**	**6,823,504**
Net position – ending	**$ 7,725,456**	**$ 158,941**	**$ 1,446**	**$ 7,885,843**

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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.

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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, 2017

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	**State Teachers' Retirement**	**Judges' Retirement**
ASSETS			
Cash and pooled investments	$ 1,465,521	$ 607,153	$ 1,837
Investments, at fair value:			
Short-term	27,834,333	4,096,922	44,216
Equity securities	145,129,917	113,333,185	—
Debt securities	91,850,723	36,788,912	—
Real estate	35,436,160	26,749,881	—
Securities lending collateral	4,761,792	18,191,295	—
Other	26,008,511	29,649,889	—
Total investments	331,021,436	228,810,084	44,216
Receivables (net)	6,531,380	3,159,700	2,424
Due from other funds	696,186	—	40
Due from other governments	—	15,238	—
Loans receivable	—	2,819,332	—
Other assets	599,225	258,764	—
Total assets	**340,313,748**	**235,670,271**	**48,517**
DEFERRED OUTFLOWS OF RESOURCES	—	70,934	—
Total assets and deferred outflows of resources	**340,313,748**	**235,741,205**	**48,517**
LIABILITIES			
Accounts payable	7,045	3,636,022	11
Due to other governments	—	170,653	74
Benefits payable	102,493	234,379	—
Securities lending obligations	4,755,419	18,184,444	—
Loans payable	—	2,824,259	—
Other liabilities	8,949,793	401,022	157
Total liabilities	**13,814,750**	**25,450,779**	**242**
DEFERRED INFLOWS OF RESOURCES	—	526	—
Total liabilities and deferred inflows of resources	**13,814,750**	**25,451,305**	**242**
NET POSITION			
Restricted for pension and other postemployment benefits	326,498,998	210,289,900	48,275
Held in trust for:			
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	**$ 326,498,998**	**$ 210,289,900**	**$ 48,275**

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**
$ 11,865	$ 554	$ 27,028	$ 16,070	$ 14,175	$ 2,144,203
71,044	6,452	420,326	2,622,369	32,660	35,128,322
768,395	37,063	4,115,363	8,316,109	43,605	271,743,637
529,938	76,005	2,394,558	1,631,269	44,553	133,315,958
—	—	—	—	—	62,186,041
17,979	766	1,069	—	—	22,972,901
—	—	—	2,378,323	—	58,036,723
1,387,356	120,286	6,931,316	14,948,070	120,818	583,383,582
39,901	3,356	146,281	29,474	838	9,913,354
18	—	28	37	27	696,336
—	—	—	3	—	15,241
—	—	—	3,817	—	2,823,149
—	—	—	—	—	857,989
1,439,140	**124,196**	**7,104,653**	**14,997,471**	**135,858**	**599,833,854**
—	—	—	262	88	71,284
1,439,140	**124,196**	**7,104,653**	**14,997,733**	**135,946**	**599,905,138**
19	17	—	2,756	622	3,646,492
—	—	—	7	—	170,734
—	46	36,991	1,887	797	376,593
17,955	765	1,068	—	—	22,959,651
—	—	—	—	—	2,824,259
65,067	6,484	275,305	3,071	2,414	9,703,313
83,041	**7,312**	**313,364**	**7,721**	**3,833**	**39,681,042**
—	—	—	2	12	540
83,041	**7,312**	**313,364**	**7,723**	**3,845**	**39,681,582**
1,356,099	116,884	6,791,289	—	120,704	545,222,149
—	—	—	14,990,010	—	14,990,010
—	—	—	—	11,397	11,397
$ 1,356,099	**$ 116,884**	**$ 6,791,289**	**$ 14,990,010**	**$ 132,101**	**$ 560,223,556**

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, 2017
(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer	$ 12,329,837	$ 4,173,235	$ 204,475
Plan member	4,214,578	3,440,883	3,398
Non-employer	—	2,478,230	—
Total contributions	16,544,415	10,092,348	207,873
Investment income:			
Net appreciation (depreciation) in fair value of investments	31,358,058	20,431,830	—
Interest, dividends, and other investment income	2,713,331	5,132,334	425
Less: investment expense	(954,175)	(398,984)	(1)
Net investment income (loss)	33,117,214	25,165,180	424
Other	12,814	72,005	2,395
Total additions	**49,674,443**	**35,329,533**	**210,692**
DEDUCTIONS			
Distributions to beneficiaries	21,215,889	13,787,036	200,440
Refunds of contributions	222,275	115,509	—
Administrative expense	441,283	192,617	1,771
Interest expense	—	57,958	—
Payments to and for depositors	—	—	—
Total deductions	**21,879,447**	**14,153,120**	**202,211**
Change in net position	27,794,996	21,176,413	8,481
Net position – beginning	**298,704,002**	**189,113,487**	**39,794**
Net position – ending	**$ 326,498,998**	**$ 210,289,900**	**$ 48,275**

[1] The Annuitants' Health Care Coverage fund was included in the Other Pension and Other Employee Benefit Trust column in the prior year.

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**
$ 67,102	$ 516	$ 3,754,709	$ 1,399	$ 29,117	$ 20,560,390
25,076	94	—	677,231	39,541	8,400,801
—	—	—	—	—	2,478,230
92,178	610	3,754,709	678,630	68,658	31,439,421
114,624	5,038	561,746	1,491,555	6,860	53,969,711
1,257	77	1,591	15,471	86	7,864,572
(824)	(67)	(2,766)	(518)	(45)	(1,357,380)
115,057	5,048	560,571	1,506,508	6,901	60,476,903
—	—	4,995	19,391	2,696	114,296
207,235	**5,658**	**4,320,275**	**2,204,529**	**78,255**	**92,030,620**
22,326	6,960	2,647,480	37,091	68,284	37,985,506
80	289	—	4,693	—	342,846
1,683	575	3,014	22,724	2,697	666,364
—	—	—	—	—	57,958
—	—	680	377,703	11,041	389,424
24,089	**7,824**	**2,651,174**	**442,211**	**82,022**	**39,442,098**
183,146	(2,166)	1,669,101	1,762,318	(3,767)	52,588,522
1,172,953	**119,050**	**5,122,188** [1]	**13,227,692**	**135,868** [1]	**507,635,034**
$ 1,356,099	**$ 116,884**	**$ 6,791,289**	**$ 14,990,010**	**$ 132,101**	**$ 560,223,556**

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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, 2017

(amounts in thousands)

	Receipting and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	$ 2,657,727	$ 1,792,052	$ 27,470	$ 4,477,249
Receivables (net)	3,477,332	254,650	1,460	3,733,442
Due from other funds	19,628,211	4,082	802	19,633,095
Due from other governments	36,903	263	—	37,166
Loans receivable	—	—	4,328	4,328
Other assets	55	37,015	—	37,070
Total assets	**$ 25,800,228**	**$ 2,088,062**	**$ 34,060**	**$ 27,922,350**
LIABILITIES				
Accounts payable	$ 17,917,915	$ 91,472	$ 3,787	$ 18,013,174
Due to other governments	7,833,556	4,443	6,569	7,844,568
Tax overpayments	832	—	—	832
Revenues received in advance	—	794	—	794
Deposits	36,312	1,133,066	10,344	1,179,722
Other liabilities	11,613	858,287	13,360	883,260
Total liabilities	**$ 25,800,228**	**$ 2,088,062**	**$ 34,060**	**$ 27,922,350**

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2017

(amounts in thousands)

Receipting and Disbursing Fund

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and pooled investments	$ 2,729,053	$ 210,409,425	$ 210,480,751	$ 2,657,727
Receivables (net)	3,665,883	5,008,736	5,197,287	3,477,332
Due from other funds	18,757,825	32,958,251	32,087,865	19,628,211
Due from other governments	34,625	945,841	943,563	36,903
Other assets	55	—	—	55
Total assets	**$ 25,187,441**	**$ 249,322,253**	**$ 248,709,466**	**$ 25,800,228**
LIABILITIES				
Accounts payable	$ 16,985,632	$ 53,391,158	$ 52,458,875	$ 17,917,915
Due to other governments	8,172,020	33,506,461	33,844,925	7,833,556
Tax overpayments	646	117,729	117,543	832
Deposits	29,009	7,303	—	36,312
Other liabilities	134	11,479	—	11,613
Total liabilities	**$ 25,187,441**	**$ 87,034,130**	**$ 86,421,343**	**$ 25,800,228**

Deposit Fund

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and pooled investments	$ 3,062,415	$ 20,107,486	$ 21,377,849	$ 1,792,052
Receivables (net)	162,694	638,083	546,127	254,650
Due from other funds	3,665	86,187	85,770	4,082
Due from other governments	281	15	33	263
Other assets	15	37,015	15	37,015
Total assets	**$ 3,229,070**	**$ 20,868,786**	**$ 22,009,794**	**$ 2,088,062**
LIABILITIES				
Accounts payable	$ 128,859	$ 849,771	$ 887,158	$ 91,472
Due to other governments	4,087	1,953	1,597	4,443
Revenues received in advance	680	114	—	794
Deposits	1,239,867	345,347	452,148	1,133,066
Other liabilities	1,855,577	26,071	1,023,361	858,287
Total liabilities	**$ 3,229,070**	**$ 1,223,256**	**$ 2,364,264**	**$ 2,088,062**

Other Agency Activity Funds

		Balance July 1, 2016		Additions		Deductions		Balance June 30, 2017
ASSETS								
Cash and pooled investments	$	24,250	$	3,220	$	—	$	27,470
Receivables (net)		1,452		8		—		1,460
Due from other funds		777		25		—		802
Loans receivable		7,935		—		3,607		4,328
Total assets	**$**	**34,414**	**$**	**3,253**	**$**	**3,607**	**$**	**34,060**
LIABILITIES								
Accounts payable	$	3,472	$	315	$	—	$	3,787
Due to other governments		6,529		419		379		6,569
Deposits		10,353		12		21		10,344
Other liabilities		14,060		—		700		13,360
Total liabilities	**$**	**34,414**	**$**	**746**	**$**	**1,100**	**$**	**34,060**

Total Agency Funds

		Balance July 1, 2016		Additions		Deductions		Balance June 30, 2017
ASSETS								
Cash and pooled investments	$	5,815,718	$	230,520,131	$	231,858,600	$	4,477,249
Receivables (net)		3,830,029		5,646,827		5,743,414		3,733,442
Due from other funds		18,762,267		33,044,463		32,173,635		19,633,095
Due from other governments		34,906		945,856		943,596		37,166
Loans receivable		7,935		—		3,607		4,328
Other assets		70		37,015		15		37,070
Total assets	**$**	**28,450,925**	**$**	**270,194,292**	**$**	**270,722,867**	**$**	**27,922,350**
LIABILITIES								
Accounts payable	$	17,117,963	$	54,241,244	$	53,346,033	$	18,013,174
Due to other governments		8,182,636		33,508,833		33,846,901		7,844,568
Tax overpayments		646		117,729		117,543		832
Revenues received in advance		680		114		—		794
Deposits		1,279,229		352,662		452,169		1,179,722
Other liabilities		1,869,771		37,550		1,024,061		883,260
Total liabilities	**$**	**28,450,925**	**$**	**88,258,132**	**$**	**88,786,707**	**$**	**27,922,350**

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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, 2016.

