

State of California

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



**BETTY T. YEE**

California State Controller's Office



STATE OF CALIFORNIA

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

For the Fiscal Year Ended  
June 30, 2018



*Prepared by  
The Office of the State Controller*

**BETTY T. YEE**  
California State Controller



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# Introductory Section

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**BETTY T. YEE**  
California State Controller



**BETTY T. YEE**  
**California State Controller**

June 5, 2019

**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, 2018. 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 recovery continues, and the state now is the fifth largest economy in the world. Over the past several years, the state has improved in numerous areas including hiring, job growth, salaries, and payroll. For the fiscal year ended June 30, 2018, the state's revenue exceeded expenses by \$15.3 billion for governmental activities. In addition, the state ended the fiscal year on a positive note with a cash balance of \$5.5 billion in the General Fund.

With the next economic downturn approaching, I applaud the Governor's budget planning with an eye towards building a strong foundation of long-term cost savings and fiscal discipline. The Governor's proposals for debt and pension liability reduction; investments in education, health care, and housing; and rainy day savings will pay dividends.

The state implemented Governmental Accounting Standards Board (GASB) Statement Number 75 related to other postemployment benefits (OPEB) in fiscal year 2017-18, which significantly revised accounting and reporting for OPEB costs and liabilities. GASB statements are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When evaluating the net OPEB liability, please note that the state's OPEB liability has existed for decades. OPEB liabilities are part of the employment exchange between the state and its employees. In other words, the employee is trading their labor in exchange for wages and the promise of future health care benefits. The unfunded portion of these OPEB promises are a present-day liability of the government and must be reported by the state as a liability since receiving the benefit of the employee's service. As a result of implementing this standard, the primary government is reporting a net OPEB liability of \$92.6 billion as of June 30, 2018.

I extend my sincere appreciation to all the government agencies for their efforts and support in submitting the information required for the 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, thank you to my team for their skill, effort, and dedication in completing this complex 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 upon 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 Governor.

The California State Auditor has issued an unmodified opinion on the financial statements for the year ended June 30, 2018, 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 is also 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*. This 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 year ended June 30, 2018, and its economic performance as of March 31, 2019, for fiscal year 2018-19. 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 2018, 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 the 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 advisor. 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 in the United States and one of the most diverse in the world, includes major industries such as high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. The relative proportion of the various industries of the California economy closely resembles the make-up of the national economy. California's gross domestic product totaled nearly \$3.0 trillion at fiscal year-end and the State remains the national leader in agricultural production and exports with over \$50.0 billion in farm cash receipts. In 2017, California exported \$171.9 billion in products; its three largest export markets are Mexico (\$26.7 billion), Canada (\$16.8 billion), and China (\$16.4 billion). California's six largest exports are computer and electronic products, transportation equipment, machinery except electrical, agricultural products, chemicals, 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 direct travel revenues of \$132.4 billion and generated state and local tax revenues of \$10.9 billion in 2017.

## Budget Outlook

### Fiscal Year 2018-19

The Budget assumes continued economic expansion; however, planning and saving for the next recession is the focus of the 2018 Budget Act. Additionally, the potential fiscal impact of federal policy changes continues to be a significant source of uncertainty. To prepare for a downturn of the economy, the Budget emphasizes building reserves and committing to prudent one-time spending. The May 2019 revised estimates project fiscal year 2018-19 will end with General Fund revenue and transfers of \$138.0 billion, expenditures of \$143.2 billion, and total reserves of \$20.1 billion—\$14.4 billion in the Budget Stabilization Account (BSA), \$4.8 billion in the General Fund's Special Fund for Economic Uncertainties (SFEU), and \$900 million in the newly created Safety Net Reserve (SNR). The Governor's additional key priorities in

the 2018-19 Budget include reducing debt; paying down unfunded retirement liabilities; improving emergency readiness, response, and recovery capabilities; and combating homelessness.

## **Fiscal Year 2019-20**

The Governor released his proposed 2019-20 budget on January 9, 2019. Noting that in the last several years, California's budget has gone from perpetual multi-billion dollar annual deficits to being balanced and having a robust rainy day fund, the Governor seeks to protect this recovery by making necessary investments for effective government and promoting affordability and opportunity. By the end of fiscal year 2019-20, the Budget projects total reserves of \$18.5 billion—\$15.3 billion in the BSA, \$2.3 billion in the SFEU, and \$900 million in the SNR. The 2019-20 Budget estimates General Fund revenue of \$144.4 billion (\$142.6 billion after transfers) and expenditures of \$144.2 billion.

On May 9, 2019, the Governor released the 2019-20 May Revision to the Governor's Budget. The revised estimates projects total reserves of \$19.4 billion—\$16.5 billion in the BSA, \$1.6 billion in the SFEU, \$900 million in the SNR, and \$400 million in other reserves. The BSA is now expected to reach its constitutional cap of 10% of General Fund revenues in 2020-21—two years earlier than predicted in January.

The 2019-20 revised budget projects General Fund revenue of \$146.0 billion (\$143.8 billion after transfers) and expenditures of \$147.0 billion. The Budget shows increased revenue from personal income taxes and sales and use taxes, and decreased revenue from corporation taxes. Personal income taxes contribute the majority of General Fund revenue at 70.1% (\$102.3 billion), sales and use taxes contribute 18.7% (\$27.2 billion), and corporation taxes contribute 9.1% (\$13.2 billion).

## **Long-term Financial Planning**

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

- The Budget's long-term forecast of General Fund revenues through fiscal year 2022-23 is for continued growth at an average year-over-year rate of 3.0%. Revenue from capital gains is a major component of personal income tax revenues. Capital gains depend on stock market performance and are extremely volatile and difficult to predict. There is significant risk that capital gains revenue could fall below expectations.
- The Budget assumes steady but slowing growth, with increases to real gross domestic product falling below 2.0% by 2023. In 2018, the federal government imposed tariffs on products from China amounting to a total annual trade value of \$250.0 billion. These measures were met by tariffs from China on over \$50.0 billion worth of U.S. exports. As California is a transport hub, and China is the State's third largest trading partner, the ongoing trade war could have negative effects on the State's economy.
- The 2019-20 Governor's Budget provides \$4.8 billion for the Road Repair and Accountability Act of 2017 (Senate Bill 1) to fund various transportation and transit-related projects. This amount includes \$1.2 billion for local road repair; \$1.2 billion for state highway repair and maintenance; \$458 million for local transit; \$400 million for bridge and culvert repair and maintenance; \$386 million for transit, commuter, and intercity rail capital improvements; \$307 million to improve trade corridors; and \$250 million to increase productivity on commute corridors.

- The State proposes further addressing the significant long-term liabilities associated with state employee postemployment benefits and helping to ensure its continuing ability to provide future benefits. The State will make supplemental payments of \$3.0 billion to the California Public Employees' Retirement System in fiscal year 2019-20 and \$2.9 billion to the California State Teachers' Retirement System over the next four years. Through the collective bargaining process, the State and certain bargaining unit employees now prefund other postemployment benefits (OPEB) to pay for future retiree health benefits. The Governor estimates that the prefunding plan will eliminate the unfunded OPEB liability over the next three decades.
- California continues to face a lengthening fire season and catastrophic wildfires. In November 2018, large wildfires struck Butte, Los Angeles, and Ventura counties, burning over 100,000 acres and destroying thousands of structures, including 90% of the Town of Paradise. The Budget estimates the General Fund's share of the recovery costs to be \$923 million.

## 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, 2017. 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, 2017**

*Christopher P. Morill*

Executive Director/CEO

## Principal Officials of the State of California

### Executive Branch

Gavin Newsom  
Governor

Eleni Kounalakis  
Lieutenant Governor

Betty T. Yee  
State Controller

Xavier Becerra  
Attorney General

Fiona Ma, CPA  
State Treasurer

Alex Padilla  
Secretary of State

Tony Thurmond  
Superintendent of Public Instruction

Ricardo Lara  
Insurance Commissioner

Board of Equalization  
Ted Gaines, Member, First District  
Malia Cohen, Member, Second District  
Antonio Vazquez, Member, Third District  
Mike Schaefer, Member, Fourth District

### Legislative Branch

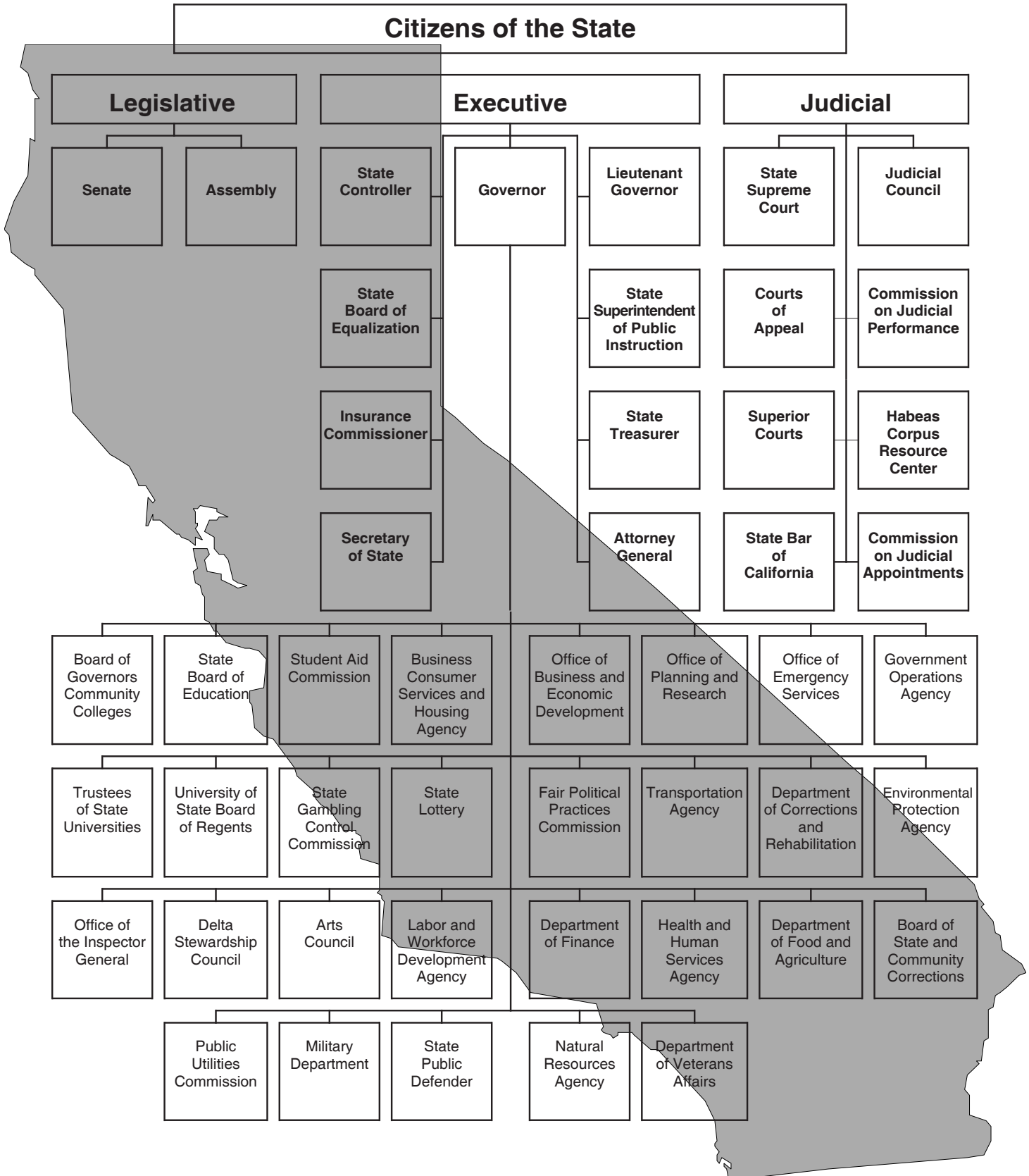
Toni G. Atkins  
President pro Tempore, Senate

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





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## *Independent Auditor's Report*

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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, 2018, 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 one 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 75 percent of the assets and deferred outflows, and 54 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 following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving, the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 85 percent of the assets and deferred outflows, and 53 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, 2018, 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.

## **Emphasis of a Matter**

As described in Note 11 to the financial statements, the State of California implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by certain elements of Statement No. 85, Omnibus 2017. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

#### **Other Reporting Required by Government Auditing Standards**

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

CALIFORNIA STATE AUDITOR



MICHAEL S. TILDEN, CPA  
Deputy State Auditor

May 29, 2019



# 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, 2018. 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 economy continued to expand during fiscal year 2017-18, resulting in a longer-than-average recovery period for the State. Amid signs that growth is beginning to slow, the administration has focused on paying down liabilities and continuing to build reserves. For the fiscal year ended June 30, 2018, the State's general revenues increased by \$14.4 billion (9.7%) over the prior year—even more than the 5.7% growth experienced in fiscal year 2016-17. Expenses and transfers for the State's governmental activities increased by \$12.0 billion (4.6%) and were less than total revenues received, resulting in an \$11.0 billion increase in the governmental activities' net position, as restated. Total revenues and transfers for the State's business-type activities also surpassed expenses by \$3.5 billion in fiscal year 2017-18.

*Net Position* – Although current year activity reflects a combined \$14.5 billion increase in the primary government's net position, net position at the beginning of the year was restated as a result of the recognition of net other postemployment benefits (OPEB) liabilities associated with the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (see Note 1 for further detail). The impact on the primary government's beginning net position as a result of this implementation was a decrease of \$62.2 billion—\$47.8 billion for governmental activities and \$14.4 billion for business-type activities. The primary government's beginning net position was also decreased by a \$1.5 billion restatement for previously unreported trial courts' net pension liability.

The primary government ended fiscal year 2017-18 with a net deficit position of \$70.6 billion, an improvement of \$14.5 billion (17.1%) over the previous year. The total net deficit position is reduced by \$112.1 billion for net investment in capital assets and by \$47.1 billion for restricted net position, yielding a negative unrestricted net position of \$229.8 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 83.2%, or \$191.2 billion, of the negative \$229.8 billion consists of unfunded, employee-related, long-term liabilities (net pension liability, net OPEB liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of \$65.6 billion to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

### Fund Highlights

*Governmental Funds* – As of June 30, 2018, the primary government's governmental funds reported a combined ending fund balance of \$45.2 billion, an increase of \$9.0 billion over the prior fiscal year. The

unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$9.7 billion, an increase of \$5.6 billion over the prior fiscal year's balance of \$4.1 billion. The nonspendable and restricted fund balances were \$630 million and \$34.9 billion, respectively.

*Proprietary Funds* – As of June 30, 2018, the primary government's proprietary funds reported a combined ending net deficit position of \$4.3 billion, an increase of \$3.5 billion over the prior fiscal year, as restated. The total net position is reduced by \$3.0 billion for net investment in capital assets, expendable restrictions of \$12.3 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$19.6 billion.

## **Noncurrent Assets and Liabilities**

As of June 30, 2018, the primary government's noncurrent assets totaled \$164.6 billion, of which \$144.6 billion is related to capital assets. State highway infrastructure assets of \$77.1 billion represent the largest portion of the State's capital assets.

The primary government's noncurrent liabilities totaled \$307.5 billion, which consists of \$191.2 billion in unfunded employee-related future obligations, \$76.7 billion in general obligation bonds, \$28.7 billion in revenue bonds, and \$10.9 billion in other noncurrent liabilities. During fiscal year 2017-18, the primary government's noncurrent liabilities increased by \$72.2 billion (30.7%) over the previously reported noncurrent liabilities. This net increase includes an increase of \$60.2 billion for the difference between the recognition of previously unreported net OPEB liability and the elimination of previously reported net OPEB obligation and an increase of \$12.0 billion in net pension liability.

## **Overview of the Financial Statements**

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

## **Government-wide Financial Statements**

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

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

- The *Statement of Net Position* presents all of the State's financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus

net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.