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, 2017

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	$ 3,240	$ 439,352
Investments	—	503,066
Restricted assets:		
Cash and pooled investments	369,261	—
Investments	44,699	—
Receivables (net)	19,922	272,853
Prepaid items	500	—
Other current assets	—	34,936
Total current assets	437,622	1,250,207
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	34,934
Investments	77,032	—
Investments	—	2,005,044
Receivables (net)	—	232,217
Loans receivable	321,942	
Capital assets:		
Land	—	128,445
Collections – nondepreciable	—	7,931
Buildings and other depreciable property	9	1,215,755
Intangible assets – amortizable	—	10,259
Less: accumulated depreciation/amortization	(3)	(568,699)
Construction/development in progress	—	27,623
Intangible assets – nonamortizable	—	5,098
Other noncurrent assets	—	36,763
Total noncurrent assets	398,980	3,135,370
Total assets	**836,602**	**4,385,577**
DEFERRED OUTFLOWS OF RESOURCES	6,506	29,972
Total assets and deferred outflows of resources	**$ 843,108**	**$ 4,415,549**

District Agricultural Associations	Other Component Units	Total
$ 107,537	$ 610,484	$ 1,160,613
—	—	503,066
9,836	7,490	386,587
3,297	—	47,996
5,952	36,764	335,491
856	3,168	4,524
112	—	35,048
127,590	657,906	2,473,325
—	—	34,934
3,297	—	80,329
—	73,445	2,078,489
—	12,168	244,385
—	3,212	325,154
22,245	5,089	155,779
—	421	8,352
735,208	127,523	2,078,495
—	935	11,194
(468,028)	(50,293)	(1,087,023)
10,566	2,118	40,307
197	116	5,411
—	9,004	45,767
303,485	183,738	4,021,573
431,075	**841,644**	**6,494,898**
10,611	2,091	49,180
$ 441,686	**$ 843,735**	**$ 6,544,078**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2017
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,415	$ 94,529
Revenues received in advance	—	80,944
Deposits	—	—
Contracts and notes payable	—	9,170
Interest payable	3,674	—
Current portion of long-term obligations	11,988	64,877
Other current liabilities	65,524	90,938
Total current liabilities	82,601	340,458
Noncurrent liabilities:		
Compensated absences payable	367	5,302
Workers' compensation benefits payable	—	35,878
Commercial paper and other borrowings	—	200
Capital lease obligations	—	261,990
Revenue bonds payable	349,037	51,101
Net other postemployment benefits obligation	1,613	103,433
Net pension liability	8,352	73,658
Other noncurrent liabilities	13,712	449,978
Total noncurrent liabilities	373,081	981,540
Total liabilities	**455,682**	**1,321,998**
DEFERRED INFLOWS OF RESOURCES	37	13,058
Total liabilities and deferred inflows of resources	**455,719**	**1,335,056**
NET POSITION		
Net investment in capital assets	—	264,544
Restricted:		
Nonexpendable – endowments	—	1,174,814
Expendable:		
Endowments and gifts	—	—
Education	—	1,001,637
Statute	385,188	—
Other purposes	2,201	—
Total expendable	387,389	1,001,637
Unrestricted	—	639,498
Total net position	**387,389**	**3,080,493**
Total liabilities, deferred inflows of resources, and net position	**$ 843,108**	**$ 4,415,549**

District Agricultural Associations	Other Component Units	Total
$ 9,035	$ 615,851	$ 720,830
3,837	829	85,610
1,626	373	1,999
91	196	9,457
350	—	4,024
2,576	1,930	81,371
4,128	5,983	166,573
21,643	625,162	1,069,864
8,440	32	14,141
366	—	36,244
—	—	200
—	—	261,990
45,056	19,804	464,998
8,567	688	114,301
91,158	21,931	195,099
7,396	21,817	492,903
160,983	64,272	1,579,876
182,626	**689,434**	**2,649,740**
2,621	5,237	20,953
185,247	**694,671**	**2,670,693**
248,742	65,440	578,726
—	23,428	1,198,242
—	10,739	10,739
—	20,990	1,022,627
—	—	385,188
13,666	13,149	29,016
13,666	44,878	1,447,570
(5,969)	15,318	648,847
256,439	**149,064**	**3,873,385**
$ 441,686	**$ 843,735**	**$ 6,544,078**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2017

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	$ 4,060	$ 383,971
Scholarships and fellowships	—	64,420
Supplies	—	—
Services and charges	7,389	1,183,866
Depreciation	3	53,002
Interest expense and fiscal charges	11,081	19,001
Other	—	62,862
Total operating expenses	**22,533**	**1,767,122**
PROGRAM REVENUES		
Charges for services	2,456	769,363
Operating grants and contributions	1,183	620,932
Capital grants and contributions	—	11,372
Total program revenues	**3,639**	**1,401,667**
Net revenues (expenses)	(18,894)	(365,455)
GENERAL REVENUES		
Investment and interest income (loss)	12,690	212,572
Other	1,588	481,565
Total general revenues	**14,278**	**694,137**
Change in net position	(4,616)	328,682
Net position – beginning	**392,005 ***	**2,751,811**
Net position – ending	**$ 387,389**	**$ 3,080,493**

* Restated

District Agricultural Associations	Other Component Units	Total
$ 110,200	$ 34,842	$ 533,073
—	4,246	68,666
—	10,513	10,513
112,810	29,345	1,333,410
20,810	3,033	76,848
1,581	970	32,633
486	7,434	70,782
245,887	**90,383**	**2,125,925**
246,899	60,732	1,079,450
—	17,395	639,510
172	598	12,142
247,071	**78,725**	**1,731,102**
1,184	(11,658)	(394,823)
145	12,896	238,303
1,705	10,619	495,477
1,850	**23,515**	**733,780**
3,034	11,857	338,957
253,405	**137,207**	**3,534,428**
$ 256,439	**$ 149,064**	**$ 3,873,385**

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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)

	2008	2009	2010	2011 [2]
Governmental activities				
Net investment in capital assets	$ 84,255,048	$ 83,285,184	$ 84,085,632	$ 85,460,957
Restricted – Expendable	10,148,648	8,391,814	14,987,867	27,865,821
Unrestricted [1]	(69,346,950)	(86,302,434)	(103,272,097)	(123,783,314)
Total governmental activities net position (deficit)	**$ 25,056,746**	**$ 5,374,564**	**$ (4,198,598)**	**$ (10,456,536)**
Business-type activities				
Net investment in capital assets	$ 49,510	$ (130,634)	$ 89,334	$ 1,382,957
Restricted – Nonexpendable	—	—	—	21,812
Restricted – Expendable	6,853,621	3,855,051	3,404,682	3,615,945
Unrestricted	3,009,297	717,740	(4,250,609)	(4,214,494)
Total business-type activities net position (deficit)	**$ 9,912,428**	**$ 4,442,157**	**$ (756,593)**	**$ 806,220**
Primary government				
Net investment in capital assets	$ 84,304,558	$ 83,154,550	$ 84,174,966	$ 86,843,914
Restricted – Nonexpendable	—	—	—	21,812
Restricted – Expendable	17,002,269	12,246,865	18,392,549	31,481,766
Unrestricted	(66,337,653)	(85,584,694)	(107,522,706)	(127,997,808)
Total primary government net position (deficit)	**$ 34,969,174**	**$ 9,816,721**	**$ (4,955,191)**	**$ (9,650,316)**

[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 obligation 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.

2012	2013	2014 [3]	2015 [4]	2016	2017
$ 80,768,527	$ 84,931,030	$ 94,001,659	$ 100,694,652	$ 104,596,917	$ 107,042,274
24,871,510	24,315,913	24,950,740	26,632,502	29,060,971	33,832,232
(123,897,753)	(117,383,903)	(116,948,128)	(169,744,967)	(168,542,861)	(169,499,683)
$ (18,257,716)	**$ (8,136,960)**	**$ 2,004,271**	**$ (42,417,813)**	**$ (34,884,973)**	**$ (28,625,177)**
$ 1,561,258	$ 1,718,648	$ 2,065,550	$ 2,278,252	$ 2,520,621	$ 2,295,270
21,584	20,627	16,219	13,448	8,653	1,746
4,571,036	5,151,915	4,897,314	4,523,496	5,750,634	6,307,218
(3,346,849)	(2,824,738)	(1,661,692)	(5,360,817)	(3,707,406)	(1,321,132)
$ 2,807,029	**$ 4,066,452**	**$ 5,317,391**	**$ 1,454,379**	**$ 4,572,502**	**$ 7,283,102**
$ 82,329,785	$ 86,649,678	$ 96,067,209	$ 102,972,904	$ 107,117,538	$ 109,337,544
21,584	20,627	16,219	13,448	8,653	1,746
29,442,546	29,467,828	29,848,054	31,155,998	34,811,605	40,139,450
(127,244,602)	(120,208,641)	(118,609,820)	(175,105,784)	(172,250,267)	(170,820,815)
$ (15,450,687)	**$ (4,070,508)**	**$ 7,321,662**	**$ (40,963,434)**	**$ (30,312,471)**	**$ (21,342,075)**

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2008	2009	2010	2011 [5]
Governmental activities				
Expenses				
General government [1]	$ 13,187,080	$ 13,895,948	$ 12,454,969	$ 13,520,557
Education	65,130,420	65,643,486	61,764,385	56,486,944
Health and human services	74,309,784	79,077,015	80,799,454	92,475,364
Natural resources and environmental protection	6,333,252	5,626,359	6,019,104	5,853,278
Business, consumer services, and housing	1,129,063	1,518,402	979,962	1,405,019
Transportation	13,068,043	11,980,315	14,155,767	11,119,644
Corrections and rehabilitation	10,504,182	10,835,203	10,310,229	10,295,564
Interest on long-term debt	4,184,631	3,801,283	4,146,259	4,377,064
Total expenses	**187,846,455**	**192,378,011**	**190,630,129**	**195,533,434**
Program revenues				
Charges for services:				
General government [1]	4,404,126	4,781,126	4,918,132	5,057,082
Education	3,343,205	3,483,072	4,231,692	110,423
Health and human services	5,191,548	4,256,069	3,769,794	8,471,261
Natural resources and environmental protection	2,648,952	2,578,738	2,597,712	2,797,264
Business, consumer services, and housing	692,348	658,486	654,034	660,196
Transportation	3,987,958	4,210,461	5,420,261	4,010,433
Corrections and rehabilitation	27,702	21,592	18,097	14,981
Operating grants/contributions	45,849,413	57,828,622	75,469,783	67,849,215
Capital grants/contributions	1,207,101	1,142,691	962,388	1,272,326
Total program revenues	**67,352,353**	**78,960,857**	**98,041,893**	**90,243,181**
Total governmental activities net program expenses	**(120,494,102)**	**(113,417,154)**	**(92,588,236)**	**(105,290,253)**
General revenues and other changes in net position				
General revenues:				
Personal income taxes	55,355,266	45,709,344	43,866,857	51,719,107
Sales and use taxes	34,856,824	31,244,979	33,784,106	33,521,221
Corporation taxes	11,207,468	10,741,140	9,472,611	9,384,416
Motor vehicle excise taxes [2]	—	—	—	—
Insurance taxes	2,190,870	2,063,555	2,235,251	2,311,880
Managed care organization enrollment tax [3]	—	—	—	—
Other taxes [2]	5,594,970	5,264,685	5,234,531	7,768,010
Investment and interest	639,059	175,584	114,933	62,946
Escheat	282,287	315,642	149,996	229,146
Gain (loss) on early extinguishment of debt [4]	—	—	—	—
Transfers	54,994	21,015	(13,441,875)	(3,251,598)
Total general revenues and other changes in net position	**110,181,738**	**95,535,944**	**81,416,410**	**101,745,128**
Total governmental activities change in net position	**$ (10,312,364)**	**$ (17,881,210)**	**$ (11,171,826)**	**$ (3,545,125)**

[1] Tax relief program expenses and revenues reported separately prior to fiscal year 2009 are now included with "general government."

[2] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[3] 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.

[4] 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 the current refunding of a portion of its capital appreciation bonds.

[5] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[6] In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

2012	2013	2014 [6]	2015	2016	2017
$ 14,411,737	$ 15,390,100	$ 14,292,179	$ 15,804,281	$ 16,686,037	$ 17,400,482
51,288,647	50,586,387	54,719,677	59,521,018	65,467,497	67,377,805
89,939,730	94,069,749	105,037,102	122,063,805	127,543,288	135,090,171
5,950,635	5,670,922	5,854,685	6,419,591	6,988,442	7,342,079
1,241,269	1,475,486	589,715	903,782	814,676	1,163,511
13,719,927	12,836,192	13,427,229	12,897,591	12,120,820	12,947,296
10,343,574	10,081,736	11,234,705	11,483,573	11,875,294	13,086,499
4,365,181	4,349,632	4,699,265	4,880,625	4,231,581	4,191,283
191,260,700	**194,460,204**	**209,854,557**	**233,974,266**	**245,727,635**	**258,599,126**
6,841,334	6,196,586	5,994,608	6,502,363	6,525,736	5,825,533
81,212	64,480	67,165	53,498	66,298	74,548
4,940,650	8,761,781	7,961,897	8,259,696	10,630,859	11,638,503
2,866,232	3,269,315	3,403,524	4,546,413	4,823,861	3,998,751
724,222	682,503	586,055	626,960	823,189	844,445
4,342,668	4,082,616	4,247,258	4,382,901	4,532,300	4,611,244
16,757	45,153	13,645	18,557	19,411	17,988
58,777,006	60,943,536	69,861,130	84,896,237	86,628,827	89,497,290
2,193,189	1,669,021	1,515,890	1,319,430	1,480,351	3,027,780
80,783,270	**85,714,991**	**93,651,172**	**110,606,055**	**115,530,832**	**119,536,082**
(110,477,430)	**(108,745,213)**	**(116,203,385)**	**(123,368,211)**	**(130,196,803)**	**(139,063,044)**
54,368,347	67,502,738	68,793,292	78,098,865	80,303,076	85,712,013
31,216,438	33,839,065	36,477,724	38,224,080	39,121,061	38,726,332
8,629,935	7,289,910	9,102,128	10,720,647	9,213,173	11,128,198
5,263,435	5,219,605	5,777,167	5,393,994	5,028,589	4,878,953
2,408,473	2,295,579	3,359,043	3,926,319	4,203,885	2,719,489
—	—	—	—	—	2,282,313
2,368,748	2,498,248	2,302,231	2,235,498	2,158,874	2,574,456
72,237	57,285	80,969	58,016	131,615	149,135
372,215	551,580	487,937	400,807	304,960	325,755
—	—	(54,537)	—	40,516	30,986
(2,031,032)	(1,997,759)	(2,296,010)	(2,554,970)	(2,800,101)	(3,083,437)
102,668,796	**117,256,251**	**124,029,944**	**136,503,256**	**137,705,648**	**145,444,193**
$ (7,808,634)	**$ 8,511,038**	**$ 7,826,559**	**$ 13,135,045**	**$ 7,508,845**	**$ 6,381,149**

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2008	2009	2010	2011
Business-type activities				
Expenses				
Electric Power	$ 5,362,000	$ 4,560,000	$ 3,908,000	$ 2,317,000
Water Resources	1,009,214	914,837	1,069,662	1,115,793
Public Buildings Construction [5]	371,904	420,465	494,332	390,173
State Lottery	3,173,060	3,069,365	3,166,447	3,507,524
Unemployment Programs	10,622,582	19,609,068	29,614,598	25,619,138
California State University [4]	—	—	—	5,851,355
High Technology Education	16,916	15,590	15,025	9,590
State University Dormitory Building Maintenance and Equipment	699,018	486,349	856,106	—
State Water Pollution Control Revolving	13,056	12,261	16,893	10,953
Housing Loan	132,101	130,777	122,114	104,667
Other enterprise programs	122,921	147,441	130,329	118,006
Total expenses	**21,522,772**	**29,366,153**	**39,393,506**	**39,044,199**
Program revenues				
Charges for services:				
Electric Power	5,362,000	4,560,000	3,908,000	2,317,000
Water Resources	1,009,214	914,837	1,069,662	1,115,793
Public Buildings Construction [5]	384,816	366,151	430,069	456,467
State Lottery	3,242,828	3,051,320	3,145,259	3,484,689
Unemployment Programs	8,829,018	14,273,975	11,255,098	24,678,783
California State University [4]	—	—	—	2,505,545
High Technology Education	20,600	15,975	13,015	10,498
State University Dormitory Building Maintenance and Equipment	640,208	811,454	599,571	—
State Water Pollution Control Revolving	71,404	59,923	56,121	55,957
Housing Loan	130,139	109,636	85,321	89,224
Other enterprise programs	137,476	124,952	98,957	105,676
Operating grants/contributions	—	—	—	1,216,808
Capital grants/contributions	189,064	71,882	91,808	86,272
Total program revenues	**20,016,767**	**24,360,105**	**20,752,881**	**36,122,712**
Total business-type activities net program revenues (expenses)	**(1,506,005)**	**(5,006,048)**	**(18,640,625)**	**(2,921,487)**
Other changes in net position				
Gain (loss) on early extinguishment of debt [3]	—	—	—	—
Transfers	(54,994)	(21,015)	13,441,875	3,251,598
Total business-type activities change in net position	**(1,560,999)**	**(5,027,063)**	**(5,198,750)**	**330,111**
Total primary government change in net position	**$ (11,873,363)**	**$ (22,908,273)**	**$ (16,370,576)**	**$ (3,215,014)**

2012	2013	2014	2015	2016	2017
$ 915,000	$ 488,000	$ 835,000	$ 799,000	$ 728,000	$ 945,000
1,047,574	1,127,195	983,048	1,019,378	1,086,650	1,223,340
403,853	410,404	—	—	—	—
4,431,709	4,499,451	5,078,935	5,560,299	6,315,957	6,271,875
21,111,658	17,599,219	13,673,403	11,390,227	11,458,966	11,907,623
6,181,397	6,196,541	6,544,936	6,847,789	7,199,277	8,001,396
7,778	6,568	847	—	—	—
—	—	—	—	—	—
8,780	3,698	5,072	9,082	11,814	17,112
89,570	70,356	57,206	58,280	55,627	62,885
78,601	58,578	79,641	77,475	84,188	75,397
34,275,920	**30,460,010**	**27,258,088**	**25,761,530**	**26,940,479**	**28,504,628**
915,000	488,000	835,000	799,000	728,000	945,000
1,047,574	1,127,195	983,048	1,019,378	1,086,650	1,223,340
428,260	616,041	—	—	—	—
4,484,291	4,445,921	5,077,976	5,553,418	6,367,902	6,213,074
21,947,781	18,597,962	15,167,258	13,402,902	13,866,028	14,437,094
2,915,123	2,891,432	3,014,030	3,113,988	3,172,154	3,224,919
8,452	5,585	424	—	—	—
—	—	—	—	—	—
57,540	60,173	62,985	65,959	70,245	75,912
84,830	66,050	65,247	57,742	53,617	52,842
74,693	80,540	77,671	78,625	82,029	93,177
1,249,995	1,323,345	1,491,559	1,666,292	1,764,962	1,805,406
106,057	142,304	80,903	107,746	66,914	61,027
33,319,596	**29,844,548**	**26,856,101**	**25,865,050**	**27,258,501**	**28,131,791**
(956,324)	**(615,462)**	**(401,987)**	**103,520**	**318,022**	**(372,837)**
—	—	(26,913)	—	—	—
2,031,032	1,997,759	2,296,010	2,554,970	2,800,101	3,083,437
1,074,708	**1,382,297**	**1,867,110**	**2,658,490**	**3,118,123**	**2,710,600**
$ (6,733,926)	**$ 9,893,335**	**$ 9,693,669**	**$ 15,793,535**	**$ 10,626,968**	**$ 9,091,749**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2008	2009	2010	2011 [1]
General Fund				
Reserved	$ 2,113,149	$ 2,260,504	$ 1,320,782	$ —
Unreserved	(6,282,018)	(18,344,400)	(20,929,640)	—
Nonspendable	—	—	—	148,019
Restricted	—	—	—	156,496
Committed	—	—	—	29,850
Unassigned	—	—	—	(20,273,606)
Total General Fund	**$ (4,168,869)**	**$ (16,083,896)**	**$ (19,608,858)**	**$ (19,939,241)**
All other governmental funds				
Reserved	$ 19,512,083	$ 27,465,566	$ 41,087,578	$ —
Unreserved, reported in:				
Special revenue funds	(1,817,290)	(3,539,254)	(8,554,611)	—
Capital projects funds	(837,349)	686,113	838,879	—
Nonspendable	—	—	—	39,448
Restricted	—	—	—	27,709,325
Committed	—	—	—	2,701,702
Assigned	—	—	—	268,888
Unassigned	—	—	—	(21,847)
Total all other governmental funds	**$ 16,857,444**	**$ 24,612,425**	**$ 33,371,846**	**$ 30,697,516**