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

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

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public K–12 schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.
- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, and selling electric power. These activities are conducted with minimal financial assistance from the governmental activities or general revenues of the State.
- *Component units* are organizations that are legally separate from the State, but for which the State is financially accountable, or whose relationship with the State is so significant that their exclusion would cause the State's financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State's operations. Fiduciary component units are primarily the resources and operations of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

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

## **Fund Financial Statements**

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

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

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

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.
  - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.
  - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.
- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

### **Discretely Presented Component Units Financial Statements**

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

### **Notes to the Financial Statements**

The notes to the financial statements in this publication provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes

to the financial statements, which describe particular accounts in more detail, immediately follow the discretely presented component units financial statements.

### **Required Supplementary Information**

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

### **Combining Financial Statements and Schedules**

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

## **Government-wide Financial Analysis**

### **Net Position**

The primary government's combined net deficit position (governmental and business-type activities) as originally reported at June 30, 2017, decreased by \$49.2 billion (230.6%) to \$70.6 billion a year later but increased \$14.5 billion (17.1%) when adjusted for restatements. As previously mentioned, the net position at the beginning of fiscal year 2017-18 was restated as a result of the recognition of previously unreported net OPEB liability and trial courts' net pension liability.

The primary government's \$112.1 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 \$47.1 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, 2018, the primary government's combined unrestricted net deficit position was \$229.8 billion—\$213.3 billion for governmental activities and \$16.5 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, 2018, the primary government recognized \$191.2 billion (83.2% of the \$229.8 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the

primary government recognized \$65.6 billion in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as net investment in capital assets. Instead, the bonded debt is reported as a noncurrent liability that increases the State’s unrestricted net deficit position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

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

**Table 1**

**Net Position – Primary Government – Two-year Comparison**

June 30, 2018 and 2017  
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current and other assets .....	\$ 97,941	\$ 84,127	\$ 30,553	\$ 25,972	\$ 128,494	\$ 110,099
Capital assets .....	132,708	129,996	11,927	10,670	144,635	140,666
<b>Total assets .....</b>	<b>230,649</b>	<b>214,123</b>	<b>42,480</b>	<b>36,642</b>	<b>273,129</b>	<b>250,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>Total assets and deferred outflows of resources .....</b>	<b>\$ 262,945</b>	<b>\$ 231,296</b>	<b>\$ 46,951</b>	<b>\$ 38,992</b>	<b>\$ 309,896</b>	<b>\$ 270,288</b>
<b>LIABILITIES</b>						
Noncurrent liabilities .....	\$ 265,780	\$ 209,370	\$ 41,708	\$ 25,888	\$ 307,488	\$ 235,258
Other liabilities .....	54,863	47,837	4,230	4,700	59,093	52,537
<b>Total liabilities .....</b>	<b>320,643</b>	<b>257,207</b>	<b>45,938</b>	<b>30,588</b>	<b>366,581</b>	<b>287,795</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
<b>Total liabilities and deferred inflows of resources .....</b>	<b>10,951</b>	<b>2,714</b>	<b>2,922</b>	<b>1,121</b>	<b>13,873</b>	<b>3,835</b>
<b>NET POSITION</b>						
Net investment in capital assets .....	109,614	107,042	2,470	2,295	112,084	109,337
Restricted .....	35,053	33,832	12,085	6,309	47,138	40,141
Unrestricted .....	(213,316)	(169,499)	(16,464)	(1,321)	(229,780)	(170,820)
<b>Total net position (deficit) .....</b>	<b>(68,649)</b>	<b>(28,625)</b>	<b>(1,909)</b>	<b>7,283</b>	<b>(70,558)</b>	<b>(21,342)</b>
<b>Total liabilities, deferred inflows of resources, and net position .....</b>	<b>\$ 262,945</b>	<b>\$ 231,296</b>	<b>\$ 46,951</b>	<b>\$ 38,992</b>	<b>\$ 309,896</b>	<b>\$ 270,288</b>

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

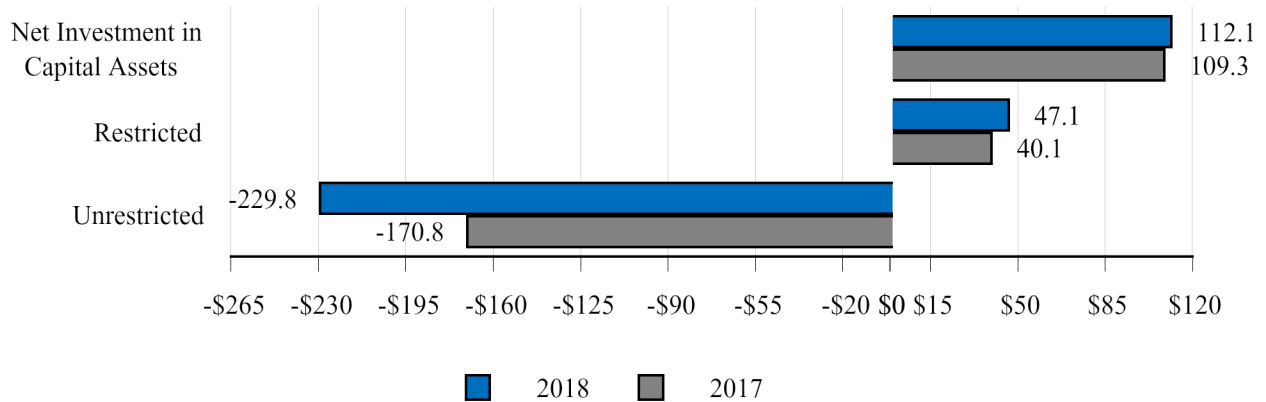
Chart 1 presents a two-year comparison of the State's net position.

**Chart 1**

**Net Position – Primary Government – Two-year Comparison**

June 30, 2018 and 2017

(amounts in billions)



**Changes in Net Position**

The expenses of the primary government totaled \$300.7 billion for the fiscal year ended June 30, 2018. Of this amount, \$152.3 billion (50.7%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving \$148.4 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of \$162.9 billion exceeded net unfunded expenses by \$14.5 billion, resulting in a 17.1% increase in net position, as restated.

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

**Table 2**

**Changes in Net Position – Primary Government – Two-year Comparison**

Years ended June 30, 2018 and 2017

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues:						
Charges for services .....	\$ 32,103	\$ 27,011	\$ 28,380	\$ 26,265	\$ 60,483	\$ 53,276
Operating grants and contributions .....	87,813	89,497	2,133	1,805	89,946	91,302
Capital grants and contributions .....	1,882	3,028	—	61	1,882	3,089
General Revenues:						
Taxes .....	162,260	148,021	—	—	162,260	148,021
Investment and interest .....	298	149	—	—	298	149
Miscellaneous .....	378	326	—	—	378	326
<b>Total revenues .....</b>	<b>284,734</b>	<b>268,032</b>	<b>30,513</b>	<b>28,131</b>	<b>315,247</b>	<b>296,163</b>
<b>EXPENSES</b>						
Program Expenses:						
General government .....	18,378	17,400	—	—	18,378	17,400
Education .....	70,280	67,378	—	—	70,280	67,378
Health and human services .....	137,829	135,090	—	—	137,829	135,090
Natural resources and environmental protection .....	8,304	7,342	—	—	8,304	7,342
Business, consumer services, and housing .....	1,258	1,164	—	—	1,258	1,164
Transportation .....	14,260	12,947	—	—	14,260	12,947
Corrections and rehabilitation .....	14,921	13,087	—	—	14,921	13,087
Interest on long-term debt .....	4,155	4,191	—	—	4,155	4,191
Electric Power .....	—	—	952	945	952	945
Water Resources .....	—	—	1,222	1,223	1,222	1,223
State Lottery .....	—	—	7,007	6,272	7,007	6,272
Unemployment Programs .....	—	—	12,134	11,908	12,134	11,908
California State University .....	—	—	9,806	8,001	9,806	8,001
Other enterprise programs .....	—	—	207	155	207	155
<b>Total expenses .....</b>	<b>269,385</b>	<b>258,599</b>	<b>31,328</b>	<b>28,504</b>	<b>300,713</b>	<b>287,103</b>
<b>Excess (deficiency) before transfers ....</b>	<b>15,349</b>	<b>9,433</b>	<b>(815)</b>	<b>(373)</b>	<b>14,534</b>	<b>9,060</b>
Gain on early extinguishment of debt .....	—	31	—	—	—	31
Transfers .....	(4,340)	(3,083)	4,340	3,083	—	—
Change in net position .....	11,009	6,381	3,525	2,710	14,534	9,091
<b>Net position, beginning .....</b>	<b>(79,658)*</b>	<b>(35,006)*</b>	<b>(5,434)*</b>	<b>4,573</b>	<b>(85,092)</b>	<b>(30,433)</b>
<b>Net position (deficit), ending .....</b>	<b>\$ (68,649)</b>	<b>\$ (28,625)</b>	<b>\$ (1,909)</b>	<b>\$ 7,283</b>	<b>\$ (70,558)</b>	<b>\$ (21,342)</b>

\*Restated

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



## Governmental Activities

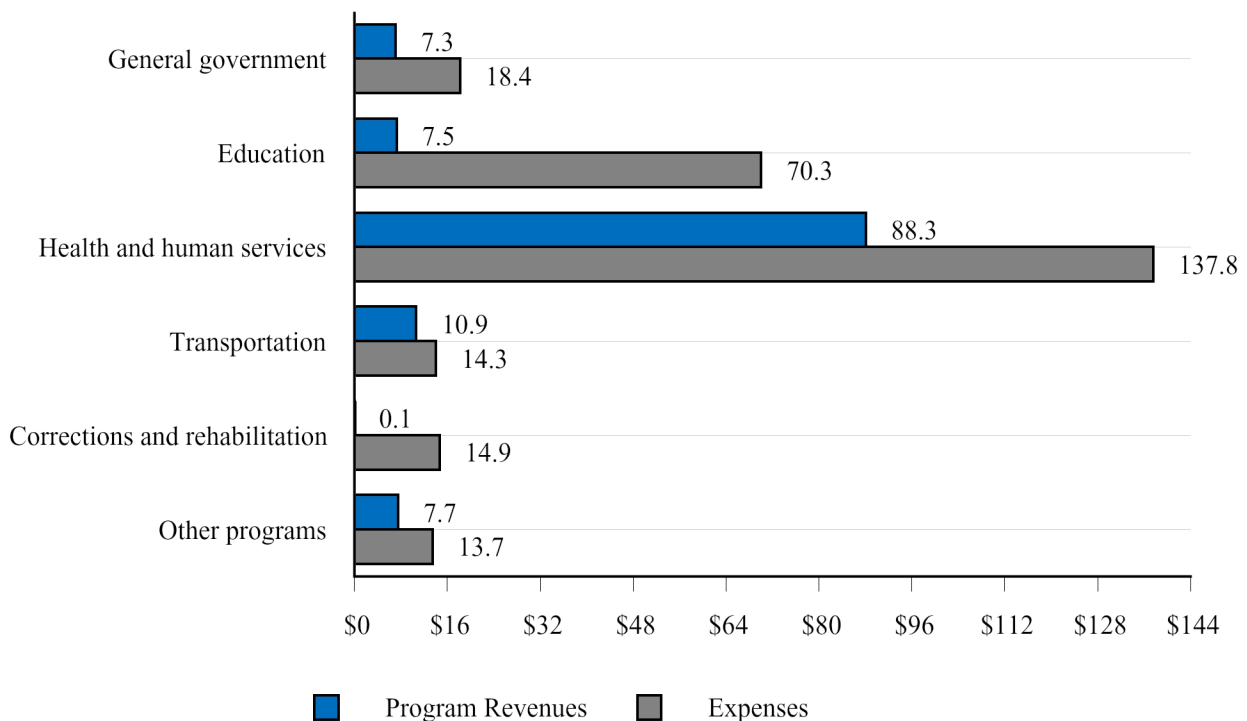
During fiscal year 2017-18, governmental activities' expenses and transfers totaled \$273.7 billion. Program revenues totaling \$121.8 billion, including \$89.7 billion received in federal grants and contributions, funded 44.5% of expenses and transfers, leaving \$151.9 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities (\$162.9 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of \$68.6 billion, after restatement, for the fiscal year ended June 30, 2018, an improvement of \$11.0 billion (13.8%) over the prior year's restated net deficit position of \$79.6 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, 2018  
(amounts in billions)



For the fiscal year ended June 30, 2018, total governmental activities' revenue was \$284.7 billion, an increase of 6.2% over the prior year. General revenues increased by \$14.4 billion (9.7%), to \$162.9 billion, and program revenues increased by \$2.3 billion (1.9%), to \$121.8 billion. Personal income taxes increased by \$8.7 billion over the prior year primarily due to increased capital gains from a strong stock market, representing a 10.2% increase compared to the fiscal year 2016-17 increase of 6.7%. Motor vehicle excise taxes increased \$1.8 billion (36.9%) for the partial-year impact of the Road Repair and Accountability Act of 2017 (Senate Bill 1), which increased existing fuel excise taxes and created two new vehicle charges. Corporation taxes increased by \$1.5 billion (13.3%) over the prior year.

Overall expenses for governmental activities increased by \$10.8 billion (4.2%) over the prior year. The largest increase in expenditures, \$2.9 billion (4.3%), occurred in education as a result of the Proposition 98 minimum funding guarantee; the increased spending was triggered by higher General Fund revenue. Another significant increase, \$2.7 billion (2.0%), occurred in health and human services programs; the majority of the increase is attributable to the Department of Health Care Services, which administers the California Medical Assistance (Medi-Cal) program.

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

**Chart 3**

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**Expenses by Program**

Year ended June 30, 2018  
(as a percent)

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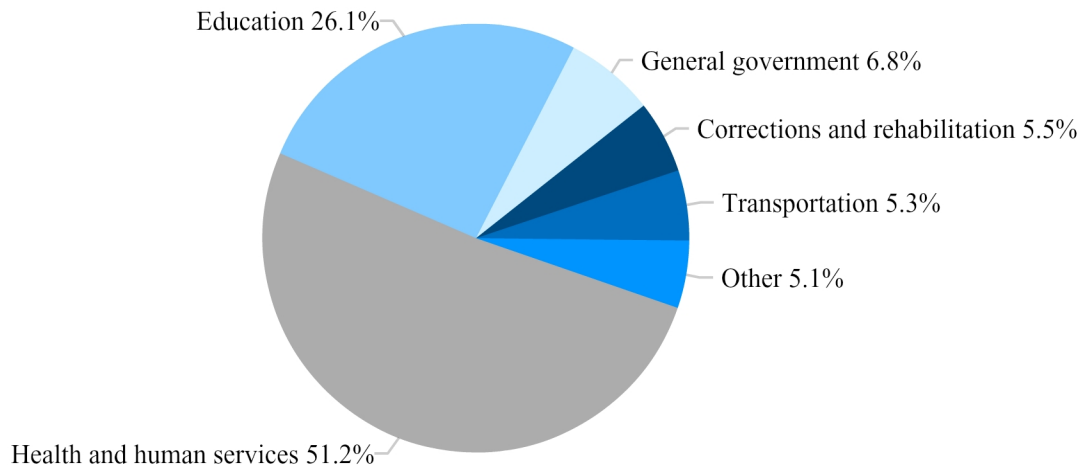


Chart 4 presents the percentage of total revenues by source for each governmental activities program.

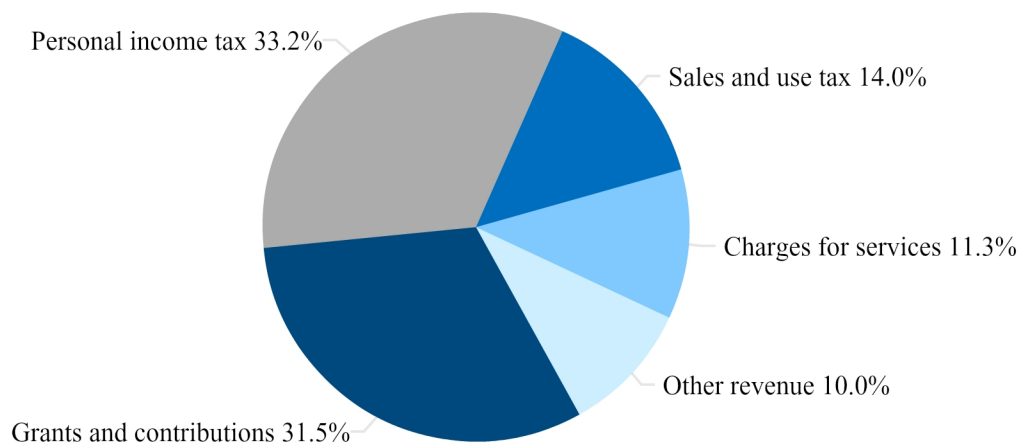
**Chart 4**

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**Revenues by Source**

Year ended June 30, 2018  
(as a percent)

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## Business-type Activities

As of June 30, 2018, business-type activities' expenses totaled \$31.3 billion. Program revenues of \$30.5 billion, primarily generated from charges for services, and \$4.3 billion in transfers, were sufficient to cover these expenses. As a result, the business-type activities' total net deficit position of \$1.9 billion improved by \$3.5 billion (64.9%) over the prior year's restated net deficit position of \$5.4 billion.

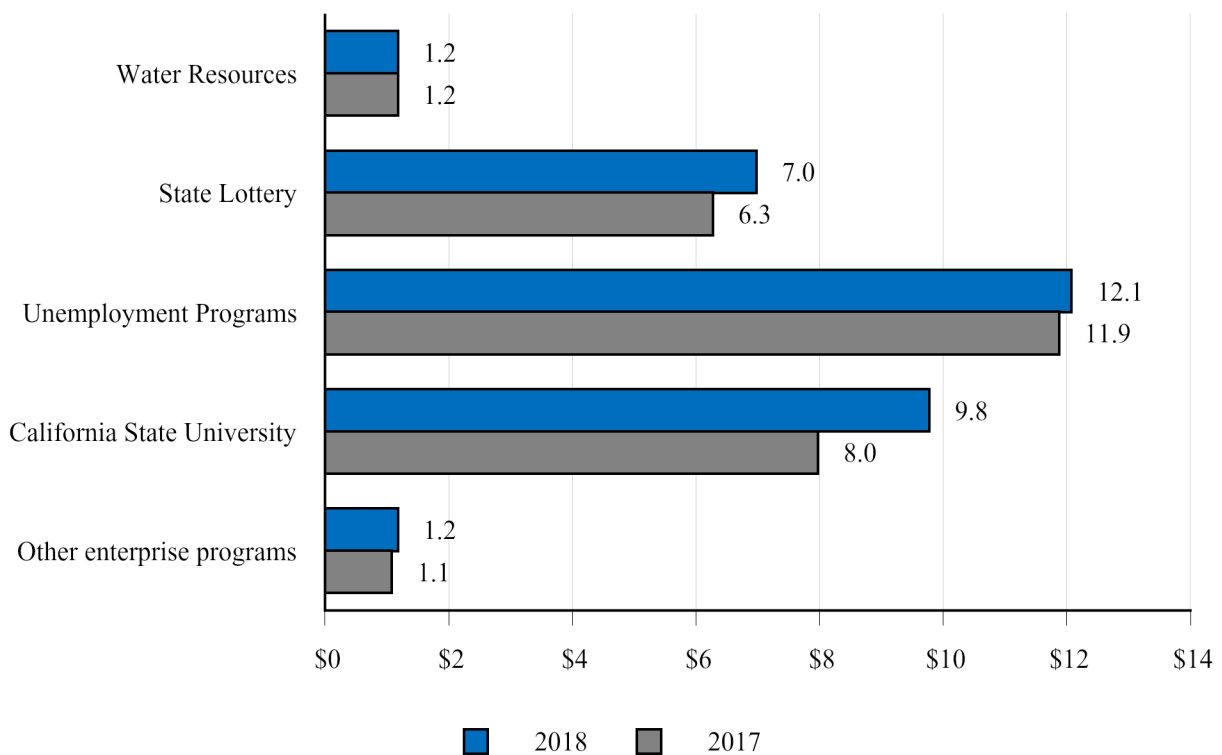
Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

### Chart 5

#### Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2018 and 2017

(amounts in billions)



## Fund Financial Analysis

The financial position of the State's governmental funds continued to improve in fiscal year 2017-18, with a combined fund balance increase of \$9.0 billion over the prior year's restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs. All of the State's "Big Three" taxes (personal income, sales and use, and corporation) increased during the fiscal year. Proprietary funds' total net position increased by \$3.5 billion during fiscal year 2017-18—with a \$3.5 billion increase in enterprise funds, but a \$55 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 \$7.2 billion, as a result of State's continued low unemployment rate during fiscal year 2017-18, a record low 4.2% in June 2018.

## **Governmental Funds**

As of June 30, 2018, the governmental funds' Balance Sheet reported \$107.9 billion in assets, \$62.7 billion in liabilities and deferred inflows of resources, and \$45.2 billion in fund balance. Total assets of governmental funds increased by 20.5%, while total liabilities and deferred inflows of resources increased by 21.3%, resulting in a total fund balance increase of \$9.0 billion (25.0%) over the prior year's restated balance.

Within the governmental funds' total fund balance, \$630 million is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, \$34.9 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, \$8.1 billion is classified as committed for specific purposes and \$26 million is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is a positive \$1.6 billion—an improvement of \$3.6 billion over the prior fiscal year. This is the first year since fiscal year 2010-11—when the State began using the current fund balance classifications for governmental funds as required by GASB Statement No. 54—that all governmental funds are reporting positive fund balances in all classifications.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported \$284.7 billion in revenues, \$281.1 billion in expenditures, and a net \$5.4 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2018, was \$45.2 billion, a \$9.0 billion increase over the prior year's restated ending fund balance of \$36.2 billion.

Governmental funds' revenue consists primarily of taxes (57.0%) and intergovernmental revenue (32.6%). Personal income taxes accounted for 58.2% of tax revenues and increased by \$8.7 billion over the prior fiscal year. Sales and use taxes accounted for 24.5% of tax revenues and increased by \$1.0 billion over the prior fiscal year. Corporation taxes accounted for 7.8% of tax revenues and increased by \$1.5 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, decreased by \$2.8 billion (2.9%) from the prior fiscal year.

Governmental funds' expenditures increased by \$12.5 billion (4.7%) over the prior fiscal year, primarily for health and human services, education, correctional programs, and transportation. The increase in health and human services expenditures of \$3.6 billion (2.7%) is due to increased spending on Medi-Cal. Education expenditures increased by \$2.7 billion (4.0%) over the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in fiscal year 2017-18. Expenditures for correctional programs increased by \$2.4 billion (19.5%) due to the State's commitment to provide quality health care and mental health services to inmates. Transportation expenditures increased by \$2.2 billion (14.4%) as a result of additional maintenance and rehabilitation of state highways and local streets and roads, and on transit-related projects required by Senate Bill 1.

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, 2018 and 2017

(amounts in billions)

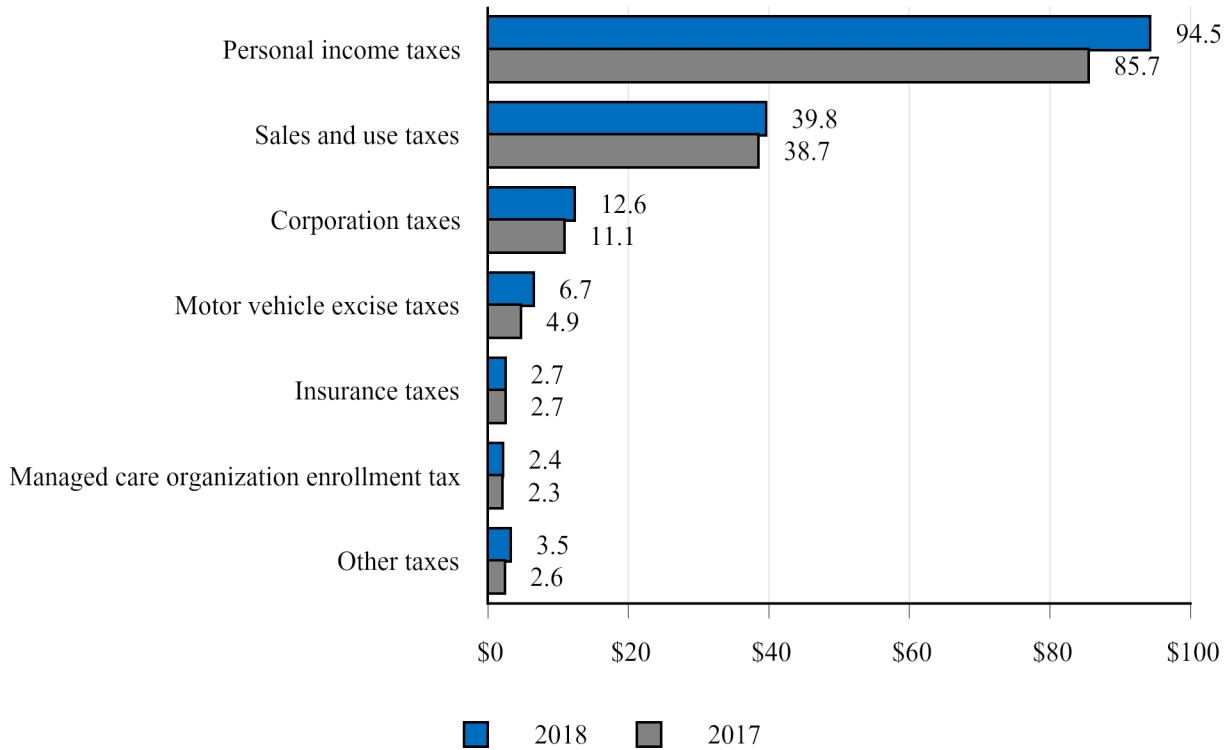


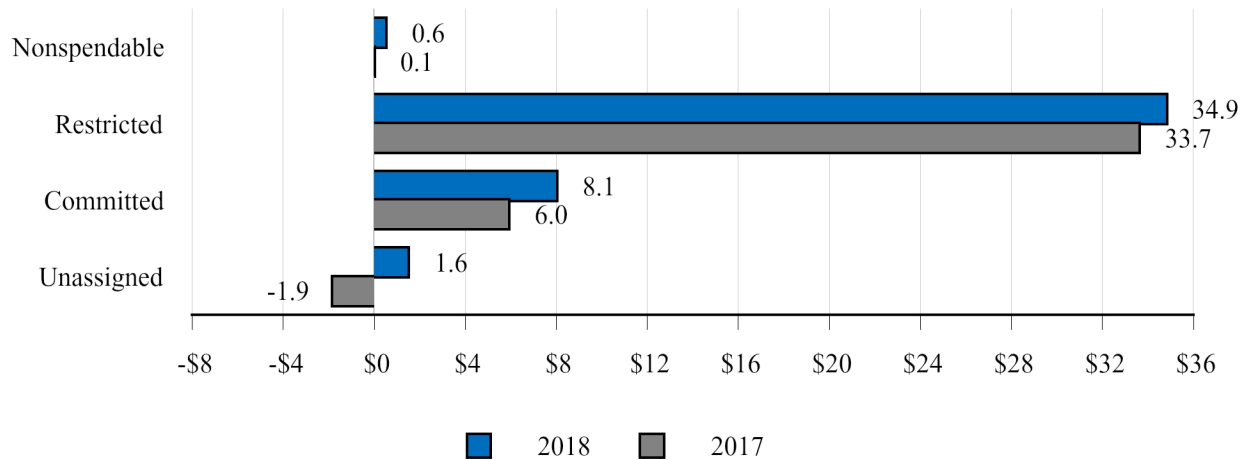
Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

**Chart 7**

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

Years ended June 30, 2018 and 2017

(amounts in billions)



Note: Assigned fund balance was \$26 million, which rounds to zero when presented in billions.

The State’s major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund. The General Fund ended the fiscal year with a fund balance of \$12.2 billion, an increase of \$6.4 billion over the prior year’s fund balance. The Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund ended the fiscal year with fund balances of \$229 million, \$9.3 billion, \$11.5 billion, and \$730 million, respectively. The nonmajor governmental funds ended the fiscal year with a total fund balance of \$11.2 billion.

*General Fund:* As shown on the Balance Sheet, the General Fund (the State’s main operating fund) ended fiscal year 2017-18 with assets of \$39.2 billion; liabilities and deferred inflows of resources of \$27.0 billion; and nonspendable, restricted, and committed fund balances of \$560 million, \$9.8 billion, and \$171 million, respectively, leaving the General Fund with a positive unassigned fund balance of \$1.6 billion. Total assets of the General Fund increased by \$12.8 billion (48.7%) over the prior fiscal year, while total liabilities and deferred inflows of resources increased by \$6.5 billion (31.4%). The General Fund’s unassigned fund balance increased by \$3.6 billion (186.6%) and is positive for the first time since fiscal year 2010-11, when the State’s began using the current fund balance classifications for governmental funds as required by GASB Statement No. 54.

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had an excess of revenues over expenditures of \$11.4 billion (\$135.6 billion in revenues and \$124.2 billion in expenditures). Approximately \$130.5 billion (96.2%) of General Fund revenue is derived from the State’s largest three taxes—personal income taxes (\$92.8 billion), sales and use taxes (\$25.1 billion), and corporation taxes (\$12.6 billion). As a result of fund classifications made to comply with generally accepted governmental accounting principles, a total of \$335 million in revenue, mostly from unemployment

programs, is included in the General Fund. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During fiscal year 2017-18, total General Fund revenue increased by \$10.5 billion (8.4%). The increase is a result of increases in personal income taxes of \$8.6 billion (10.2%), corporation taxes of \$1.5 billion (13.2%), and sales and use taxes of \$170 million (0.7%). General Fund expenditures increased by \$8.0 billion (6.9%). The largest increases were in health and human services, correctional programs, and education expenditures, which were up \$3.2 billion, \$2.4 billion, and \$1.9 billion, respectively. The General Fund ended the fiscal year with a fund balance of \$12.2 billion, an improvement of \$6.4 billion from the prior year's ending fund balance of \$5.8 billion. The General Fund's ending fund balance includes \$9.4 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic downturn.

*Federal Fund:* The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, which accounted for \$74.8 billion (83.9%) of the total \$89.2 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 (8.3%) and \$4.9 billion (5.5%) of the total, respectively. The Federal Fund's revenues decreased by \$2.8 billion, which was approximately the same amount of decrease in the combined expenditures and transfers, resulting in only a \$1 million fund balance increase over the prior year's ending fund balance of \$228 million, to \$229 million.

*Transportation Fund:* The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues increased by \$3.4 billion (34.6%) and its expenditures increased by \$2.7 billion (25.3%), as a result of the increased motor vehicle excise tax and related expenditure requirements created by Senate Bill 1. Other financing sources provided net receipts of \$282 million. The Transportation Fund ended the fiscal year with a \$9.3 billion fund balance, an increase of \$256 million over the prior year.

*Environmental and Natural Resources Fund:* The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues increased by \$2.3 billion (49.4%) mainly from cap-and-trade auction proceeds, but its expenditures increased by only \$103 million (1.7%). Other financing sources provided net receipts of \$1.9 billion, mainly from bond proceeds. The Environmental and Natural Resources Fund ended the fiscal year with a \$11.5 billion fund balance, an increase of \$2.6 billion (28.8%) over the prior year.

*Health Care Related Programs Fund:* The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Program Fund's revenues increased by \$1.2 billion (12.4%) and expenditures increased by \$1.5 billion (14.5%). Other financing sources provided net receipts of \$801 million. The Health Care Related Program Fund ended the fiscal year with a \$730 million fund balance, an increase of \$10 million over the prior year.

## Proprietary Funds

The net position at the beginning of the year for many of the State's proprietary funds was restated as a result of the recognition of net OPEB liabilities associated with the implementation of GASB Statement No. 75. The cumulative impact on the proprietary funds' beginning net position because of this implementation was a decrease of \$16.1 billion—\$14.4 billion for enterprise funds and \$1.7 billion for internal service funds.