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.

2012	2013	2014	2015	2016	2017
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
7,614	140,107	128,609	53,431	75,939	103,903
80,849	178,643	394,246	2,266,635	4,044,911	7,429,825
19,600	22,879	125,120	102,793	68,102	180,755
(23,069,351)	(14,596,085)	(8,092,571)	(4,651,491)	(3,827,224)	(1,904,097)
$ (22,961,288)	**$ (14,254,456)**	**$ (7,444,596)**	**$ (2,228,632)**	**$ 361,728**	**$ 5,810,386**

$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	15,022	27,260	5,620	11,188	20,172
24,790,661	24,137,270	24,269,093	24,224,167	24,885,166	26,233,389
2,109,089	2,318,035	2,914,747	4,090,563	5,652,478	5,847,879
3	209,171	18,857	16,767	14,622	12,033
(103,177)	(176,066)	(20,145)	(6,456)	(1,037)	(15,152)
$ 26,796,576	**$ 26,503,432**	**$ 27,209,812**	**$ 28,330,661**	**$ 30,562,417**	**$ 32,098,321**

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2008	2009	2010	2011 [4]
Revenues				
Personal income taxes	$ 55,197,062	$ 45,482,726	$ 43,884,798	$ 51,691,153
Sales and use taxes	34,764,651	31,425,308	33,696,412	33,488,805
Corporation taxes	11,201,468	10,738,140	9,467,611	9,433,416
Motor vehicle excise taxes [1]	—	—	—	—
Insurance taxes	2,190,870	2,063,555	2,235,251	2,311,881
Managed care organization enrollment tax [2]	—	—	—	—
Other taxes [1]	5,675,894	5,245,416	5,235,801	7,829,662
Intergovernmental	48,969,006	61,053,091	79,183,291	69,160,916
Licenses and permits	5,326,854	5,805,369	6,900,747	6,767,437
Charges for services	1,025,569	986,773	974,181	1,008,647
Fees and penalties	6,800,633	6,204,288	7,291,894	10,262,387
Investment and interest	1,591,025	1,108,058	281,881	212,116
Escheat	282,287	315,642	149,996	229,146
Other	4,265,010	3,933,035	3,555,282	2,941,484
Total revenues	**177,290,329**	**174,361,401**	**192,857,145**	**195,337,050**
Expenditures				
General government [3]	12,745,860	13,075,901	12,036,503	12,997,651
Education	64,367,612	63,857,066	59,229,726	55,547,139
Health and human services	74,102,708	78,731,136	80,321,470	91,941,309
Natural resources and environmental protection	6,123,609	5,209,684	5,456,904	5,254,757
Business, consumer services, and housing	1,239,397	1,266,068	1,088,494	1,183,536
Transportation	14,747,506	13,803,518	14,083,790	13,181,390
Corrections and rehabilitation	9,972,507	9,883,593	9,553,992	9,253,791
Capital outlay	1,724,074	1,432,376	1,691,674	1,128,011
Debt service:				
Bond and commercial paper retirement	8,970,533	5,131,600	3,259,203	3,118,906
Interest and fiscal charges	3,394,433	3,584,358	4,022,922	4,355,110
Total expenditures	**197,388,239**	**195,975,300**	**190,744,678**	**197,961,600**
Excess (deficiency) of revenues over (under) expenditures	(20,097,910)	(21,613,899)	2,112,467	(2,624,550)
Other financing sources (uses)				
General obligation bonds and commercial paper issued	14,193,760	16,764,085	12,039,472	4,525,000
Revenue bonds issued	—	97,635	—	—
Refunding/remarketing debt issued	1,798,685	—	4,176,050	—
Payment to refund/remarket long-term debt	(1,844,006)	—	(4,221,604)	—
Premium on bonds issued	295,439	126,107	267,980	32,607
Proceeds from loans	—	—	1,996,737	35,538
Capital leases [4]	268,686	364,813	811,816	204,631
Transfers in	11,414,132	6,776,476	6,548,447	8,705,229
Transfers out	(11,336,764)	(6,689,658)	(19,952,766)	(11,902,800)
Total other financing sources	**14,789,932**	**17,439,458**	**1,666,132**	**1,600,205**
Total change in fund balance	**$ (5,307,978)**	**$ (4,174,441)**	**$ 3,778,599**	**$ (1,024,345)**
Debt service as a percentage of noncapital expenditures	6.5%	4.6%	3.9%	3.9%

[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] Tax relief program expenditures reported separately prior to fiscal year 2009 are now included with general government.

[4] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

	2012	2013	2014	2015	2016	2017
	$ 54,442,733	$ 67,424,576	$ 68,771,667	$ 78,245,616	$ 79,934,285	$ 85,737,905
	31,205,183	33,869,961	36,409,311	38,389,972	39,136,040	38,741,715
	8,609,935	7,261,910	9,242,454	10,780,647	9,214,173	11,125,198
	5,263,435	5,219,605	5,777,167	5,393,994	5,028,589	4,878,953
	2,408,473	2,295,579	3,359,043	3,926,319	4,203,885	2,719,489
	—	—	—	—	—	2,282,313
	2,306,717	2,425,184	2,297,025	2,312,875	2,185,690	2,565,928
	62,235,671	64,418,808	73,000,600	87,740,667	91,069,753	95,709,784
	6,600,001	6,659,078	6,957,117	7,270,994	7,612,551	8,113,542
	728,980	741,201	769,302	849,895	870,142	860,241
	8,315,452	10,673,104	9,757,476	10,510,727	11,882,699	11,571,934
	175,898	135,928	137,754	119,690	232,285	318,502
	372,215	551,580	488,945	406,899	305,394	327,614
	2,542,505	3,227,347	2,903,335	3,975,144	4,049,789	2,934,157
	185,207,198	**204,903,861**	**219,871,196**	**249,923,439**	**255,725,275**	**267,887,275**
	13,484,305	15,748,069	14,778,214	16,202,395	16,715,892	17,250,720
	50,362,337	49,692,763	53,309,436	62,952,621	65,213,542	67,224,796
	89,473,391	94,621,630	104,781,494	122,259,036	127,201,314	134,372,094
	5,358,575	5,318,332	5,508,860	6,006,446	6,278,363	6,712,838
	1,219,499	1,259,392	621,037	670,774	1,130,213	1,103,694
	15,684,611	15,008,671	15,721,532	15,137,217	14,814,829	15,007,639
	9,805,846	9,681,086	10,395,234	11,182,926	11,450,980	12,276,391
	1,296,413	1,222,342	1,909,010	1,019,335	1,492,442	1,238,700
	4,435,992	5,189,150	7,002,941	8,482,380	6,929,866	9,364,550
	4,453,643	4,363,260	4,321,040	4,473,799	4,057,907	3,986,270
	195,574,612	**202,104,695**	**218,348,798**	**248,386,929**	**255,285,348**	**268,537,692**
	(10,367,414)	2,799,166	1,522,398	1,536,510	439,927	(650,417)
	4,165,515	4,038,095	5,082,305	4,343,165	4,074,980	4,325,075
	—	—	—	—	—	—
	4,300,555	4,634,365	2,077,330	5,086,100	5,220,320	7,074,225
	(4,508,834)	(3,174,613)	(328,024)	(3,865,093)	(4,378,328)	(3,038,281)
	667,931	964,211	505,026	1,116,811	1,037,920	1,309,254
	—	—	—	—	—	—
	528,804	710,440	1,486,204	625,282	1,148,774	988,680
	5,523,644	2,957,762	4,041,250	5,344,134	4,385,123	4,586,199
	(7,499,131)	(4,898,754)	(6,304,047)	(7,934,754)	(7,130,142)	(7,551,627)
	3,178,484	**5,231,506**	**6,560,044**	**4,715,645**	**4,358,647**	**7,693,525**
	$ (7,188,930)	**$ 8,030,672**	**$ 8,082,442**	**$ 6,252,155**	**$ 4,798,574**	**$ 7,043,108**
	4.7%	4.9%	5.3%	5.3%	4.4%	5.1%

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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)

	2007	2008	2009	2010
Personal Income by Industry				
(items restated as footnoted) [1]				
Farm earnings	$ 12,862,117	$ 10,766,257	$ 11,973,440	$ 12,433,312
Forestry, fishing, and other natural resources	6,094,846	6,089,767	6,147,847	6,566,707
Mining	5,194,458	7,140,140	4,119,811	4,514,175
Construction and utilities	89,077,633	75,328,934	65,061,973	62,660,496
Manufacturing	125,304,412	123,299,811	113,518,283	115,688,797
Wholesale trade	58,385,776	57,972,229	52,454,196	53,682,251
Retail trade	80,873,164	73,042,916	68,818,022	70,039,926
Transportation and warehousing	33,337,952	32,451,085	30,688,997	31,303,667
Information, finance, and insurance	127,946,372	118,123,454	120,213,222	130,736,844
Real estate and rental and leasing	25,073,627	32,287,873	33,903,893	36,358,312
Services	416,568,707	436,006,483	419,074,508	430,851,698
Federal, civilian	21,578,358	22,347,584	23,426,267	25,978,417
Military	13,447,304	14,560,197	15,558,704	16,264,215
State and local government	176,638,739	185,038,204	184,143,378	185,265,970
Other [2]	391,468,081	422,075,503	411,546,787	434,789,463
Total personal income	**$ 1,583,851,546**	**$ 1,616,530,437**	**$ 1,560,649,328**	**$ 1,617,134,250**
Average effective rate [3]	5.0%	5.7%	5.2%	4.7%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

[1] 2014 and 2015 information updated.