*Enterprise Funds:* The total net deficit position of the enterprise funds at June 30, 2018, was \$1.9 billion—a \$3.5 billion improvement over the prior year's restated net deficit position of \$5.4 billion. The Unemployment Programs Fund accounted for the majority of this increase to end the fiscal year with a net position of \$7.2 billion. The State Lottery Fund and the California State University Fund increased their net deficit positions by \$31 million and \$74 million, respectively, while the nonmajor enterprise funds increased net position by \$169 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$47.9 billion as of June 30, 2018. Of this amount, current assets totaled \$16.3 billion, noncurrent assets totaled \$27.1 billion, and deferred outflows of resources totaled \$4.5 billion. The total liabilities and deferred inflows of resources for the enterprise funds was \$49.8 billion. The three largest liabilities of the enterprise funds are \$15.6 billion in net OPEB liability, \$14.3 billion in revenue bonds payable, and \$10.1 billion in net pension liability. During the 2017-18 fiscal year, the State repaid all loans from the U.S. Department of Labor that covered prior-year deficits in the Unemployment Programs Fund; and, as of June 30, 2018, the Unemployment Programs Fund had a balance on deposit with the U.S. Treasury of \$3.0 billion.

Total net position consisted of four segments: net investment in capital assets of \$2.5 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$12.1 billion, and unrestricted net deficit of \$16.5 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 \$27.0 billion, operating expenses of \$28.1 billion, and net revenues from other transactions of \$246 million. The largest sources of operating revenue were unemployment and disability insurance receipts of \$15.5 billion in the Unemployment Programs Fund and lottery ticket sales of \$7.0 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund increased by \$1.1 billion (7.8%) over the prior fiscal year. The largest operating expenses were distributions of \$11.8 billion to beneficiaries by the Unemployment Programs Fund, personal services of \$6.8 billion by the California State University Fund, and lottery prizes of \$4.5 billion distributed by the State Lottery Fund. The largest increase in operating expenses was the California State University Fund personal services costs which increased \$1.6 billion (31.6%) over the prior fiscal year.

*Internal Service Funds:* The total net deficit of the internal service funds was \$2.4 billion as of June 30, 2018. The net position consists of three segments: net investment in capital assets of \$509 million, restricted expendable net position of \$194 million, and unrestricted net deficit of \$3.1 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 \$8.7 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of \$605.5 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of \$22.5 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the fiscal year ended June 30, 2018, the fiduciary funds' combined net position was \$636.7 billion, a \$47.3 billion increase over the prior year restated net position. The net position increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants, despite a 20.4% decrease in net investment income from the prior fiscal year.

## **General Fund Budget Highlights**

The original General Fund budget of \$126.0 billion was increased by \$1.6 billion during fiscal year 2017-18. This increase is mainly attributed to funding for health and human services, corrections and rehabilitation, and natural resources and environmental protection.

The funding increase in health and human services was due to a combination of health care cost inflation, program expansions, and caseload growth. In addition, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) increased General Fund health care costs to support new growth in the Medi-Cal program in fiscal year 2017-18.

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

Funding for the California Department of Forestry and Fire Protection, which is responsible for providing fire response, accounted for the increase in natural resources and environmental protection. This increase in expenditures was driven by the increasing magnitude of fires, labor costs, and additional development in state responsibility areas.

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, 2018

(amounts in millions)

	Original	Final	Increase/ (Decrease)
<b>Budgeted amounts</b>			
Business, consumer services, and housing .....	\$ 59	\$ 61	\$ 2
Transportation .....	5	5	—
Natural resources and environmental protection .....	2,226	2,651	425
Health and human services .....	35,011	35,981	970
Corrections and rehabilitation .....	11,242	11,719	477
Education .....	65,067	64,957	(110)
General government:			
Tax relief .....	420	425	5
Debt service .....	4,779	4,779	—
Other general government .....	7,184	7,075	(109)
<b>Total</b> .....	<b>\$ 125,993</b>	<b>\$ 127,653</b>	<b>\$ 1,660</b>

## Capital Assets and Debt Administration

### Capital Assets

As of June 30, 2018, the State’s investment in capital assets for its governmental and business-type activities amounted to \$144.6 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, 2018, the State’s capital assets increased \$4.0 billion, or 2.8% 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, 2018 and 2017

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land .....	\$ 20,208	\$ 19,716	\$ 271	\$ 258	\$ 20,479	\$ 19,974
State highway infrastructure .....	77,068	75,071	—	—	77,068	75,071
Collections – nondepreciable .....	23	23	25	22	48	45
Buildings and other depreciable property .....	31,700	31,115	14,696	13,718	46,396	44,833
Intangible assets – amortizable .....	2,223	2,076	431	421	2,654	2,497
Less: accumulated depreciation/amortization .....	(15,221)	(14,304)	(6,089)	(5,616)	(21,310)	(19,920)
Construction/development in progress .....	16,289	15,871	2,475	1,750	18,764	17,621
Intangible assets – nonamortizable .....	418	428	118	117	536	545
<b>Total.....</b>	<b>\$ 132,708</b>	<b>\$ 129,996</b>	<b>\$ 11,927</b>	<b>\$ 10,670</b>	<b>\$ 144,635</b>	<b>\$ 140,666</b>

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

**Modified Approach for Infrastructure Assets**

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state bridges and roadways). Under the modified approach, the State does not report depreciation expense for its bridges and roads but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During fiscal year 2017-18, the actual amount spent on preservation was 54.9% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 95.3% of bridge deck area judged to be of fair or better quality and 82.2% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 13,003 bridges and 50,346 lane miles.

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

**Debt Administration**

At June 30, 2018, the State had total bonded debt outstanding of \$111.0 billion. Of this amount, \$80.3 billion (72.4%) 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 \$3.6 billion and the long-term portion is

\$76.7 billion. The remaining \$30.7 billion (27.6%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is \$2.0 billion and the long-term portion is \$28.7 billion.

During the fiscal year, the State issued a total of \$8.6 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, 2018 and 2017

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Government-wide noncurrent liabilities</b>						
General obligation bonds .....	\$ 76,063	\$ 75,329	\$ 668	\$ 667	\$ 76,731	\$ 75,996
Revenue bonds payable .....	15,559	16,088	13,164	13,869	28,723	29,957
Total bonded debt .....	91,622	91,417	13,832	14,536	105,454	105,953
Net pension liability .....	88,027	77,278	10,067	8,787	98,094	86,065
Net other postemployment benefits liability/obligation .....	73,717	28,181	15,619	978	89,336	29,159
Mandated cost claims payable .....	1,911	2,453	—	—	1,911	2,453
Loans payable .....	—	—	—	385	—	385
Compensated absences payable .....	3,593	3,511	191	205	3,784	3,716
Workers’ compensation benefits payable .....	3,874	3,642	4	4	3,878	3,646
Capital lease obligations .....	412	359	290	310	702	669
Commercial paper .....	860	1,158	743	147	1,603	1,305
Other noncurrent liabilities .....	1,515	1,372	962	921	2,477	2,293
<b>Total noncurrent liabilities .....</b>	<b>265,531</b>	<b>209,371</b>	<b>41,708</b>	<b>26,273</b>	<b>307,239</b>	<b>235,644</b>
Current portion of long-term obligations .....	5,467	5,940	2,052	2,289	7,519	8,229
<b>Total long-term obligations .....</b>	<b>\$ 270,998</b>	<b>\$ 215,311</b>	<b>\$ 43,760</b>	<b>\$ 28,562</b>	<b>\$ 314,758</b>	<b>\$ 243,873</b>

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

During fiscal year 2017-18, the State implemented GASB Statement No. 75, which resulted in the elimination of the June 30, 2017 net other postemployment benefits (OPEB) obligation of \$29.1 billion and the recognition of a net OPEB liability of \$89.3 billion at June 30, 2018—a net increase of \$60.2 billion in long-term obligations. Another large increase in long-term obligations during the fiscal year was a \$12.0 billion increase in net pension liability, comprised of a \$1.9 billion beginning balance restatement for previously unreported trial courts’ net pension liability and a current-year net increase of \$10.1 billion because the State does not fully fund pension benefits. All other long-term obligations had a net decrease of \$1.3 billion from the prior year, with the majority of the decrease in bonded debt, mandated cost claims payable, and loans payable.

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

During fiscal year 2017-18, the State's general obligation credit ratings from Fitch Ratings, Standard and Poor's Rating Services, and Moody's Investors Service remained unchanged at "AA-", "AA-", and "Aa3", respectively.

## **Economic Condition and Future Budgets**

### **The Economy for the Fiscal Year Ending June 30, 2018**

California continued to experience economic growth, for the ninth year in a row, during the year ended June 30, 2018. The State's real gross domestic product (GDP) totaled nearly \$3.0 trillion, an increase of 6.3%, during fiscal year 2017-18. In comparison, GDP for the United States grew by 5.4% during the same period.

California's unemployment rate decreased to 4.2% in June 2018—the lowest in decades—compared to 4.8% in June 2017. Total nonfarm employment increased by 339,500 jobs during fiscal year 2017-18, with all of California's 11 major industry sectors experiencing job growth. The largest number of job gains were in professional and business services, educational and health services, and construction.

California's personal income grew 5.0% in fiscal year 2017-18, exceeding the national increase of 4.5%. Personal income in California has grown an average of 5.0% a year since 2010, while national personal income has grown an average of 3.9%. The State's record low unemployment rate is a contributing factor in the growth of personal income. In addition, effective January 1, 2018, California's minimum wage increased to either \$10.50 or \$11.00 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches \$15.00 per hour for all businesses in 2023.

California's real estate market showed mixed signals at the end of the fiscal year. The median price of homes in California increased 8.5% over the prior year, to a record high of \$602,760, well over twice the national median price of \$273,800. Conversely, 30-year fixed mortgage rates increased to 4.57% in June 2018, compared to 3.90% in June 2017, and single-family home sales declined 7.3% from the prior fiscal year—the largest decrease in nearly four years. In California, low inventory and competition for homes has driven prices up and affordability down. As of June 2018, commercial construction permits increased 13.2% from the prior year, and the number of residential building permits issued increased by 10.0% to over 120,000 units. However, ongoing residential production continues to fall below the projected need to accommodate population growth.

### **Economic Outlook for Fiscal Year 2017-18 as of March 31, 2019**

California's economy continued to grow, but at a slower pace, during the first nine months of the fiscal year beginning July 1, 2018. The State's unemployment rate increased to 4.3% in March 2019. Steady job growth, along with increased labor-force participation is expected to keep the unemployment rate near 4.3% through 2022. California added 175,700 nonfarm jobs since June 30, 2018, with 10 out of 11 major industry sectors experiencing job growth. California's personal income for the quarter ending December 2018 was 2.0% higher than in June 2018, but lower than the 2.6% increase during the same quarter in 2017.

Swings in oil prices, higher international tariffs, and increasing wages contributed to faster-than-expected inflation in 2018. Inflation in the State rose 3.3% in fiscal year 2017-18, and the California Department of Finance projects that it will increase by 3.8% in fiscal year 2018-19 and 3.4% in fiscal year 2019-20. In comparison, national inflation rose 2.3% in fiscal year 2017-18 and is expected to increase by 2.5% in fiscal year 2018-19 and 2.4% in fiscal year 2019-20.

In California's real estate industry, the housing market showed signs of weakness as home price growth slowed consistently throughout 2018. The median home price in March 2019 was \$565,880, a 6.1% decrease from June 2018. Additionally, single-family home sales for March 2019 totaled 397,210, a decrease of 6.3% from March 2018. The State's housing market is expected to continue slowing as a result of tighter mortgage lending, higher interest rates, and increased tariffs that could increase the cost of building homes.

## **California's 2018-19 Budget**

California's 2018-19 Budget Act was enacted on June 27, 2018. The Budget Act appropriated \$201.4 billion—\$138.7 billion from the General Fund, \$58.5 billion from special funds, and \$4.2 billion from bond funds. The General Fund's budgeted expenditures increased by \$11.6 billion (9.2%) over the prior-year budget. The General Fund's revenues were projected to be \$133.3 billion after a \$4.4 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 69.0% of total revenue in fiscal year 2018-19. California's major taxes (personal income, sales and use, and corporation) are projected to supply approximately 97.3% of the General Fund's resources in fiscal year 2018-19. The General Fund was initially projected to end fiscal year 2018-19 with \$15.9 billion in total reserves—\$13.7 billion in the BSA, \$2.0 billion in the General Fund's Special Fund for Economic Uncertainties (SFEU), and \$200 million in the new Safety Net Reserve (SNR). 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 2018-19 spending plan included \$1.7 billion of debt reduction expenditures.

The 2018-19 spending plan increased total State expenditures by \$13.0 billion over the 2017-18 level, primarily in education, transportation, and health and human services. General Fund spending increased by \$1.5 billion in education to meet the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges, a \$760 million increase for universities, and an increase of \$655 million for childcare and preschool programs.

The Budget included a \$4.7 billion increase in transportation spending due, in large part, to the increase in fuel excise taxes and vehicle charges attributed to Senate Bill 1 in its first full year of implementation. The funds will be used to maintain and repair transportation infrastructure and complete transit-related projects. For fiscal year 2018-19, the General Fund's spending for health programs increased by \$2.9 billion, primarily due to significant growth in projected spending on Medi-Cal, including a shift in costs to the General Fund from other state and federal fund sources.

Actual General Fund cash receipts through April 30, 2019, were \$4.0 billion (3.5%) greater than the Governor's Budget estimates for the first 10 months of fiscal year 2018-19, and disbursements were \$1.1 billion (0.9%) greater than estimated. As a result, the General Fund's need for temporary borrowing was \$2.9 billion less than projected, resulting in a balance, as of April 30, 2019, of \$2.6 billion in outstanding loans comprised entirely of internal borrowing from other funds.

In May 2019, the revised 2019-20 Governor's Budget provided updated estimates of fiscal year 2018-19 General Fund revenues, expenditures, and reserves. The revised estimates project General Fund revenue of \$138.0 billion, expenditures of \$143.2 billion, and total year-end reserves of \$20.1 billion—\$14.4 billion

in the BSA, \$4.8 billion in the SFEU, and \$900 million in the SNR—which is \$4.2 billion more than projected in June 2018 for the enacted budget.

## **California's 2019-20 Budget**

The Governor released his proposed 2019-20 budget on January 9, 2019. The Governor's Budget assumes moderate growth; however, growing uncertainty related to the global political and economic climate, federal policies, rising cost of living, and duration of the current economic expansion require that the Budget be practical. The proposed budget estimates that a moderate recession could result in a nearly \$70.0 billion revenue loss and a \$40.0 billion budget deficit over three years. The Governor's Budget takes a careful economic approach to maintaining the State's fiscal health by allocating \$13.6 billion toward building more budget resiliency and paying down the State's unfunded pension liabilities. Additionally, the Budget makes investments to promote opportunities that make living in California more affordable for its citizens and strengthens the State's emergency readiness, response, and recovery capabilities.

The 2019-20 Governor's Budget projects General Fund revenues of \$144.4 billion (\$142.6 billion after transfers), an increase of \$4.7 billion (3.4%) over January's estimated 2018-19 revenues. General Fund expenditures are budgeted at \$144.2 billion, an increase of \$109 million (0.1%) over January's estimated 2018-19 totals. Most of the increase in expenditures is attributable to health and human services and planned increases in housing production. The Budget proposes a transfer of \$1.8 billion from the General Fund to the BSA. After this transfer, the balance in the BSA would be \$15.3 billion. Combined with the projected balance of \$2.3 billion in the SFEU and \$900 million in the SNR, the State's total reserves at the end of fiscal year 2019-20 would be \$18.5 billion.

The 2019-20 spending plan prioritizes paying down the State's retirement liabilities. The Budget includes a \$3.0 billion supplemental contribution to CalPERS and proposes to dedicate all of the Proposition 2 debt payments (\$1.8 billion) toward paying down the State's unfunded OPEB and pension liabilities.