[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.

	2011	2012	2013	2014	2015	2016
	$ 14,373,226	$ 15,953,332	$ 18,381,388	$ 19,463,549	$ 18,661,343	$ 15,872,000
	6,854,997	7,638,250	8,068,569	8,511,313	9,351,456	10,160,466
	5,106,115	6,001,577	6,428,622	6,628,561	5,727,684	4,231,333
	61,873,357	66,556,171	73,683,266	79,126,958	87,361,101	94,648,028
	120,111,759	124,899,276	126,311,618	133,433,738	139,915,578	145,337,426
	57,472,618	60,035,740	62,295,590	65,542,786	70,011,444	70,485,793
	73,130,362	77,231,735	79,105,234	82,216,813	86,491,921	87,516,068
	34,174,605	35,593,342	37,370,800	39,914,010	43,082,388	47,841,859
	135,518,145	143,425,308	154,787,569	158,547,236	173,355,466	183,634,571
	45,843,400	52,588,792	50,457,768	47,968,810	49,788,062	50,384,164
	458,596,036	496,398,719	500,793,929	537,783,007	576,156,172	604,328,409
	26,293,383	26,445,830	26,044,538	26,624,720	27,768,798	28,486,679
	16,059,376	15,919,310	15,351,742	14,997,338	14,851,842	15,347,937
	189,759,590	189,141,123	194,484,812	204,929,262	215,622,817	226,596,645
	482,266,610	520,738,657	508,391,069	560,337,875	615,518,086	627,819,843
	$ 1,727,433,579	**$ 1,838,567,162**	**$ 1,861,956,514**	**$ 1,986,025,976**	**$ 2,133,664,158**	**$ 2,212,691,221**
	5.3%	5.0%	6.1%	5.6%	6.1%	6.0%

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2007	2008	2009 [1]	2010
Taxable Sales by Industry [1]				
Retail:				
Apparel	$ 20,855,890	$ 22,120,094		
General merchandise	59,897,350	56,425,472		
Specialty	34,122,471	27,380,740		
Food	22,461,059	21,504,308		
Restaurants and bars	51,658,575	52,051,404		
Household	16,720,852	17,199,187		
Building materials	32,656,324	26,647,007		
Automotive	117,864,918	106,555,420		
Other	30,787,663	27,434,795		
Business and personal service	23,355,672	22,045,958		
All other	150,669,375	152,289,155		
Total taxable sales	**$ 561,050,149**	**$ 531,653,540**		
Direct sales tax rate [2]	5.25%	5.25%		
Taxable Sales by Industry (Using NAICS Codes) [1]				
Retail and Food Services:				
Motor vehicle and parts dealers			$ 44,488,198	$ 47,355,568
Furniture and home furnishings stores			8,481,020	8,742,984
Electronics and appliance stores			13,384,338	13,749,019
Building materials, garden equipment, and supplies			23,978,313	24,750,865
Food and beverage			22,546,285	22,787,407
Health and personal care stores			9,244,958	9,525,910
Gasoline stations			39,077,835	45,226,491
Clothing and clothing accessories stores			25,641,272	27,267,430
Sporting goods, hobby, book, and music stores			10,294,172	10,365,480
General merchandise stores			44,921,639	46,323,804
Miscellaneous store retailers			16,385,169	16,569,690
Nonstore retailers			2,849,864	2,830,615
Food services and drinking places			49,921,543	51,282,453
All other outlets			145,278,339	150,570,269
Total taxable sales			**$ 456,492,945**	**$ 477,347,985**
Direct sales tax rate [2]			6.25% [3]	6.25%

Source: California State Board of Equalization (BOE)

[1] Due to the BOE's conversion from business coding to North American Industry Classification System (NAICS) coding for the reporting of Taxable Sales by Industry, industry level data for 2009 and forward is not comparable to that reported for prior years. The NAICS conversion process for over one million permit holders was not completed until the end of 2008; as a result, 2009 was the first year that the BOE used the new format with NAICS codes.

[2] 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.

[3] Rate change was effective on April 1, 2009.

[4] Updated based on more current information.

2011	2012	2013	2014	2015 [4]	2016
$ 53,303,501	$ 61,547,848	$ 67,986,436	$ 73,232,242	$ 80,346,595	$ 84,225,652
9,280,688	9,937,187	10,645,523	11,408,837	12,169,888	12,790,401
14,297,402	14,744,723	14,765,485	15,148,893	16,349,542	17,120,030
26,064,428	27,438,083	29,680,053	31,299,110	33,659,726	35,238,333
23,606,132	24,511,714	25,289,203	26,298,414	27,939,656	27,678,056
10,309,491	10,787,801	11,294,049	11,640,870	12,364,559	13,163,569
55,210,076	58,006,168	56,860,585	55,733,384	47,397,582	43,273,082
29,600,057	32,357,516	34,918,036	36,822,241	38,438,074	39,698,156
10,602,711	10,751,814	11,113,831	11,056,024	11,341,328	11,441,556
48,219,018	49,996,451	51,431,094	52,013,855	48,371,010	48,255,569
17,187,402	17,880,765	18,382,224	19,024,905	19,852,685	19,617,820
3,081,188	4,375,432	7,296,839	8,292,788	9,531,606	11,717,407
54,755,944	59,037,320	62,776,360	67,864,614	73,889,708	78,494,623
165,050,017	177,014,427	184,399,899	195,985,698	202,290,022	206,365,477
$ 520,568,055	**$ 558,387,249**	**$ 586,839,617**	**$ 615,821,875**	**$ 633,941,981**	**$ 649,079,731**
6.25%	6.25%	6.50%	6.50%	6.50%	6.50%

(concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2007 and 2015

Personal Income Tax Filers and Liability by Income Level [1]

	2007			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,475,072	63.1 %	$ 1,692,336	3.4 %
50,000 to 99,999	3,228,296	21.5	5,544,475	11.2
100,000 to 149,999	1,185,625	7.9	5,382,151	10.8
150,000 to 199,999	479,754	3.2	4,055,891	8.2
200,000 to 299,999	328,567	2.2	4,636,561	9.2
300,000 to 399,999	115,441	0.8	2,689,697	5.4
400,000 to 499,999	57,413	0.4	1,870,529	3.8
500,000 to 599,999	33,818	0.2	1,406,770	2.8
600,000 to 699,999	21,418	0.1	1,086,680	2.2
700,000 to 799,999	15,663	0.1	924,559	1.9
800,000 to 899,999	10,743	0.1	726,015	1.5
900,000 to 999,999	8,763	0.1	667,853	1.3
1,000,000 to 1,999,999	33,103	0.2	3,824,419	7.7
2,000,000 to 2,999,999	9,123	0.1	1,981,280	4.0
3,000,000 to 3,999,999	4,148	0.0	1,307,332	2.6
4,000,000 to 4,999,999	2,285	0.0	935,613	1.9
$ 5,000,000 and over	7,045	0.0	10,959,992	22.1
Total	**15,016,277**	**100.0 %**	**$ 49,692,153**	**100.0 %**

	2015			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,733,138	59.7 %	$ 1,493,142	2.1 %
50,000 to 99,999	3,457,434	21.2	6,048,161	8.6
100,000 to 149,999	1,423,390	8.7	6,871,415	9.7
150,000 to 199,999	671,279	4.1	5,862,855	8.3
200,000 to 299,999	524,092	3.3	7,575,259	10.7
300,000 to 399,999	191,247	1.2	4,471,203	6.3
400,000 to 499,999	91,808	0.6	3,043,316	4.3
500,000 to 599,999	50,815	0.3	2,164,174	3.1
600,000 to 699,999	32,404	0.2	1,708,745	2.4
700,000 to 799,999	21,106	0.1	1,331,637	1.8
800,000 to 899,999	15,130	0.1	1,115,407	1.6
900,000 to 999,999	11,665	0.1	990,301	1.4
1,000,000 to 1,999,999	43,790	0.3	5,849,776	8.3
2,000,000 to 2,999,999	11,041	0.1	2,910,335	4.1
3,000,000 to 3,999,999	4,828	0.0	1,879,590	2.7
4,000,000 to 4,999,999	2,727	0.0	1,405,595	2.0
$ 5,000,000 and over	8,051	0.0	15,956,198	22.6
Total	**16,293,945**	**100.0 %**	**$ 70,677,109**	**100.0 %**

Source: California Franchise Tax Board

[1] For California resident tax returns. Calendar year 2015 is the most recent year for which data is available.

[2] Amounts are in thousands.

For Calendar Years 2007 and 2016

Sales Tax Permits and Tax Liability by Industry

	2007 (Using Business Codes) [1]			
	Number of Permits [2]	Percent of Total	Tax Liability [3]	Percent of Total
Retail:				
Apparel	48,563	4.7 %	$ 1,094,934	3.7 %
General merchandise	21,016	2.0	3,144,611	10.7
Specialty	71,686	6.9	1,791,430	6.1
Food	24,259	2.4	1,179,206	4.0
Restaurants and bars	89,036	8.6	2,712,075	9.1
Household	32,410	3.1	877,845	3.0
Building materials	12,006	1.2	1,714,457	5.8
Automotive	43,040	4.2	6,187,908	21.0
Other	140,150	13.6	1,616,352	5.5
Business and personal service	102,018	9.9	1,226,173	4.2
All other	448,736	43.4	7,910,142	26.9
Total	**1,032,920**	**100.0 %**	**$ 29,455,133**	**100.0 %**

	2016 (Using NAICS Codes) [1]			
	Number of Permits	Percent of Total	Tax Liability	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	35,439	3.1 %	$ 5,474,667	13.0 %
Furniture and home furnishings stores	20,410	1.8	831,353	2.0
Electronics and appliance stores	25,161	2.2	1,112,802	2.6
Building materials, garden equipment, and supplies	18,259	1.6	2,290,492	5.4
Food and beverage	35,221	3.0	1,799,074	4.3
Health and personal care stores	41,108	3.6	855,632	2.0
Gasoline stations	10,179	0.9	2,812,750	6.7
Clothing and clothing accessories stores	106,575	9.4	2,580,380	6.1
Sporting goods, hobby, book, and music stores	36,193	3.2	743,701	1.8
General merchandise stores	27,025	2.4	3,136,612	7.4
Miscellaneous store retailers	187,503	16.5	1,275,158	3.0
Nonstore retailers	57,405	5.0	761,631	1.8
Food services and drinking places	111,249	9.8	5,102,150	12.1
All other outlets	426,456	37.5	13,413,756	31.8
Total	**1,138,183**	**100.0 %**	**$ 42,190,158**	**100.0 %**

Source: California Board of Equalization (BOE)

[1] Due to the BOE's conversion from business coding to North American Industry Classification System (NAICS) coding for the reporting of Taxable Sales by Industry, industry level data for 2009 and forward is not comparable to that reported for prior years. The NAICS conversion process for over one million permit holders was not completed until the end of 2008; as a result, 2009 was the first year that the BOE used the new format with NAICS codes.

[2] As of July 1.

[3] Calculated by multiplying the taxable sales by industry shown on pages 264 and 265 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2007-2016

Married Filing Jointly and Surviving Spouse				
	2007	2008	2009	2010
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $13,654	Up to $14,336	Up to $14,120	Up to $14,248
2.0	13,655 – 32,370	14,337 – 33,988	14,121 – 33,478	14,249 – 33,780
4.0	32,371 – 51,088	33,989 – 53,642	33,479 – 52,838	33,781 – 53,314
6.0	51,089 – 70,920	53,643 – 74,466	52,839 – 73,350	53,315 – 74,010
8.0	70,921 – 89,628	74,467 – 94,110	73,351 – 92,698	74,011 – 93,532
9.3	89,629 – 1,000,000	94,111 – 1,000,000	92,699 – 1,000,000	93,533 –1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Single and Married Filing Separately				
	2007	2008	2009	2010
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $6,827	Up to $7,168	Up to $7,060	Up to $7,124
2.0	6,828 – 16,185	7,169 – 16,994	7,061 – 16,739	7,125 – 16,890
4.0	16,186 – 25,544	16,995 – 26,821	16,740 – 26,419	16,891 – 26,657
6.0	25,545 – 35,460	26,822 – 37,233	26,420 – 36,675	26,658 – 37,005
8.0	35,461 – 44,814	37,234 – 47,055	36,676 – 46,349	37,006 – 46,766
9.3	44,815 – 1,000,000	47,056 – 1,000,000	46,350 – 1,000,000	46,767 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Head of Household				
	2007	2008	2009	2010
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $13,662	Up to $14,345	Up to $14,130	Up to $14,257
2.0	13,663 – 32,370	14,346 – 33,989	14,131 – 33,479	14,258 – 33,780
4.0	32,371 – 41,728	33,990 – 43,814	33,480 – 43,157	33,781 – 43,545
6.0	41,729 – 51,643	43,815 – 54,225	43,158 – 53,412	43,546 – 53,893
8.0	51,644 – 61,000	54,226 – 64,050	53,413 – 63,089	53,894 – 63,657
9.3	61,001 – 1,000,000	64,051 – 1,000,000	63,090 – 1,000,000	63,658 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

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)

	2007	2008	2009	2010
Personal income tax revenue [1]	$ 53,289,524	$ 55,197,062	$ 45,482,726	$ 43,884,798
Adjusted gross income [2]	$ 1,059,967,500	$ 972,420,100	$ 881,160,200	$ 939,888,500
Average effective rate [3]	5.0%	5.7%	5.2%	4.7%

[1] Personal income tax revenue is reported on a fiscal year basis.

[2] Source: California Franchise Tax Board. Fiscal year 2016 information reflects returns processed as of December 2017.

[3] The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse					
2011	2012	2013	2014	2015	2016
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $14,632	Up to $14,910	Up to $15,164	Up to $15,498	Up to $15,700	Up to $16,030
14,633 – 34,692	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220	16,031 – 38,002
34,693 – 54,754	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744	38,003 – 59,978
54,755 – 76,008	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546	59,979 – 83,258
76,009 – 96,058	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060	83,259 – 105,224
96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688	103,061 – 526,444	105,225 – 537,500
$1,000,001 and over	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624	526,445 – 631,732	537,501 – 644,998
—	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000	631,733 – 1,000,000	644,999 – 1,000,000
—	$1,000,001 and over	1,000,001 – 1,017,000	1,000,001 – 1,039,374	1,000,001 – 1,052,886	1,000,001 – 1,074,996
—	—	$1,017,001 and over	$1,039,375 and over	$1,052,887 and over	$1,074,997 and over

Single and Married Filing Separately					
2011	2012	2013	2014	2015	2016
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $7,316	Up to $7,455	Up to $7,582	Up to $7,749	Up to $7,850	Up to $8,015
7,317 – 17,346	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610	8,016 – 19,001
17,347 – 27,377	17,677 – 27,897	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372	19,002 – 29,989
27,378 – 38,004	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773	29.990 – 41,629
38,005 – 48,029	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530	41,630 – 52,612
48,030 –1,000,000	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222	52,613 – 268,750
$1,000,001 and over	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866	268,751 – 322,499
—	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443	322,500 – 537,498
—	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000	526,444 – 1,000,000	537,499 – 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

Head of Household					
2011	2012	2013	2014	2015	2016
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $14,642	Up to $14,920	Up to $15,174	Up to $15,508	Up to $15,710	Up to $16,040
14,643 – 34,692	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221	16,041 – 38,003
34,693 – 44,721	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982	38,004 – 48,990
44,722 – 55,348	45,572 – 56,400	46,347 – 57,359	47,367 – 58,621	47,983 – 59,383	48,991 – 60,630
55,349 – 65,376	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142	60,631 – 71,615
65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981	71,616 – 365,499
$1,000,001 and over	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578	365,500 – 438,599
—	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962	438,600 – 730,997
—	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000	715,963 – 1,000,000	730,998 – 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

2011	2012	2013	2014	2015	2016
$ 51,691,153	$ 54,442,733	$ 66,220,132	$ 67,584,256	$ 76,879,115	$ 78,510,777
$ 980,167,100	$ 1,087,823,400	$ 1,091,080,300	$ 1,216,002,700	$ 1,265,341,200	$ 1,318,362,700
5.3%	5.0%	6.1%	5.6%	6.1%	6.0%

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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)

	2008	2009	2010	2011
Governmental activities				
General obligation bonds [1]	$ 56,424,532	$ 68,653,507	$ 77,745,789	$ 79,469,085
Revenue bonds [2]	7,811,832	7,767,855	7,611,939	7,511,092
Certificates of participation and commercial paper [3]	1,736,089	1,407,908	1,342,119	1,335,340
Capital lease obligations [4]	4,376,410	4,456,039	4,967,290	4,882,233
Total governmental activities	**70,348,863**	**82,285,309**	**91,667,137**	**93,197,750**
Business-type activities				
General obligation bonds [1]	1,907,243	1,702,377	1,477,663	1,218,639
Revenue bonds [2]	23,003,097	23,053,114	24,538,094	23,290,315
Commercial paper	67,204	51,307	64,518	139,974
Capital lease obligations	—	—	—	791,489
Total business-type activities	**24,977,544**	**24,806,798**	**26,080,275**	**25,440,417**
Total primary government	**$ 95,326,407**	**$ 107,092,107**	**$ 117,747,412**	**$ 118,638,167**
Debt as a percentage of personal income [5, 7]	6.0%	6.6%	7.5%	7.3%
Amount of debt per capita [6, 7]	$ 2,630	$ 2,926	$ 3,186	$ 3,178

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 282 and 283 for the prior calendar year.

[6] Amount calculated using population data shown on pages 282 and 283 for the prior calendar year.

[7] Some prior years were updated based on more current information.

2012	2013	2014	2015	2016	2017
$ 81,060,111	$ 82,346,211	$ 83,276,347	$ 80,509,802	$ 79,043,295	$ 78,800,117
7,421,198	7,735,053	18,917,443	18,409,971	17,210,499	16,879,900
46,098	538,593	598,094	493,770	771,215	1,158,080
5,176,341	5,319,487	260,088	274,760	370,182	416,468
93,703,748	**95,939,344**	**103,051,972**	**99,688,303**	**97,395,191**	**97,254,565**
1,118,634	887,053	674,394	650,133	794,369	703,754
24,790,918	25,558,129	12,991,827	12,670,619	13,928,374	14,955,858
67,325	77,560	204,647	237,186	47,416	147,765
817,687	909,871	1,250,274	1,210,409	389,385	353,453
26,794,564	**27,432,613**	**15,121,142**	**14,768,347**	**15,159,544**	**16,160,830**
$ 120,498,312	**$ 123,371,957**	**$ 118,173,114**	**$ 114,456,650**	**$ 112,554,735**	**$ 113,415,395**
7.0%	6.7%	6.3%	5.8%	5.3%	5.1%
$ 3,198	$ 3,246	$ 3,083	$ 2,959	$ 2,886	$ 2,890

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2008	2009	2010	2011
Net general bonded debt				
General obligation bonds [1]	$ 47,828,805	$ 61,724,439	$ 71,284,447	$ 73,516,674
Economic Recovery bonds	10,502,970	8,631,445	7,939,005	7,171,050
Less: restricted debt service fund	552,326	894	113,172	143,777
Net Economic Recovery bonds [2]	**9,950,644**	**8,630,551**	**7,825,833**	**7,027,273**
Net general bonded debt	**$ 57,779,449**	**$ 70,354,990**	**$ 79,110,280**	**$ 80,543,947**
Net general bonded debt as a percentage of personal income [3, 5]	3.6%	4.4%	5.1%	5.0%
Amount of net general bonded debt per capita [4, 5]	$ 1,594	$ 1,922	$ 2,140	$ 2,157

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 282 and 283 for the prior calendar year.