The Legislative Analyst's Office (LAO), California's nonpartisan fiscal and policy advisor, states that the Governor's budget proposal reflects a budget situation that is better than it expected. The LAO estimates that even after taking into account various constitutional spending requirements, caseload growth, and inflation, the administration has \$20.6 billion in available discretionary resources to allocate among a variety of priorities, including one-time spending and debt repayments. As most of the surplus is expected to consist of one-time funding, the LAO agrees that the Governor's emphasis on paying down debt, building reserves, and restricting most new spending to one-time outlays is appropriate.

In May 2019, the revised 2019-20 Governor's Budget provided updated estimates of fiscal year 2019-20 General Fund revenues, expenditures, and reserves. The revised estimates project General Fund revenues of \$146.0 billion (\$143.8 billion after transfers), an increase of \$4.4 billion (3.1%) over May's estimated 2018-19 revenues. General Fund expenditures are budgeted at \$147.0 billion, an increase of \$3.8 billion (2.6%) over May's estimated 2018-19 totals. The Budget proposes a transfer of \$2.2 billion from the General Fund to the BSA. After this transfer, the balance in the BSA would be \$16.5 billion. Combined with the projected balance of \$1.6 billion in the SFEU, \$900 million in the SNR, and \$400 million in other reserves, the State's total reserves at the end of fiscal year 2019-20 would be \$19.4 billion.

## **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](mailto:StateGovReports@sco.ca.gov). This report is also available on the State Controller's Office website at [www.sco.ca.gov](http://www.sco.ca.gov).



# Basic Financial Statements

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# **Government-wide Financial Statements**

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## Statement of Net Position

June 30, 2018

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments .....	\$ 47,470,591	\$ 6,501,147	\$ 53,971,738	\$ 2,905,037
Amount on deposit with U.S. Treasury .....	—	2,970,373	2,970,373	—
Investments .....	494,505	2,750,013	3,244,518	7,458,829
Restricted assets:				
Cash and pooled investments .....	440,303	1,295,898	1,736,201	347,283
Investments .....	—	—	—	49,102
Due from other governments .....	—	155,541	155,541	—
Net investment in direct financing leases .....	23,589	11,384	34,973	—
Receivables (net) .....	21,673,854	2,072,187	23,746,041	4,834,661
Internal balances .....	(309,029)	309,029	—	—
Due from primary government .....	—	—	—	237,372
Due from other governments .....	21,853,537	279,633	22,133,170	133,472
Prepaid items .....	233,767	66,169	299,936	4,445
Inventories .....	72,489	16,038	88,527	244,706
Recoverable power costs (net) .....	—	109,000	109,000	—
Other current assets .....	29,219	7,248	36,467	440,413
Total current assets .....	91,982,825	16,543,660	108,526,485	16,655,320
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments .....	176,851	729,400	906,251	39,908
Investments .....	—	352,066	352,066	67,679
Loans receivable .....	—	2,054,876	2,054,876	—
Investments .....	—	1,961,682	1,961,682	33,799,835
Net investment in direct financing leases .....	265,937	218,229	484,166	—
Receivables (net) .....	2,046,378	448,140	2,494,518	2,398,005
Loans receivable .....	3,468,095	4,727,643	8,195,738	3,087,842
Recoverable power costs (net) .....	—	1,631,000	1,631,000	—
Long-term prepaid charges .....	1,370	1,860,013	1,861,383	142
Capital assets:				
Land .....	20,208,641	271,240	20,479,881	1,347,708
State highway infrastructure .....	77,067,674	—	77,067,674	—
Collections – nondepreciable .....	22,627	24,604	47,231	544,051
Buildings and other depreciable property .....	31,700,263	14,696,314	46,396,577	53,850,588
Intangible assets – amortizable .....	2,222,889	431,102	2,653,991	1,607,137
Less: accumulated depreciation/amortization .....	(15,220,711)	(6,089,314)	(21,310,025)	(26,811,356)
Construction/development in progress .....	16,289,087	2,474,761	18,763,848	3,004,984
Intangible assets – nonamortizable .....	417,669	118,412	536,081	5,411
Other noncurrent assets .....	—	25,612	25,612	377,142
Total noncurrent assets .....	138,666,770	25,935,780	164,602,550	73,319,076
<b>Total assets .....</b>	<b>230,649,595</b>	<b>42,479,440</b>	<b>273,129,035</b>	<b>89,974,396</b>
<b>DEFERRED OUTFLOWS OF RESOURCES .....</b>	<b>32,295,813</b>	<b>4,471,312</b>	<b>36,767,125</b>	<b>4,763,120</b>
<b>Total assets and deferred outflows of resources .....</b>	<b>\$ 262,945,408</b>	<b>\$ 46,950,752</b>	<b>\$ 309,896,160</b>	<b>\$ 94,737,516</b>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable.....	\$ 28,077,598	\$ 529,802	\$ 28,607,400	\$ 3,137,105
Due to component units.....	237,372	—	237,372	—
Due to other governments.....	9,438,510	154,151	9,592,661	—
Revenues received in advance.....	2,043,266	366,580	2,409,846	1,512,088
Tax overpayments.....	6,240,122	—	6,240,122	—
Deposits.....	442,450	—	442,450	1,107,909
Contracts and notes payable.....	3,633	—	3,633	13,353
Unclaimed property liability.....	985,801	—	985,801	—
Interest payable.....	1,221,406	64,459	1,285,865	28,017
Securities lending obligations.....	—	—	—	1,209,769
Benefits payable.....	—	508,722	508,722	—
Current portion of long-term obligations.....	5,466,955	2,051,597	7,518,552	4,104,731
Other current liabilities.....	705,162	554,573	1,259,735	1,418,517
<b>Total current liabilities.....</b>	<b>54,862,275</b>	<b>4,229,884</b>	<b>59,092,159</b>	<b>12,531,489</b>
Noncurrent liabilities:				
Loans payable.....	248,542	—	248,542	1,037
Lottery prizes and annuities.....	—	712,236	712,236	—
Compensated absences payable.....	3,593,097	191,000	3,784,097	333,772
Workers' compensation benefits payable.....	3,874,233	4,147	3,878,380	487,528
Commercial paper and other borrowings.....	859,695	742,748	1,602,443	2,926
Capital lease obligations.....	412,444	290,145	702,589	405,977
General obligation bonds payable.....	76,062,632	668,125	76,730,757	—
Revenue bonds payable.....	15,558,641	13,164,196	28,722,837	22,634,129
Mandated cost claims payable.....	1,911,013	—	1,911,013	—
Net other postemployment benefits liability.....	73,717,443	15,618,786	89,336,229	19,169,577
Net pension liability.....	88,027,149	10,066,991	98,094,140	10,085,998
Other noncurrent liabilities.....	1,515,366	249,830	1,765,196	2,355,691
<b>Total noncurrent liabilities.....</b>	<b>265,780,255</b>	<b>41,708,204</b>	<b>307,488,459</b>	<b>55,476,635</b>
<b>Total liabilities.....</b>	<b>320,642,530</b>	<b>45,938,088</b>	<b>366,580,618</b>	<b>68,008,124</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>10,951,388</b>	<b>2,922,069</b>	<b>13,873,457</b>	<b>6,929,318</b>
<b>Total liabilities and deferred inflows     of resources.....</b>	<b>\$ 331,593,918</b>	<b>\$ 48,860,157</b>	<b>\$ 380,454,075</b>	<b>\$ 74,937,442</b>

(continued)

## Statement of Net Position (continued)

June 30, 2018

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>NET POSITION</b>				
Net investment in capital assets .....	\$ 109,614,321	\$ 2,469,723	\$ 112,084,044	\$ 14,156,347
Restricted:				
Nonexpendable – endowments .....	—	1,708	1,708	6,888,846
Expendable:				
Endowments and gifts .....	—	—	—	12,384,775
General government .....	3,819,332	149,678	3,969,010	—
Education .....	638,621	103,463	742,084	1,911,126
Health and human services .....	2,876,923	1,963,389	4,840,312	—
Natural resources and environmental protection .....	5,187,743	2,800,511	7,988,254	—
Business, consumer services, and housing .....	4,006,045	22,356	4,028,401	—
Transportation .....	9,090,734	6,866	9,097,600	—
Corrections and rehabilitation .....	28,382	65,877	94,259	—
Unemployment programs .....	—	6,971,597	6,971,597	—
Indenture .....	—	—	—	620,505
Statute .....	—	—	—	1,751,828
Other purposes .....	9,405,422	—	9,405,422	16,888
Total expendable .....	<u>35,053,202</u>	<u>12,083,737</u>	<u>47,136,939</u>	<u>16,685,122</u>
Unrestricted .....	<u>(213,316,033)</u>	<u>(16,464,573)</u>	<u>(229,780,606)</u>	<u>(17,930,241)</u>
<b>Total net position (deficit) .....</b>	<b><u>(68,648,510)</u></b>	<b><u>(1,909,405)</u></b>	<b><u>(70,557,915)</u></b>	<b><u>19,800,074</u></b>
<b>Total liabilities, deferred inflows of resources, and net position .....</b>	<b><u>\$ 262,945,408</u></b>	<b><u>\$ 46,950,752</u></b>	<b><u>\$ 309,896,160</u></b>	<b><u>\$ 94,737,516</u></b>
				(concluded)

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## Statement of Activities

Year Ended June 30, 2018

(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government.....	\$ 18,378,216	\$ 5,726,900	\$ 1,586,619	\$ —
Education .....	70,280,444	37,147	7,422,025	—
Health and human services .....	137,828,737	12,968,379	75,321,724	—
Natural resources and environmental protection .....	8,304,162	6,319,879	362,249	—
Business, consumer services, and housing .....	1,258,104	957,885	43,944	—
Transportation .....	14,259,461	6,053,140	3,008,504	1,882,595
Corrections and rehabilitation.....	14,921,295	39,887	67,562	—
Interest on long-term debt.....	4,154,485	—	—	—
Total governmental activities .....	<u>269,384,904</u>	<u>32,103,217</u>	<u>87,812,627</u>	<u>1,882,595</u>
Business-type activities:				
Electric Power.....	952,000	952,000	—	—
Water Resources .....	1,221,866	1,221,866	—	—
State Lottery.....	7,006,591	6,975,168	—	—
Unemployment Programs .....	12,133,531	15,594,045	—	—
California State University .....	9,806,114	3,387,420	2,006,533	—
State Water Pollution Control Revolving .....	32,335	86,789	46,304	—
Safe Drinking Water State Revolving.....	21,994	22,675	79,828	—
Housing Loan.....	57,088	52,735	—	—
Other enterprise programs .....	96,078	86,911	—	—
Total business-type activities .....	<u>31,327,597</u>	<u>28,379,609</u>	<u>2,132,665</u>	<u>—</u>
<b>Total primary government.....</b>	<b><u>\$ 300,712,501</u></b>	<b><u>\$ 60,482,826</u></b>	<b><u>\$ 89,945,292</u></b>	<b><u>\$ 1,882,595</u></b>
<b>Component Units</b>				
University of California.....	35,229,304	23,321,094	9,972,697	144,998
California Housing Finance Agency .....	130,742	81,924	—	—
Nonmajor component units .....	2,211,654	1,074,325	685,361	14,578
<b>Total component units.....</b>	<b><u>\$ 37,571,700</u></b>	<b><u>\$ 24,477,343</u></b>	<b><u>\$ 10,658,058</u></b>	<b><u>\$ 159,576</u></b>
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.....				
Transfers .....				
<b>Total general revenues and transfers.....</b>				
Change in net position.....				
<b>Net position (deficit) – beginning, restated .....</b>				
<b>Net position (deficit) – ending.....</b>				



<b>Net (Expenses) Revenues and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (11,064,697)		\$ (11,064,697)	
(62,821,272)		(62,821,272)	
(49,538,634)		(49,538,634)	
(1,622,034)		(1,622,034)	
(256,275)		(256,275)	
(3,315,222)		(3,315,222)	
(14,813,846)		(14,813,846)	
(4,154,485)		(4,154,485)	
<u>(147,586,465)</u>		<u>(147,586,465)</u>	
	\$ —	—	
	—	—	
	(31,423)	(31,423)	
	3,460,514	3,460,514	
	(4,412,161)	(4,412,161)	
	100,758	100,758	
	80,509	80,509	
	(4,353)	(4,353)	
	(9,167)	(9,167)	
	<u>(815,323)</u>	<u>(815,323)</u>	
<u>\$ (147,586,465)</u>	<u>\$ (815,323)</u>	<u>\$ (148,401,788)</u>	
			\$ (1,790,515)
			(48,818)
			<u>(437,390)</u>
			<u>\$ (2,276,723)</u>
\$ 94,460,551	\$ —	\$ 94,460,551	\$ —
39,784,494	—	39,784,494	—
12,608,756	—	12,608,756	—
6,680,858	—	6,680,858	—
2,754,056	—	2,754,056	—
2,397,531	—	2,397,531	—
3,573,848	—	3,573,848	—
297,782	—	297,782	2,500,161
378,180	—	378,180	—
—	—	—	3,326,055
(4,339,995)	4,339,995	—	—
<u>158,596,061</u>	<u>4,339,995</u>	<u>162,936,056</u>	<u>5,826,216</u>
11,009,596	3,524,672	14,534,268	3,549,493
<u>(79,658,106)</u>	<u>(5,434,077)</u>	<u>(85,092,183)</u>	<u>16,250,581</u>
<u>\$ (68,648,510)</u>	<u>\$ (1,909,405)</u>	<u>\$ (70,557,915)</u>	<u>\$ 19,800,074</u>

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# Fund Financial Statements



# Balance Sheet

## Governmental Funds

June 30, 2018

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
<b>ASSETS</b>		
Cash and pooled investments.....	\$ 16,898,352	\$ 286,580
Investments .....	—	—
Receivables (net) .....	16,930,904	81,870
Due from other funds.....	3,429,655	—
Due from other governments .....	1,346,744	19,457,729
Interfund receivables .....	552,739	—
Loans receivable .....	35,697	225,717
Other assets.....	3,707	—
<b>Total assets</b> .....	<b>\$ 39,197,798</b>	<b>\$ 20,051,896</b>
<b>LIABILITIES</b>		
Accounts payable.....	\$ 1,913,451	\$ 686,325
Due to other funds .....	5,944,148	16,598,568
Due to component units .....	124,954	—
Due to other governments.....	2,869,939	2,424,808
Interfund payables .....	6,231,963	—
Revenues received in advance.....	650,871	61,749
Tax overpayments.....	6,240,122	—
Deposits .....	3,102	—
Unclaimed property liability.....	985,801	—
Other liabilities .....	389,684	34,525
<b>Total liabilities</b> .....	<b>25,354,035</b>	<b>19,805,975</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	<b>1,656,859</b>	<b>17,267</b>
<b>Total liabilities and deferred inflows of resources</b> .....	<b>27,010,894</b>	<b>19,823,242</b>
<b>FUND BALANCES</b>		
Nonspendable .....	559,644	—
Restricted .....	9,807,729	228,654
Committed .....	171,020	—
Assigned .....	—	—
Unassigned.....	1,648,511	—
<b>Total fund balances</b> .....	<b>12,186,904</b>	<b>228,654</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b> .....	<b>\$ 39,197,798</b>	<b>\$ 20,051,896</b>