[4] Amount calculated using population data shown on pages 282 and 283 for the prior calendar year.

[5] Some prior years were updated based on more current information.

2012	2013	2014	2015	2016	2017
$ 75,791,795	$ 78,001,049	$ 79,368,794	$ 80,215,650	$ 79,837,664	$ 79,503,871
6,386,950	5,232,215	4,581,745	944,285	—	—
330,297	278,425	318,171	818,321	—	—
6,056,653	**4,953,790**	**4,263,574**	**125,964**	—	—
$ 81,848,448	**$ 82,954,839**	**$ 83,632,368**	**$ 80,341,614**	**$ 79,837,664**	**$ 79,503,871**
4.7%	4.5%	4.5%	4.0%	3.7%	3.6%
$ 2,172	$ 2,182	$ 2,182	$ 2,077	$ 2,047	$ 2,026

Schedule of General Obligation Bonds Outstanding

June 30, 2017
(amounts in thousands)

Governmental activity		
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	$	1,978,855
California Library Construction and Renovation		235,635
California Park and Recreational Facilities		9,825
California Parklands		2,030
California Safe Drinking Water		45,965
California Stem Cell Research and Cures		1,110,470
California Wildlife, Coastal, and Park Land Conservation		93,015
Children's Hospital		1,210,760
Class Size Reduction Public Education Facilities		4,843,665
Clean Air and Transportation Improvement		619,040
Clean Water		7,625
Clean Water and Water Conservation		3,570
Clean Water and Water Reclamation		16,625
Community Parklands		2,115
County Correctional Facility Capital Expenditure		11,625
County Correctional Facility Capital Expenditure and Youth Facility		55,165
Disaster Preparedness and Flood Prevention		2,240,240
Earthquake Safety and Public Buildings Rehabilitation		51,945
Fish and Wildlife Habitat Enhancement		4,485
Higher Education Facilities		306,285
Highway Safety, Traffic Reduction, Air Quality, and Port Security		16,550,025
Housing Emergency Shelter		1,563,055
Housing and Homeless		1,170
Kindergarten-University Public Education Facilities		29,108,050
Lake Tahoe Acquisitions		50
New Prison Construction		21,910
Passenger Rail and Clean Air		25,775
Public Education Facilities		1,142,125
Safe, Clean, Reliable Water Supply		477,725
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,275,430
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		2,959,265
Safe Neighborhood Parks		1,299,355
Safe, Reliable High-Speed Passenger Train		2,024,145
School Building and Earthquake		11,970
School Facilities		828,390
Seismic Retrofit		999,040
State, Urban, and Coastal Park		3,175
Veterans' Homes		33,685
Veterans Housing and Homeless Prevention		2,650
Voting Modernization		165
Water Conservation		17,970
Water Conservation and Water Quality		22,595
Water Quality, Supply, and Infrastructure		119,015
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,502,165
Total governmental activity		**73,837,840**
Business-type activity		
California Water Resources Development		88,300
Veterans' Farm and Home Building		613,440
Total business-type activity		**701,740**
Total outstanding general obligation bonds		**74,539,580**
Unamortized bond premiums/discounts		4,964,291
Total general obligation bonds payable	**$**	**79,503,871**

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	2008	$ 130,139	$ 21,263	$ 108,876	$ 56,225	$ 33,333	$ 89,558	1.22
	2009	109,636	21,838	87,798	22,205	33,699	55,904	1.57
	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
Water Resources	2008	$ 989,275	$ 773,362	$ 215,913	$ 100,945	$ 114,213	$ 215,158	1.00
	2009	914,837	694,598	220,239	80,347	130,219	210,566	1.04
	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
Water Pollution Control	2008	$ 71,404	$ 4,521	$ 66,883	$ 23,585	$ 8,422	$ 32,007	2.09
	2009	59,923	4,416	55,507	22,930	7,747	30,677	1.80
	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

(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.

[7] Some prior years were updated based on more current information.

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	2008	$ 5,362,000	$ 4,323,000	$ 1,039,000	$ 470,000	$ 447,000	$ 917,000	1.13
	2009	4,560,000	3,604,000	956,000	493,000	399,000	892,000	1.07
	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
Public Buildings Construction	2008	$ 384,816	$ 33,566	$ 351,250	$ 342,582	$ 331,355	$ 673,937	0.52
	2009	366,151	78,489	287,662	360,559	335,248	695,807	0.41
	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
High Technology Education [4]	2008	$ 20,600	$ 3,511	$ 17,089	$ 22,265	$ 13,344	$ 35,609	0.48
	2009	15,975	3,837	12,138	36,730	11,704	48,434	0.25
	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]	2008	$ 640,209	$ 511,895	$ 128,314	$ 105,229	$ 115,928	$ 221,157	0.58
	2009	811,454	261,628	549,826	43,572	129,238	172,810	3.18
	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)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
CSU Channel Islands Financing Authority [4]	2008	$ 245	$ 13	$ 232	$ —	$ 556	$ 556	0.42
Building Authorities	2008	$ 79,077	$ 68	$ 79,009	$ 47,475	$ 27,260	$ 74,735	1.06
	2009	78,733	68	78,665	48,594	25,028	73,622	1.07
	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
Golden State Tobacco Securitization Corporation [7]	2008	$ 445,097	$ —	$ 445,097	$ 129,120	$ 326,631	$ 455,751	0.98
	2009	493,448	—	493,448	116,960	320,679	437,639	1.12
	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
Grant Anticipation Revenue Vehicles [6]	2008	$ 71,945	$ —	$ 71,945	$ 50,985	$ 20,960	$ 71,945	1.00
	2009	77,193	—	77,193	55,275	21,918	77,193	1.00
	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

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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

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2007	2008	2009	2010
Population (in thousands) [1]				
California	36,250	36,604	36,961	37,333
% Change	0.6%	1.0%	1.0%	1.0%
United States	301,231	304,094	306,772	309,348
% Change	1.0%	1.0%	0.9%	0.8%
Total personal income (in millions) [1]				
California	$ 1,583,852	$ 1,616,530	$ 1,560,649	$ 1,617,134
% Change	3.9%	2.1%	-3.5%	3.6%
United States	$ 11,995,419	$ 12,492,705	$ 12,079,444	$ 12,459,613
% Change	5.4%	4.1%	-3.3%	3.1%
Per capita personal income [1, 2]				
California	$ 43,692	$ 44,162	$ 42,224	$ 43,317
% Change	3.2%	1.1%	-4.4%	2.6%
United States	$ 39,821	$ 41,082	$ 39,376	$ 40,277
% Change	4.4%	3.2%	-4.2%	2.3%
Labor force and employment (in thousands)				
California				
Civilian labor force	17,921	18,203	18,208	18,316
Employed	16,961	16,890	16,145	16,052
Unemployed	960	1,313	2,064	2,265
Unemployment rate	5.4%	7.2%	11.3%	12.4%
United States employment rate	4.6%	5.8%	9.3%	9.6%

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.

[1] Some prior years were updated based on more current information.

[2] Calculated by dividing total personal income by population.

2011	2012	2013	2014	2015	2016
37,677	38,011	38,335	38,681	38,994	39,250
0.9%	0.9%	0.9%	0.9%	0.8%	0.7%
311,663	313,998	316,205	318,563	320,897	323,128
0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
$ 1,727,434	$ 1,838,567	$ 1,861,957	$ 1,986,026	$ 2,133,664	$ 2,212,691
6.8%	6.4%	1.3%	6.7%	7.4%	3.7%
$ 13,233,436	$ 13,904,485	$ 14,068,960	$ 14,811,388	$ 15,547,661	$ 15,912,777
6.2%	5.1%	1.2%	5.3%	5.0%	2.3%
$ 45,849	$ 48,369	$ 48,570	$ 51,344	$ 54,718	$ 56,374
5.8%	5.5%	0.4%	5.7%	6.6%	3.0%
$ 42,461	$ 44,282	$ 44,493	$ 46,494	$ 48,451	$ 49,246
5.4%	4.3%	0.5%	4.5%	4.2%	1.6%
18,385	18,511	18,573	18,941	18,996	19,099
16,227	16,740	17,044	17,600	17,894	18,141
2,158	1,771	1,530	1,341	1,102	957
11.7%	9.6%	8.2%	7.1%	5.8%	5.0%
8.9%	8.1%	7.4%	6.2%	5.3%	4.9%

Schedule of Employment by Industry

For Calendar Years 2007 and 2016

	2007		2016	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Industry				
Services	6,300,900	39.6 %	7,522,300	44.3 %
Government				
Federal	247,000	1.6	247,200	1.5
Military	53,700	0.3	60,200	0.4
State and Local	2,247,600	14.1	2,267,400	13.4
Retail trade	1,688,800	10.6	1,682,500	9.9
Manufacturing	1,469,100	9.2	1,305,600	7.7
Information, finance, and insurance	1,084,100	6.8	1,067,700	6.3
Construction and utilities	950,500	6.1	832,900	4.9
Wholesale trade	716,600	4.5	722,500	4.3
Transportation and warehousing	449,700	2.8	526,500	3.1
Farming	383,700	2.4	426,700	2.5
Real estate	283,500	1.8	278,400	1.6
Natural resources and mining	26,700	0.2	24,500	0.1
Total	**15,901,900**	**100.0 %**	**16,964,400**	**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

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

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
2008	21,825	134,832	49,330	20,868	15,840	42,139	58,284	343,118
2009	22,347	135,720	50,996	21,985	16,350	42,254	60,957	350,609
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

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
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
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

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

	2008	2009	2010	2011
General Government				
State Lottery				
Total revenue [1]	$ 3,050	$ 2,955	$ 3,041	$ 3,439
Allocation to Education Fund [1]	$ 1,069	$ 1,028	$ 1,072	$ 1,103
Judicial Council of California				
Supreme Court [2, 9]				
Cases filed	10,752	9,485	9,759	10,328
Cases disposed	10,581	9,674	9,528	10,186
Courts of Appeal [9]				
Notices of appeal filed [3]				
Civil	5,913	5,958	6,122	6,258
Criminal	6,681	6,819	6,857	6,877
Juvenile	2,900	2,858	2,759	2,106
Trial Courts [9]				
Total civil cases [4]				
Filings	1,582,092	1,729,796	1,648,074	1,572,623
Dispositions	1,280,201	1,537,400	1,530,314	1,591,033
Department of Food and Agriculture				
Milk production (million lbs.) [5, 9]	41,203	39,512	40,385	41,462
Farm land (thousand acres) [5, 9]	25,400	25,500	25,500	25,600
Education				
Public Colleges and Universities				
Fall enrollment [9]				
Community Colleges	1,823,727	1,822,835	1,747,231	1,655,073
California State University	437,008	433,054	412,372	426,534
University of California	226,040	231,853	234,464	236,691
K-12 Schools				
Fall enrollment				
Public	6,275,469	6,252,011	6,190,425	6,217,002
Private	564,734	536,393	531,111	515,143

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.