<u>Transportation</u>	<u>Environmental and Natural Resources</u>	<u>Health Care Related Programs</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ 6,669,276	\$ 9,295,371	\$ 2,337,846	\$ 10,265,117	\$ 45,752,542
—	—	—	494,505	494,505
1,434,462	463,831	3,371,114	1,284,990	23,567,171
1,743,556	121,974	24,486	1,125,975	6,445,646
2,680	6,139	927,968	95,200	21,836,460
1,755,668	2,236,995	550,200	1,458,343	6,553,945
—	231,335	23,000	2,735,536	3,251,285
13,391	—	—	12,120	29,218
<b>\$ 11,619,033</b>	<b>\$ 12,355,645</b>	<b>\$ 7,234,614</b>	<b>\$ 17,471,786</b>	<b>\$ 107,930,772</b>
\$ 539,315	\$ 249,035	\$ 29,542	\$ 517,351	\$ 3,935,019
381,669	23,069	6,451,325	605,336	30,004,115
6,754	—	—	105,664	237,372
379,732	196,063	16,196	3,942,644	9,829,382
315,348	126,665	—	135,963	6,809,939
17,895	197,597	5,511	150,723	1,084,346
—	—	—	—	6,240,122
2,872	927	—	433,594	440,495
—	—	—	—	985,801
574,176	9,645	1,964	141,210	1,151,204
<b>2,217,761</b>	<b>803,001</b>	<b>6,504,538</b>	<b>6,032,485</b>	<b>60,717,795</b>
57,080	37,770	—	211,973	1,980,949
<b>2,274,841</b>	<b>840,771</b>	<b>6,504,538</b>	<b>6,244,458</b>	<b>62,698,744</b>
—	—	—	69,868	629,512
9,294,367	5,112,157	627,108	9,789,262	34,859,277
49,825	6,402,717	102,968	1,341,852	8,068,382
—	—	—	26,346	26,346
—	—	—	—	1,648,511
<b>9,344,192</b>	<b>11,514,874</b>	<b>730,076</b>	<b>11,227,328</b>	<b>45,232,028</b>
<b>\$ 11,619,033</b>	<b>\$ 12,355,645</b>	<b>\$ 7,234,614</b>	<b>\$ 17,471,786</b>	<b>\$ 107,930,772</b>

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

(amounts in thousands)

**Total fund balances – governmental funds** **\$ 45,232,028**

Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:

- The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	20,206,561
State highway infrastructure	77,067,674
Collections – nondepreciable	22,627
Buildings and other depreciable property	31,063,376
Intangible assets – amortizable	2,151,760
Less: accumulated depreciation/amortization	(14,712,382)
Construction/development in progress	15,305,452
Intangible assets – nonamortizable	<u>417,669</u>

131,522,737

- 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. 1,980,949
- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds. (10,598,967)
- 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. (5,874,364)
- Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds. 20,484,703
- 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. 438,081
- General obligation bonds and related accrued interest totaling \$75,216,385, revenue bonds totaling \$6,522,482, and commercial paper totaling \$859,695 are not due and payable in the current period and are not reported in the funds. (82,598,562)
- The following liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(3,456,370)
Capital leases	(481,261)
Net pension liability	(86,608,104)
Net other postemployment benefits liability	(71,369,628)
Mandated cost claims	(1,911,013)
Workers' compensation	(3,829,948)
Proposition 98 funding guarantee	(340,003)
Pollution remediation obligations	(1,141,189)
Other noncurrent liabilities	<u>(97,599)</u>

(169,235,115)

**Net position of governmental activities**

**\$ (68,648,510)**

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

## Governmental Funds

Year Ended June 30, 2018

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
<b>REVENUES</b>		
Personal income taxes.....	\$ 92,808,996	\$ —
Sales and use taxes.....	25,090,956	—
Corporation taxes.....	12,597,928	—
Motor vehicle excise taxes.....	101,307	—
Insurance taxes.....	2,563,904	—
Managed care organization enrollment tax.....	—	—
Other taxes.....	614,421	—
Intergovernmental.....	—	89,697,344
Licenses and permits.....	6,193	—
Charges for services.....	389,297	—
Fees.....	44,302	—
Penalties.....	248,828	97
Investment and interest.....	264,675	—
Escheat.....	378,177	—
Other.....	516,036	—
<b>Total revenues.....</b>	<b><u>135,625,020</u></b>	<b><u>89,697,441</u></b>
<b>EXPENDITURES</b>		
Current:		
General government.....	5,669,626	1,571,618
Education.....	61,331,083	7,424,246
Health and human services.....	36,130,003	74,847,506
Natural resources and environmental protection.....	2,338,402	369,165
Business, consumer services, and housing.....	68,550	39,297
Transportation.....	144,046	4,879,706
Corrections and rehabilitation.....	12,960,903	67,562
Capital outlay.....	405,930	—
Debt service:		
Bond and commercial paper retirement.....	2,467,541	9,830
Interest and fiscal charges.....	2,723,232	1,563
<b>Total expenditures.....</b>	<b><u>124,239,316</u></b>	<b><u>89,210,493</u></b>
Excess (deficiency) of revenues over (under) expenditures.....	11,385,704	486,948
<b>OTHER FINANCING SOURCES (USES)</b>		
General obligation bonds and commercial paper issued.....	—	—
Refunding debt issued.....	—	—
Payment to refund long-term debt.....	—	—
Premium on bonds issued.....	169,262	—
Remarketing bonds issued.....	—	—
Payment to remarket long-term debt.....	—	—
Capital leases.....	405,930	—
Transfers in.....	660,597	—
Transfers out.....	(6,244,975)	(486,173)
<b>Total other financing sources (uses).....</b>	<b><u>(5,009,186)</u></b>	<b><u>(486,173)</u></b>
Net change in fund balances.....	6,376,518	775
<b>Fund balances (deficit) – beginning.....</b>	<b><u>5,810,386</u></b>	<b><u>227,879</u></b>
<b>Fund balances – ending.....</b>	<b><u>\$ 12,186,904</u></b>	<b><u>\$ 228,654</u></b>

\* Restated



Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 1,675,447	\$ 94,484,443
712,895	—	—	13,973,218	39,777,069
—	—	—	—	12,597,928
6,406,668	58,742	—	114,141	6,680,858
—	—	190,152	—	2,754,056
—	—	2,397,531	—	2,397,531
—	173,944	—	2,759,817	3,548,182
—	—	2,394,468	812,657	92,904,469
4,881,585	507,182	—	3,366,660	8,761,620
150,978	130,560	36	304,443	975,314
956,451	2,586,480	5,708,896	3,191,017	12,487,146
8,177	200,272	7,038	596,913	1,061,325
74,768	118,178	32,158	117,639	607,418
—	—	—	4,616	382,793
117,109	3,216,894	354,140	1,114,560	5,318,739
<b>13,308,631</b>	<b>6,992,252</b>	<b>11,084,419</b>	<b>28,031,128</b>	<b>284,738,891</b>
565,613	128,545	3,868	11,039,119	18,978,389
12,699	5,846	280,400	848,353	69,902,627
2,450	89,920	11,259,371	15,689,025	138,018,275
257,762	4,766,332	193	256,024	7,987,878
122,957	108,489	—	850,072	1,189,365
11,946,227	187,226	—	11,835	17,169,040
—	—	—	1,637,059	14,665,524
—	147,131	—	59,708	612,769
412,436	870,053	331,080	4,507,916	8,598,856
14,624	9,948	289	1,212,048	3,961,704
<b>13,334,768</b>	<b>6,313,490</b>	<b>11,875,201</b>	<b>36,111,159</b>	<b>281,084,427</b>
(26,137)	678,762	(790,782)	(8,080,031)	3,654,464
1,738,610	1,616,985	628,855	1,298,915	5,283,365
1,062,740	838,695	—	4,355,420	6,256,855
(1,017,036)	(716,219)	—	(1,567,949)	(3,301,204)
146,473	161,501	514	558,570	1,036,320
325,000	—	—	100,000	425,000
(325,000)	—	—	(100,000)	(425,000)
—	—	—	—	405,930
8,401	45,787	181,720	3,370,091	4,266,596
(1,657,123)	(49,481)	(10,048)	(107,794)	(8,555,594)
<b>282,065</b>	<b>1,897,268</b>	<b>801,041</b>	<b>7,907,253</b>	<b>5,392,268</b>
255,928	2,576,030	10,259	(172,778)	9,046,732
<b>9,088,264</b>	<b>8,938,844</b>	<b>719,817</b>	<b>11,400,106 *</b>	<b>36,185,296</b>
<b>\$ 9,344,192</b>	<b>\$ 11,514,874</b>	<b>\$ 730,076</b>	<b>\$ 11,227,328</b>	<b>\$ 45,232,028</b>

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

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

(amounts in thousands)

**Net change in fund balances – total governmental funds** **\$ 9,046,732**

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	5,951,091	
Disposal of assets	(2,508,158)	
Depreciation expense, net of asset disposal	<u>(986,944)</u>	
		2,455,989

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (34,724)
- 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. (54,687)
- 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	(8,869,045)	(1,785,190)	(1,310,985)	(11,965,220)	
Premium on debt issued	(942,938)	(93,383)	—	(1,036,321)	
Accreted interest	—	(45,928)	—	(45,928)	
Principal repayments	4,904,299	2,085,186	1,609,370	8,598,855	
Payments to refund long-term debt	3,726,204	—	—	3,726,204	
Related expenses not reported in governmental funds:					
Premium/discount amortization	271,186	72,899	—	344,085	
Deferred gain/loss on refunding	(11,595)	(56,095)	—	(67,690)	
Prepaid insurance	—	(245)	—	(245)	
Accrued interest	(15,417)	8,146	—	(7,271)	
	<u>(937,306)</u>	<u>185,390</u>	<u>298,385</u>		(453,531)
					(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	(82,052)	
Capital leases	(64,793)	
Net pension liability	2,546,822	
Net other postemployment benefits liability	(2,502,899)	
Mandated cost claims	542,026	
Workers' compensation	(229,292)	
Proposition 98 funding guarantee	100,000	
Pollution remediation obligations	(171,796)	
Other noncurrent liabilities	(88,199)	
		49,817

**Change in net position of governmental activities**

<b>\$ 11,009,596</b>
(concluded)

## Statement of Net Position

### Proprietary Funds

June 30, 2018

(amounts in thousands)

	Electric Power	Water Resources
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments .....	\$ —	\$ 731,382
Amount on deposit with U.S. Treasury .....	—	—
Investments .....	—	—
Restricted assets:		
Cash and pooled investments .....	658,000	—
Due from other governments .....	—	—
Net investment in direct financing leases .....	—	—
Receivables (net) .....	—	97,140
Due from other funds .....	8,000	4,229
Due from other governments .....	—	53,636
Prepaid items .....	—	—
Inventories .....	—	5,437
Recoverable power costs (net) .....	109,000	—
Other current assets .....	—	—
Total current assets .....	<u>775,000</u>	<u>891,824</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments .....	582,000	147,297
Investments .....	302,000	50,066
Loans receivable .....	—	—
Investments .....	—	—
Net investment in direct financing leases .....	—	—
Receivables (net) .....	—	—
Interfund receivables .....	—	95,129
Loans receivable .....	—	10,924
Recoverable power costs (net) .....	1,631,000	—
Long-term prepaid charges .....	—	1,858,668
Capital assets:		
Land .....	—	162,457
Collections – nondepreciable .....	—	—
Buildings and other depreciable property .....	—	5,185,367
Intangible assets – amortizable .....	—	39,483
Less: accumulated depreciation/amortization .....	—	(2,185,494)
Construction/development in progress .....	—	1,396,750
Intangible assets – nonamortizable .....	—	111,439
Other noncurrent assets .....	—	—
Total noncurrent assets .....	<u>2,515,000</u>	<u>6,872,086</u>
<b>Total assets</b> .....	<b><u>3,290,000</u></b>	<b><u>7,763,910</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>99,000</b>	<b>401,026</b>
<b>Total assets and deferred outflows of resources</b> .....	<b><u>\$ 3,389,000</u></b>	<b><u>\$ 8,164,936</u></b>

Business-type Activities – Enterprise Funds					Governmental
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 428,696	\$ 3,304,229	\$ 814,235	\$ 1,222,605	\$ 6,501,147	\$ 1,718,049
—	2,970,373	—	—	2,970,373	—
48,234	—	2,701,779	—	2,750,013	—
—	—	—	637,898	1,295,898	440,303
—	—	—	155,541	155,541	—
—	—	11,384	—	11,384	493,644
550,014	1,191,096	192,753	41,184	2,072,187	87,632
4,034	25,050	4,950	14,866	61,129	841,909
—	36,823	—	189,174	279,633	17,077
—	—	66,078	91	66,169	233,767
7,292	—	—	3,309	16,038	72,489
—	—	—	—	109,000	—
7,248	—	—	—	7,248	—
1,045,518	7,527,571	3,791,179	2,264,668	16,295,760	3,904,870
—	—	103	—	729,400	176,851
—	—	—	—	352,066	—
—	—	—	2,054,876	2,054,876	—
738,736	—	1,204,731	18,215	1,961,682	—
—	—	218,229	—	218,229	7,996,250
—	79,766	368,374	—	448,140	—
—	1,052,664	—	17,517	1,165,310	32,576
—	—	70,647	4,646,072	4,727,643	216,810
—	—	—	—	1,631,000	—
1,345	—	—	—	1,860,013	719
18,798	—	88,713	1,272	271,240	2,080
—	—	24,604	—	24,604	—
291,312	28,572	9,171,853	19,210	14,696,314	636,887
—	244,118	145,820	1,681	431,102	71,129
(112,804)	(53,564)	(3,718,982)	(18,470)	(6,089,314)	(508,329)
—	—	1,077,824	187	2,474,761	983,635
—	—	6,973	—	118,412	—
—	—	20,476	5,136	25,612	—
937,387	1,351,556	8,679,365	6,745,696	27,101,090	9,608,608
1,982,905	8,879,127	12,470,544	9,010,364	43,396,850	13,513,478
62,049	133,337	3,752,587	23,313	4,471,312	733,002
\$ 2,044,954	\$ 9,012,464	\$ 16,223,131	\$ 9,033,677	\$ 47,868,162	\$ 14,246,480

(continued)

## Statement of Net Position (continued)

### Proprietary Funds

June 30, 2018

(amounts in thousands)

	<u>Electric Power</u>	<u>Water Resources</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable.....	\$ 2,000	\$ 184,962
Due to other funds .....	—	53,216
Due to other governments .....	—	118,940
Revenues received in advance.....	—	—
Deposits .....	—	—
Contracts and notes payable .....	—	—
Interest payable.....	23,000	10,685
Benefits payable .....	—	—
Current portion of long-term obligations .....	806,000	179,334
Other current liabilities.....	—	—
<b>Total current liabilities.....</b>	<b>831,000</b>	<b>547,137</b>
Noncurrent liabilities:		
Interfund payables .....	628	60,910
Lottery prizes and annuities.....	—	—
Compensated absences payable.....	—	26,926
Workers' compensation benefits payable .....	—	—
Commercial paper and other borrowings .....	—	580,672
Capital lease obligations.....	—	—
General obligation bonds payable .....	—	28,090
Revenue bonds payable .....	2,542,000	2,739,607
Net other postemployment benefits liability .....	8,000	912,912
Net pension liability .....	5,372	630,912
Revenues received in advance.....	—	—
Other noncurrent liabilities.....	—	97,316
<b>Total noncurrent liabilities.....</b>	<b>2,556,000</b>	<b>5,077,345</b>
<b>Total liabilities.....</b>	<b>3,387,000</b>	<b>5,624,482</b>
<b>DEFERRED INFLOWS OF RESOURCES .....</b>	<b>2,000</b>	<b>1,335,026</b>
<b>Total liabilities and deferred inflows of resources .....</b>	<b>3,389,000</b>	<b>6,959,508</b>
<b>NET POSITION</b>		
Net investment in capital assets.....	—	826,871
Restricted:		
Nonexpendable – endowments.....	—	—
Expendable:		
Construction .....	—	—
Debt service.....	—	378,557
Security for revenue bonds.....	—	—
Lottery .....	—	—
Unemployment programs .....	—	—
Other purposes.....	—	—
<b>Total expendable.....</b>	<b>—</b>	<b>378,557</b>
Unrestricted .....	—	—
<b>Total net position (deficit).....</b>	<b>—</b>	<b>1,205,428</b>
<b>Total liabilities, deferred inflows of resources, and net position .....</b>	<b>\$ 3,389,000</b>	<b>\$ 8,164,936</b>