[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 2017 is projected.

N/A = Not Available

2012	2013	2014	2015	2016	2017
$ 4,371	$ 4,446	$ 5,035	$ 5,525	$ 6,276	$ 6,233
$ 1,300	$ 1,262	$ 1,328	$ 1,364	$ 1,563	$ 1,499
9,232	8,029	7,907	7,860	8,079	N/A
9,713	8,481	7,765	7,546	7,946	N/A
6,505	6,052	5,983	6,062	5,935	N/A
6,387	6,004	6,373	7,113	6,714	N/A
2,830	2,713	2,857	3,036	3,025	N/A
1,458,898	1,358,481	1,265,129	1,147,282	1,147,318	N/A
1,436,658	1,327,078	1,216,115	1,116,842	1,022,678	N/A
41,801	41,256	42,339	40,897	40,469	N/A
25,600	25,500	25,500	25,400	25,400	N/A
1,582,303	1,582,453	1,578,782	1,593,882	1,591,268	N/A
436,560	446,530	460,200	474,571	478,638	N/A
238,617	244,126	252,263	257,438	270,112	278,996
6,220,993	6,226,989	6,236,672	6,235,520	6,226,737	6,228,235
497,019	516,119	511,286	503,295	500,543	490,966

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2008	2009	2010	2011
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births [5, 9, 10]	551,567	526,774	509,974	502,023
Department of Social Services				
Calfresh programs households (avg. per month)	892,992	1,067,358	1,340,857	1,576,042
Employment Development Department				
Number of employed [5, 6, 9]	15,142,000	14,326,300	14,476,400	14,614,600
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold [9, 5]	2,857,236	2,838,776	2,410,008	2,483,680
Hunting licenses sold [9, 5]	1,670,190	1,679,864	1,677,864	1,863,202
California Energy Commission				
Electrical energy generation plus net imports (gigawatt hours) [9]	307,431	298,452	291,189	293,827
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax [5, 9]				
Number of tax returns filed	14,806,335	14,638,204	14,814,427	15,042,359
Taxable income [1]	$ 799,490	$ 729,658	$ 794,758	$ 838,347
Total tax liability [1]	$ 41,676	$ 38,870	$ 44,472	$ 43,921
Corporation Tax [5, 9]				
Number of tax returns filed	722,358	727,675	738,224	754,315
Income reported for taxation [1]	$ 67,921	$ 55,367	$ 96,965	$ 93,456
Total tax liability [1]	$ 9,106	$ 7,858	$ 8,604	$ 7,808
Transportation				
California Highway Patrol				
Total number of DUI arrests [5, 9]	97,019	95,135	89,814	86,901
Department of Motor Vehicles				
Motor vehicle registration [5, 9]	31,920,649	31,799,398	31,987,821	31,802,483
License issued by age [5, 7, 9]				
Under age 18	244,481	229,545	218,997	227,069
Between 18-80	22,922,361	22,910,011	23,001,119	23,150,222
Over age 80	552,150	560,491	579,397	579,207
Department of Transportation				
Highway center-line miles – rural [5, 8, 9]	10,811	10,808	10,785	10,780
Highway center-line miles – urban [5, 8, 9]	4,393	4,384	4,375	4,353
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year	170,283	167,922	162,200	147,181
Division of Juvenile Justice				
Institution population at June 30 each year	1,877	1,589	1,474	1,263

2012	2013	2014	2015	2016	2017
503,788	494,390	500,748	504,304	507,917	511,110
1,757,387	1,898,283	2,004,016	2,102,031	2,130,583	2,032,818
15,240,400	16,109,200	16,062,300	16,474,800	16,904,100	N/A
2,580,762	2,539,244	2,490,383	2,484,124	2,507,149	2,497,353
1,988,422	2,032,788	1,979,809	2,130,872	2,142,312	1,940,730
302,416	296,408	297,237	296,041	290,571	N/A
15,152,800	15,487,100	15,877,000	16,257,600	16,547,100	N/A
$ 948,523	$ 949,655	$ 1,064,347	$ 1,107,474	$ 1,154,906	N/A
$ 58,652	$ 55,679	$ 66,583	$ 68,498	$ 71,348	N/A
784,086	801,045	828,080	865,593	N/A	N/A
$ 96,772	$ 101,913	$ 122,976	$ 140,534	N/A	N/A
$ 6,921	$ 7,166	$ 8,593	$ 9,235	N/A	N/A
79,993	76,860	73,425	65,016	60,202	52,549
31,946,422	32,903,847	33,550,486	34,346,325	35,310,563	N/A
224,809	221,385	223,024	221,250	225,569	N/A
23,462,971	23,824,697	24,195,705	25,089,910	25,639,270	N/A
602,508	597,350	595,739	603,691	619,807	N/A
10,784	10,315	10,312	10,407	10,259	N/A
4,363	4,789	4,787	4,685	4,833	N/A
132,768	134,333	134,431	127,815	129,415	130,263
922	712	675	681	690	638

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2008	2009	2010	2011
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment [1]	818	803	746	809
Square footage of structures (in thousands)	453	466	466	466
Department of Justice				
Vehicles and mobile equipment	826	870	816	677
Department of Military				
Vehicles and mobile equipment	206	182	208	249
Square footage of structures (in thousands)	3,387	3,383	3,154	3,530
Department of Veterans Affairs				
Veterans homes	3	5	6	6
Vehicles and mobile equipment	251	120	113	132
Square footage of structures (in thousands)	1,598	1,683	1,600	2,086
Education				
California State University				
Vehicles and mobile equipment [1]	3,994	4,015	4,338	4,415
Campuses	23	23	23	23
Square footage of structures (in thousands)	63,971	66,686	69,049	71,287
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	839	701	569	818
Developmental centers	7	7	5	5
Square footage of structures (in thousands)	5,186	5,187	5,185	5,294
Department of State Hospitals [2]				
Vehicles and mobile equipment	638	658	665	709
State hospitals	5	5	5	5
Square footage of structures (in thousands)	6,364	6,348	6,331	6,331

Source: California Department of General Services (DGS)

[1] For fiscal year 2008, DGS was not able to obtain complete data from the agency.

[2] In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

2012	2013	2014	2015	2016	2017
804	792	747	747	752	677
466	455	455	455	455	462
531	527	520	520	484	511
233	211	211	211	217	218
3,511	3,623	4,019	3,977	3,965	3,954
6	8	8	8	8	8
143	267	285	285	235	280
2,086	2,488	2,543	2,541	2,541	2,552
4,415	4,466	4,619	4,619	4,558	4,286
23	23	23	23	23	23
73,785	73,866	73,316	73,988	75,292	75,786
789	632	424	571	640	559
5	4	4	3	3	3
5,294	5,279	5,308	4,699	3,664	3,664
718	699	886	752	678	674
5	7	7	7	8	5
6,336	6,457	6,460	6,445	6,445	5,944

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2008	2009	2010	2011
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	2,868	3,640	2,630	3,180
Square footage of structures (in thousands)	1,192	1,269	1,301	1,313
Department of Forestry and Fire				
Vehicles and mobile equipment	3,043	3,067	2,598	2,804
Square footage of structures (in thousands)	3,869	3,851	3,947	3,943
Department of Parks and Recreation				
Vehicles and mobile equipment	3,023	3,220	3,102	3,715
State Parks	279	278	278	279
Acres of state park land (in thousands)	1,248	1,331	1,365	1,334
Square footage of structures (in thousands)	6,350	6,350	6,350	6,433
State Lands Commission				
Vehicles and mobile equipment	49	57	47	50
Acres of land (in thousands)	4,491	4,491	4,491	4,491
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	726	718	574	578
Department of General Services				
Vehicles and mobile equipment	7,558	6,736	5,761	5,670
Square footage of structures (in thousands)	18,084	18,084	18,394	18,602
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,228	5,914	5,422	5,337
Square footage of structures (in thousands)	1,118	1,118	1,135	1,135
Department of Motor Vehicles				
Vehicles and mobile equipment	434	417	366	366
Square footage of structures (in thousands)	1,848	1,855	1,855	1,842
Department of Transportation				
Vehicles and mobile equipment	11,098	13,346	11,302	12,759
Square footage of structures (in thousands)	6,229	6,434	6,444	6,519
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment [1]	7,908	7,778	5,787	5,985
Prisons and juvenile facilities	41	39	39	39
Square footage of structures (in thousands)	40,831	40,852	41,228	41,399

2012	2013	2014	2015	2016	2017
3,012	2,896	2,954	2,954	3,104	3,126
1,317	1,317	1,311	1,311	1,297	1,322
2,810	2,845	2,748	2,748	3,151	3,073
3,935	3,641	3,632	3,664	3,666	3,677
4,200	3,311	3,489	3,489	3,538	3,542
280	280	279	280	280	280
1,333	1,590	1,590	1,605	1,605	1,617
6,623	6,598	6,751	6,761	6,790	7,363
42	42	41	41	41	43
4,491	4,489	4,489	4,482	4,480	4,480
574	518	554	554	588	596
4,991	5,226	5,053	5,053	4,697	4,476
19,180	19,098	19,367	19,448	19,311	19,487
5,013	5,341	5,170	5,170	5,167	5,336
1,149	1,149	1,166	1,169	1,211	1,191
366	294	295	295	287	276
1,842	1,842	1,845	1,786	1,780	1,777
12,690	11,767	11,596	11,596	11,776	11,585
8,131	8,170	7,960	7,965	7,968	7,960
5,952	5,156	5,137	5,968	5,291	8,079
39	37	37	39	39	39
41,399	40,606	40,726	40,590	40,485	42,198

(concluded)

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Office of the State Controller

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