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 66,116	\$ —	\$ 271,560	\$ 5,119	\$ 529,757	\$ 540,458	
385,956	217,269	136	12,255	668,832	277,903	
—	34,614	—	597	154,151	12,141	
2,177	37,105	327,235	63	366,580	958,920	
—	—	—	—	—	1,955	
—	—	—	—	—	22,575	
—	—	—	30,774	64,459	148,490	
—	508,722	—	—	508,722	—	
668,401	—	301,797	96,065	2,051,597	612,382	
241	56,814	497,363	155	554,573	17,966	
<u>1,122,891</u>	<u>854,524</u>	<u>1,398,091</u>	<u>145,028</u>	<u>4,898,671</u>	<u>2,592,790</u>	
13,798	—	156,283	17,004	248,623	941,810	
712,236	—	—	—	712,236	—	
—	55,177	99,898	8,999	191,000	145,414	
2,458	—	—	1,689	4,147	44,285	
—	—	162,076	—	742,748	—	
—	—	290,145	—	290,145	—	
—	—	—	640,035	668,125	—	
—	—	6,134,207	1,748,382	13,164,196	8,880,040	
218,073	517,915	13,918,525	43,361	15,618,786	2,347,815	
140,043	343,505	8,899,962	47,197	10,066,991	1,419,045	
—	—	10,149	—	10,149	—	
—	—	110,664	31,701	239,681	27,948	
<u>1,086,608</u>	<u>916,597</u>	<u>29,781,909</u>	<u>2,538,368</u>	<u>41,956,827</u>	<u>13,806,357</u>	
<b>2,209,499</b>	<b>1,771,121</b>	<b>31,180,000</b>	<b>2,683,396</b>	<b>46,855,498</b>	<b>16,399,147</b>	
24,868	50,619	1,504,986	4,570	2,922,069	245,932	
<u>2,234,367</u>	<u>1,821,740</u>	<u>32,684,986</u>	<u>2,687,966</u>	<u>49,777,567</u>	<u>16,645,079</u>	
197,306	219,127	1,225,523	896	2,469,723	509,253	
—	—	1,708	—	1,708	—	
—	—	18,348	—	18,348	193,925	
—	—	27,974	211,650	618,181	—	
—	—	—	2,210,416	2,210,416	—	
55,950	—	—	—	55,950	—	
—	6,971,597	—	—	6,971,597	—	
—	—	57,141	2,152,104	2,209,245	—	
<u>55,950</u>	<u>6,971,597</u>	<u>103,463</u>	<u>4,574,170</u>	<u>12,083,737</u>	<u>193,925</u>	
(442,669)	—	(17,792,549)	1,770,645	(16,464,573)	(3,101,777)	
<u>(189,413)</u>	<u>7,190,724</u>	<u>(16,461,855)</u>	<u>6,345,711</u>	<u>(1,909,405)</u>	<u>(2,398,599)</u>	
<b>\$ 2,044,954</b>	<b>\$ 9,012,464</b>	<b>\$ 16,223,131</b>	<b>\$ 9,033,677</b>	<b>\$ 47,868,162</b>	<b>\$ 14,246,480</b>	

(concluded)

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

### Proprietary Funds

Year Ended June 30, 2018

(amounts in thousands)

	Electric Power	Water Resources
<b>OPERATING REVENUES</b>		
Unemployment and disability insurance .....	\$ —	\$ —
Lottery ticket sales .....	—	—
Power sales .....	—	88,148
Student tuition and fees .....	—	—
Services and sales .....	—	1,118,365
Investment and interest .....	—	—
Rent .....	—	—
Grants and contracts .....	—	—
Other .....	—	—
<b>Total operating revenues</b> .....	<b>—</b>	<b>1,206,513</b>
<b>OPERATING EXPENSES</b>		
Lottery prizes .....	—	—
Power purchases (net of recoverable power costs) .....	(8,000)	342,115
Personal services .....	—	374,955
Supplies .....	—	—
Services and charges .....	8,000	103,093
Depreciation .....	—	80,101
Scholarships and fellowships .....	—	—
Distributions to beneficiaries .....	—	—
Interest expense .....	—	—
Amortization of long-term prepaid charges .....	—	—
Other .....	—	—
<b>Total operating expenses</b> .....	<b>—</b>	<b>900,264</b>
Operating income (loss) .....	—	306,249
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Donations and grants .....	—	—
Private gifts .....	—	—
Investment and interest income (loss) .....	952,000	15,353
Interest expense and fiscal charges .....	(952,000)	(105,429)
Lottery payments for education .....	—	—
Other .....	—	(216,173)
<b>Total nonoperating revenues (expenses)</b> .....	<b>—</b>	<b>(306,249)</b>
Income (loss) before capital contributions and transfers .....	—	—
Transfers in .....	—	—
Transfers out .....	—	—
Change in net position .....	—	—
<b>Total net position (deficit) – beginning</b> .....	<b>—</b>	<b>1,205,428</b>
<b>Total net position (deficit) – ending</b> .....	<b>\$ —</b>	<b>\$ 1,205,428</b>

\* Restated



Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ —	\$ 15,535,487	\$ —	\$ —	\$ 15,535,487	\$ —
6,965,792	—	—	—	6,965,792	—
—	—	—	—	88,148	—
—	—	2,220,797	—	2,220,797	—
—	—	575,908	94,442	1,788,715	3,335,466
—	—	—	134,270	134,270	14,683
—	—	—	—	—	426,219
—	—	77,792	—	77,792	—
—	—	229,550	1,744	231,294	—
<b>6,965,792</b>	<b>15,535,487</b>	<b>3,104,047</b>	<b>230,456</b>	<b>27,042,295</b>	<b>3,776,368</b>
4,476,580	—	—	—	4,476,580	—
—	—	—	—	334,115	—
101,055	247,796	6,801,999	52,141	7,577,946	1,137,783
12,658	—	1,532,795	42,364	1,587,817	24,510
701,133	70,859	—	43,260	926,345	2,147,934
18,311	10,567	355,263	390	464,632	52,390
—	—	891,148	—	891,148	—
—	11,804,309	—	—	11,804,309	—
—	—	—	31,056	31,056	416,069
—	—	—	—	—	179
—	—	—	9,536	9,536	—
<b>5,309,737</b>	<b>12,133,531</b>	<b>9,581,205</b>	<b>178,747</b>	<b>28,103,484</b>	<b>3,778,865</b>
1,656,055	3,401,956	(6,477,158)	51,709	(1,061,189)	(2,497)
—	—	2,006,533	126,132	2,132,665	—
—	—	61,386	—	61,386	—
9,252	58,558	67,351	18,399	1,120,913	4,241
(31,967)	—	(224,909)	(28,748)	(1,343,053)	(37)
(1,664,887)	—	—	—	(1,664,887)	—
124	—	154,636	255	(61,158)	(5,397)
<b>(1,687,478)</b>	<b>58,558</b>	<b>2,064,997</b>	<b>116,038</b>	<b>245,866</b>	<b>(1,193)</b>
(31,423)	3,460,514	(4,412,161)	167,747	(815,323)	(3,690)
—	—	4,338,333	1,662	4,339,995	8,945
—	—	—	—	—	(59,942)
(31,423)	3,460,514	(73,828)	169,409	3,524,672	(54,687)
<b>(157,990)*</b>	<b>3,730,210 *</b>	<b>(16,388,027)*</b>	<b>6,176,302 *</b>	<b>(5,434,077)</b>	<b>(2,343,912)*</b>
<b>\$ (189,413)</b>	<b>\$ 7,190,724</b>	<b>\$ (16,461,855)</b>	<b>\$ 6,345,711</b>	<b>\$ (1,909,405)</b>	<b>\$ (2,398,599)</b>

## Statement of Cash Flows

### Proprietary Funds

Year Ended June 30, 2018

(amounts in thousands)

	<u>Electric Power</u>	<u>Water Resources</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers/employers.....	\$ 8,000	\$ 1,222,810
Receipts from interfund services provided.....	—	—
Payments to suppliers.....	(4,000)	(421,068)
Payments to employees.....	(14,000)	(374,955)
Payments for interfund services used.....	—	—
Payments for Lottery prizes.....	—	—
Claims paid to other than employees.....	—	—
Other receipts (payments).....	23,000	59,083
<b>Net cash provided by (used in) operating activities.....</b>	<b>13,000</b>	<b>485,870</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Changes in notes receivable and capital leases receivable.....	—	—
Changes in interfund receivables.....	—	—
Changes in interfund payables and loans payable.....	—	—
Receipt of bond charges.....	918,000	—
Proceeds from general obligation bonds.....	(719,000)	—
Retirement of general obligation bonds.....	—	—
Proceeds from revenue bonds.....	—	—
Retirement of revenue bonds.....	—	—
Interest received.....	—	—
Interest paid.....	(176,000)	—
Transfers in.....	—	—
Transfers out.....	—	—
Grants received.....	—	—
Lottery payments for education.....	—	—
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>23,000</b>	<b>—</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets.....	—	(716,441)
Proceeds from sale of capital assets.....	—	—
Proceeds from notes payable and commercial paper.....	—	500,484
Principal paid on notes payable and commercial paper.....	—	(66,976)
Proceeds from capital leases.....	—	—
Payment on capital leases.....	—	—
Retirement of general obligation bonds.....	—	(34,235)
Proceeds from revenue bonds.....	—	(39,760)
Retirement of revenue bonds.....	—	(138,570)
Interest paid.....	—	(79,462)
Grants received.....	—	—
<b>Net cash provided by (used in) capital and related financing activities.....</b>	<b>—</b>	<b>(574,960)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments.....	—	(202,547)
Proceeds from maturity and sale of investments.....	—	211,911
Change in loans receivable.....	—	1,010
Earnings on investments.....	32,000	14,650
<b>Net cash provided by (used in) investing activities.....</b>	<b>32,000</b>	<b>25,024</b>
Net increase (decrease) in cash and pooled investments.....	68,000	(64,066)
<b>Cash and pooled investments – beginning.....</b>	<b>1,172,000</b>	<b>942,745</b>
<b>Cash and pooled investments – ending.....</b>	<b>\$ 1,240,000</b>	<b>\$ 878,679</b>

\* Restated

Business-type Activities – Enterprise Funds					Governmental
State	Unemployment	California State	Nonmajor		Activities
Lottery	Programs	University	Enterprise	Total	Internal
					Service Funds
\$ 6,939,646	\$ 15,511,212	\$ 2,796,368	\$ 357,355	\$ 26,835,391	\$ 16,577
—	1,037	—	3,826	4,863	4,407,261
(234,403)	(70,889)	(1,524,764)	(61,058)	(2,316,182)	(1,532,921)
(63,997)	(245,174)	(5,176,140)	(56,732)	(5,930,998)	(1,089,764)
(26,033)	(18,131)	—	(907)	(45,071)	(7,319)
(4,713,465)	—	—	—	(4,713,465)	—
(480,513)	(11,752,892)	—	—	(12,233,405)	(506,839)
50	38,621	(630,296)	(806,385)	(1,315,927)	(448,350)
<b>1,421,285</b>	<b>3,463,784</b>	<b>(4,534,832)</b>	<b>(563,901)</b>	<b>285,206</b>	<b>838,645</b>
—	—	(30,844)	—	(30,844)	—
—	(818,663)	—	(17,517)	(836,180)	(457,602)
—	(385,137)	(155,908)	15,000	(526,045)	783,380
—	—	—	—	918,000	—
—	—	—	110,257	(608,743)	—
—	—	—	(85,660)	(85,660)	—
—	—	—	527,000	527,000	—
—	—	(15,149)	(41,350)	(56,499)	—
—	—	27,644	—	27,644	—
—	—	(20,953)	(43,386)	(240,339)	(37)
—	—	3,303,623	1,662	3,305,285	8,945
—	—	—	—	—	(59,942)
—	—	2,146,698	119,554	2,266,252	—
(1,701,168)	—	—	—	(1,701,168)	—
<b>(1,701,168)</b>	<b>(1,203,800)</b>	<b>5,255,111</b>	<b>585,560</b>	<b>2,958,703</b>	<b>274,744</b>
(29,923)	(1,833)	(890,328)	(335)	(1,638,860)	(894,845)
108	—	5,159	2	5,269	3,438
—	—	—	—	500,484	—
—	—	—	—	(66,976)	—
—	—	19,054	—	19,054	—
—	—	(413,793)	—	(413,793)	—
—	—	—	—	(34,235)	—
—	—	168,039	—	128,279	615,418
—	—	—	—	(138,570)	(806,025)
—	—	—	—	(79,462)	—
—	—	60,773	—	60,773	—
<b>(29,815)</b>	<b>(1,833)</b>	<b>(1,051,096)</b>	<b>(333)</b>	<b>(1,658,037)</b>	<b>(1,082,014)</b>
(42,539)	—	(9,359,378)	(6,055)	(9,610,519)	—
55,267	(2,958,643)	9,130,461	5,804	6,444,800	—
—	—	—	—	1,010	—
22,560	58,558	67,757	16,278	211,803	4,241
<b>35,288</b>	<b>(2,900,085)</b>	<b>(161,160)</b>	<b>16,027</b>	<b>(2,952,906)</b>	<b>4,241</b>
(274,410)	(641,934)	(491,977)	37,353	(1,367,034)	35,616
<b>703,106</b>	<b>3,946,163</b>	<b>1,306,315</b>	<b>1,823,150</b> *	<b>9,893,479</b>	<b>2,299,587</b>
<b>\$ 428,696</b>	<b>\$ 3,304,229</b>	<b>\$ 814,338</b>	<b>\$ 1,860,503</b>	<b>\$ 8,526,445</b>	<b>\$ 2,335,203</b>

(continued)

## Statement of Cash Flows (continued)

### Proprietary Funds

Year Ended June 30, 2018

(amounts in thousands)

	<u>Electric Power</u>	<u>Water Resources</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss).....	\$ —	\$ 306,249
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation .....	—	80,101
Provisions and allowances .....	—	—
Amortization of premiums and discounts .....	—	—
Amortization of long-term prepaid charges and credits.....	—	(890,707)
Other.....	—	59,083
Change in account balances:		
Receivables.....	—	9,535
Due from other funds .....	—	—
Due from other governments.....	—	(18,383)
Prepaid items .....	—	—
Inventories .....	—	(427)
Net investment in direct financing leases.....	—	—
Recoverable power costs (net) .....	19,000	—
Other current assets .....	—	—
Loans receivable.....	—	—
Deferred outflow of resources.....	(7,000)	—
Accounts payable .....	—	712,174
Due to other funds .....	—	(14,233)
Due to component units.....	—	23,590
Due to other governments .....	—	—
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.....	1,000	218,888
Deferred inflow of resources .....	—	—
Total adjustments.....	<u>13,000</u>	<u>179,621</u>
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ 13,000</b>	<b>\$ 485,870</b>
<b>Noncash investing, capital, and financing activities:</b>		
State's contribution for pension benefits and OPEB.....	\$ —	\$ —
Long-term debt retirement from bond issuance .....	—	531,255
Amortization/defeasance of bond premium and discount.....	61,000	50,505
Issuance of notes receivable through proceeds from long-term debt.....	—	—
Amortization of deferred loss on refundings .....	30,000	10,151
Unclaimed lottery prizes directly allocated to another entity .....	—	—
Interest accreted on annuitized prizes .....	—	—
Unrealized loss on investments.....	—	—
Interest accreted on zero coupon bonds .....	—	—
Contributed capital assets.....	—	—
Change in accrued capital asset purchases.....	—	—
Acquisition of capital assets through long-term debt.....	—	—
Other miscellaneous noncash transactions.....	—	—

<b>Business-type Activities – Enterprise Funds</b>						<b>Governmental Activities</b>
<b>State Lottery</b>	<b>Unemployment Programs</b>	<b>California State University</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>	<b>Internal Service Funds</b>	
\$ 1,656,055	\$ 3,401,956	\$ (6,477,158)	\$ 51,709	\$ (1,061,189)	\$ (2,497)	
18,311	10,567	355,263	390	464,632	52,390	
12,847	—	—	768	13,615	—	
—	—	—	(300)	(300)	(95,734)	
—	—	—	—	(890,707)	179	
33	—	(55,144)	(11,786)	(7,814)	12,618	
(60,276)	(6,070)	(15,543)	(733)	(73,087)	(64,543)	
(1,426)	(23,672)	15,143	(581)	(10,536)	(30,324)	
—	2,082	—	(2,207)	(18,508)	(5,526)	
3,532	—	(7,915)	(79)	(4,462)	(15,757)	
1,497	—	—	(437)	633	7,312	
—	—	—	—	—	497,726	
—	—	—	—	19,000	—	
(649)	—	—	(2,022)	(2,671)	—	
—	—	—	(604,081)	(604,081)	—	
—	(55,419)	(404,597)	(6,069)	(473,085)	(238,476)	
11,388	(1)	2,364	2,362	728,287	121,398	
(22,886)	34,560	—	7,849	5,290	134,418	
—	—	—	—	23,590	—	
—	(2,052)	—	573	(1,479)	745	
—	—	344	—	344	393	
—	—	—	—	—	3,557	
—	—	—	426	426	47,295	
(549)	(18,205)	9,608	8	(9,138)	132,288	
186	10,609	12,828	661	24,284	(2,654)	
—	51,417	18,954	(6,391)	63,980	—	
(236,884)	—	—	—	(236,884)	—	
—	5,498	(33,995)	(305)	(28,802)	2,574	
40,106	2,611	557,425	(1,664)	818,366	46,503	
—	49,903	1,487,591	8,008	1,545,502	234,760	
(234,770)	61,828	1,942,326	(615,610)	1,346,395	841,142	
<b>\$ 1,421,285</b>	<b>\$ 3,463,784</b>	<b>\$ (4,534,832)</b>	<b>\$ (563,901)</b>	<b>\$ 285,206</b>	<b>\$ 838,645</b>	

(concluded)

\$ —	\$ —	\$ 1,034,710	\$ —	\$ 1,034,710	\$ —
—	—	—	—	531,255	—
—	—	30,100	—	141,605	—
—	—	48,706	—	48,706	—
—	—	6,198	—	46,349	—
36,049	—	—	—	36,049	—
31,967	—	—	—	31,967	—
29,851	—	—	—	29,851	—
15,991	—	—	—	15,991	—
—	—	15,580	—	15,580	—
—	—	14,133	—	14,133	—
—	—	8,055	—	8,055	—
—	—	3,846	1,678	5,524	—

## Statement of Fiduciary Net Position

### Fiduciary Funds and Similar Component Units

June 30, 2018

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment	Agency
<b>ASSETS</b>				
Cash and pooled investments .....	\$ 119,640	\$ 1,906,458	\$ 22,653,745	\$ 4,379,084
Investments, at fair value:				
Short-term .....	—	28,915,319	—	—
Equity securities .....	4,419,457	294,024,596	—	—
Debt securities .....	2,644,621	152,614,259	—	—
Real estate .....	256,325	67,527,332	—	—
Securities lending collateral .....	—	27,956,202	—	—
Other .....	1,271,428	66,397,337	—	—
Total investments .....	<u>8,591,831</u>	<u>637,435,045</u>	<u>—</u>	<u>—</u>
Receivables (net) .....	16,742	16,338,633	—	4,617,460
Due from other funds .....	2,293	789,660	—	22,810,213
Due from other governments .....	—	7	—	35,854
Interfund receivable .....	—	—	—	248,541
Loans receivable .....	—	2,727,864	—	3,636
Other assets .....	207,205	778,284	—	37,048
<b>Total assets</b> .....	<b><u>8,937,711</u></b>	<b><u>659,975,951</u></b>	<b><u>22,653,745</u></b>	<b><u>\$ 32,131,836</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....				
<b>Total assets and deferred outflows     of resources</b> .....	<b><u>8,937,711</u></b>	<b><u>660,228,186</u></b>	<b><u>22,653,745</u></b>	
<b>LIABILITIES</b>				
Accounts payable .....	52,141	3,364,074	—	\$ 20,749,043
Due to other governments .....	—	—	104,785	9,441,520
Tax overpayments .....	—	—	—	487
Benefits payable .....	—	433,985	—	—
Revenues received in advance .....	—	—	—	728
Deposits .....	207,205	—	—	1,197,406
Securities lending obligations .....	—	27,931,478	—	—
Loans payable .....	—	2,731,737	—	—
Other liabilities .....	1,128	20,237,009	—	742,652
<b>Total liabilities</b> .....	<b><u>260,474</u></b>	<b><u>54,698,283</u></b>	<b><u>104,785</u></b>	<b><u>\$ 32,131,836</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....				
<b>Total liabilities and deferred inflows     of resources</b> .....	<b><u>260,474</u></b>	<b><u>54,759,332</u></b>	<b><u>104,785</u></b>	
<b>NET POSITION</b>				
Restricted for pension and other postemployment benefits .....	—	588,953,464	—	
Held in trust for:				
Deferred compensation participants .....	—	16,504,402	—	
Pool participants .....	—	—	22,548,960	
Individuals, organizations, or other governments .....	8,677,237	10,988	—	
<b>Total net position</b> .....	<b><u>\$ 8,677,237</u></b>	<b><u>\$ 605,468,854</u></b>	<b><u>\$ 22,548,960</u></b>	

## Statement of Changes in Fiduciary Net Position

### Fiduciary Funds and Similar Component Units

Year Ended June 30, 2018

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment
<b>ADDITIONS</b>			
Contributions:			
Employer.....	\$ —	\$ 29,009,482	\$ —
Plan member .....	—	8,763,330	—
Non-employer .....	—	2,796,673	—
<b>Total contributions</b> .....	<b>—</b>	<b>40,569,485</b>	<b>—</b>
Investment income:			
Net appreciation (depreciation) in fair value of investments .....	71,944	40,468,921	—
Interest, dividends, and other investment income .....	485,351	9,454,952	306,945
Less: investment expense .....	(3,645)	(1,762,122)	—
<b>Net investment income</b> .....	<b>553,650</b>	<b>48,161,751</b>	<b>306,945</b>
Receipts from depositors .....	4,428,891	—	24,871,909
Other .....	—	146,181	—
<b>Total additions</b> .....	<b>4,982,541</b>	<b>88,877,417</b>	<b>25,178,854</b>
<b>DEDUCTIONS</b>			
Distributions paid and payable to participants .....	—	40,361,462	305,175
Refunds of contributions .....	—	396,625	—
Administrative expense .....	—	759,357	1,770
Interest expense .....	—	94,249	—
Payments to and for depositors .....	4,191,253	522,098	25,135,770
<b>Total deductions</b> .....	<b>4,191,253</b>	<b>42,133,791</b>	<b>25,442,715</b>
Change in net position .....	791,288	46,743,626	(263,861)
<b>Net position – beginning</b> .....	<b>7,885,949</b> *	<b>558,725,228</b> *	<b>22,812,821</b>
<b>Net position – ending</b> .....	<b>\$ 8,677,237</b>	<b>\$ 605,468,854</b>	<b>\$ 22,548,960</b>

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# **Discretely Presented Component Units Financial Statements**

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## Statement of Net Position

### Discretely Presented Component Units – Enterprise Activity

June 30, 2018

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments.....	\$ 696,900	\$ 945,923	\$ 1,262,214	\$ 2,905,037
Investments.....	6,870,127	14,342	574,360	7,458,829
Restricted assets:				
Cash and pooled investments.....	—	—	347,283	347,283
Investments.....	—	—	49,102	49,102
Receivables (net).....	4,156,224	142,558	535,879	4,834,661
Due from primary government.....	237,372	—	—	237,372
Due from other governments.....	133,472	—	—	133,472
Prepaid items.....	—	447	3,998	4,445
Inventories.....	244,706	—	—	244,706
Other current assets.....	404,652	401	35,360	440,413
Total current assets.....	<u>12,743,453</u>	<u>1,103,671</u>	<u>2,808,196</u>	<u>16,655,320</u>
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments.....	—	—	39,908	39,908
Investments.....	—	—	67,679	67,679
Investments.....	31,363,609	312,378	2,123,848	33,799,835
Receivables (net).....	2,164,823	—	233,182	2,398,005
Loans receivable.....	—	2,737,351	350,491	3,087,842
Long-term prepaid charges.....	—	—	142	142
Capital assets:				
Land.....	1,191,128	—	156,580	1,347,708
Collections – nondepreciable.....	531,156	—	12,895	544,051
Buildings and other depreciable property.....	51,748,617	1,322	2,100,649	53,850,588
Intangible assets – amortizable.....	1,596,914	—	10,223	1,607,137
Less: accumulated depreciation/amortization.....	(25,673,962)	(728)	(1,136,666)	(26,811,356)
Construction/development in progress.....	2,931,254	—	73,730	3,004,984
Intangible assets – nonamortizable.....	—	—	5,411	5,411
Other noncurrent assets.....	327,573	2,895	46,674	377,142
Total noncurrent assets.....	<u>66,181,112</u>	<u>3,053,218</u>	<u>4,084,746</u>	<u>73,319,076</u>
<b>Total assets.....</b>	<b><u>78,924,565</u></b>	<b><u>4,156,889</u></b>	<b><u>6,892,942</u></b>	<b><u>89,974,396</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>4,649,403</b>	<b>23,778</b>	<b>89,939</b>	<b>4,763,120</b>
<b>Total assets and deferred outflows of resources.....</b>	<b><u>\$ 83,573,968</u></b>	<b><u>\$ 4,180,667</u></b>	<b><u>\$ 6,982,881</u></b>	<b><u>\$ 94,737,516</u></b>

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable .....	\$ 2,316,426	\$ 48,063	\$ 772,616	\$ 3,137,105
Revenues received in advance .....	1,429,221	—	82,867	1,512,088
Deposits .....	860,585	245,524	1,800	1,107,909
Contracts and notes payable .....	—	—	13,353	13,353
Interest payable .....	—	23,908	4,109	28,017
Securities lending obligations .....	1,209,769	—	—	1,209,769
Current portion of long-term obligations .....	3,820,815	34,183	249,733	4,104,731
Other current liabilities .....	1,157,861	109,851	150,805	1,418,517
<b>Total current liabilities .....</b>	<b>10,794,677</b>	<b>461,529</b>	<b>1,275,283</b>	<b>12,531,489</b>
Noncurrent liabilities:				
Compensated absences payable .....	315,659	2,373	15,740	333,772
Workers' compensation benefits payable .....	455,963	—	31,565	487,528
Loans payable .....	—	—	1,037	1,037
Commercial paper and other borrowings .....	—	—	2,926	2,926
Capital lease obligations .....	168,537	—	237,440	405,977
Revenue bonds payable .....	20,787,219	1,401,024	445,886	22,634,129
Net other postemployment benefits liability .....	18,862,265	78,177	229,135	19,169,577
Net pension liability .....	9,775,120	54,928	255,950	10,085,998
Other noncurrent liabilities .....	1,602,493	211,803	541,395	2,355,691
<b>Total noncurrent liabilities .....</b>	<b>51,967,256</b>	<b>1,748,305</b>	<b>1,761,074</b>	<b>55,476,635</b>
<b>Total liabilities .....</b>	<b>62,761,933</b>	<b>2,209,834</b>	<b>3,036,357</b>	<b>68,008,124</b>
<b>DEFERRED INFLOWS OF RESOURCES .....</b>	<b>6,841,722</b>	<b>18,198</b>	<b>69,398</b>	<b>6,929,318</b>
<b>Total liabilities and deferred inflows     of resources .....</b>	<b>69,603,655</b>	<b>2,228,032</b>	<b>3,105,755</b>	<b>74,937,442</b>
<b>NET POSITION</b>				
Net investment in capital assets .....	13,578,222	594	577,531	14,156,347
Restricted:				
Nonexpendable – endowments .....	5,590,596	—	1,298,250	6,888,846
Expendable:				
Endowments and gifts .....	12,372,902	—	11,873	12,384,775
Education .....	865,216	—	1,045,910	1,911,126
Indenture .....	—	620,505	—	620,505
Statute .....	—	1,379,541	372,287	1,751,828
Other purposes .....	—	—	16,888	16,888
<b>Total expendable .....</b>	<b>13,238,118</b>	<b>2,000,046</b>	<b>1,446,958</b>	<b>16,685,122</b>
Unrestricted .....	(18,436,623)	(48,005)	554,387	(17,930,241)
<b>Total net position .....</b>	<b>13,970,313</b>	<b>1,952,635</b>	<b>3,877,126</b>	<b>19,800,074</b>
<b>Total liabilities, deferred inflows of resources,     and net position .....</b>	<b>\$ 83,573,968</b>	<b>\$ 4,180,667</b>	<b>\$ 6,982,881</b>	<b>\$ 94,737,516</b>

(concluded)

## Statement of Activities

### Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2018

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
<b>OPERATING EXPENSES</b>				
Personal services .....	\$ 21,833,260	\$ 39,098	\$ 539,369	\$ 22,411,727
Scholarships and fellowships .....	766,857	—	74,599	841,456
Supplies .....	3,610,171	—	11,532	3,621,703
Services and charges .....	303,773	8,558	1,374,938	1,687,269
Department of Energy laboratories .....	1,054,475	—	—	1,054,475
Depreciation .....	2,027,343	201	75,689	2,103,233
Interest expense and fiscal charges .....	746,526	49,325	35,727	831,578
Other .....	4,886,899	33,560	99,800	5,020,259
<b>Total operating expenses .....</b>	<b>35,229,304</b>	<b>130,742</b>	<b>2,211,654</b>	<b>37,571,700</b>
<b>PROGRAM REVENUES</b>				
Charges for services .....	23,321,094	81,924	1,074,325	24,477,343
Operating grants and contributions .....	9,972,697	—	685,361	10,658,058
Capital grants and contributions .....	144,998	—	14,578	159,576
<b>Total program revenues .....</b>	<b>33,438,789</b>	<b>81,924</b>	<b>1,774,264</b>	<b>35,294,977</b>
Net revenues (expenses) .....	(1,790,515)	(48,818)	(437,390)	(2,276,723)
<b>GENERAL REVENUES</b>				
Investment and interest income (loss) .....	2,083,825	257,283	159,053	2,500,161
Other .....	2,856,755	13,280	456,020	3,326,055
<b>Total general revenues .....</b>	<b>4,940,580</b>	<b>270,563</b>	<b>615,073</b>	<b>5,826,216</b>
Change in net position .....	3,150,065	221,745	177,683	3,549,493
<b>Net position – beginning .....</b>	<b>10,820,248 *</b>	<b>1,730,890 *</b>	<b>3,699,443 *</b>	<b>16,250,581</b>
<b>Net position – ending .....</b>	<b>\$ 13,970,313</b>	<b>\$ 1,952,635</b>	<b>\$ 3,877,126</b>	<b>\$ 19,800,074</b>

\* Restated

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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, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the fiscal year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB) by state and local governments. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to the State's defined benefit OPEB plans. This Statement supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Implementation of GASB Statement No. 75 resulted in a restatement of beginning net position, recognition of deferred outflows and inflows of resources, and additional note disclosures and required supplementary information related to the State's OPEB plans.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is effective for the fiscal year ended June 30, 2018. The objective of this Statement is to provide recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Implementation of GASB Statement No. 81 resulted in the recognition of assets, liabilities, and deferred inflows of resources in the financial statements related to irrevocable split-interest agreements for the California State University Auxiliary Organizations and the University of California, discretely presented component units.

GASB Statement No. 85, *Omnibus 2017*, is effective for the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during the implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Implementation of GASB Statement No. 85 had no impact on the financial statements for the fiscal year ended June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for the fiscal year ended June 30, 2018. This Statement provides guidance for transactions in which cash and other monetary assets acquired with only the State's existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. Except for

a minor change in the notes to the financial statements, the implementation of GASB Statement No. 86 had no impact on the financial statements for the year ended June 30, 2018, as there were no debt defeasances from only the State's existing resources during the fiscal year.

## 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](mailto: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](http://www.CalPERS.ca.gov).

The *California State Teachers' Retirement System (CalSTRS)* administers pension benefit plans for California public school teachers and certain other employees of the public school system. The State is financially accountable for CalSTRS. CalSTRS administers a hybrid retirement system consisting of the State Teachers' Retirement Plan, a defined benefit plan, composed of the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program; two defined contribution plans; a postemployment benefit plan; and a fund used to account for ancillary activities associated with various deferred compensation plans and programs. CalSTRS' separately issued financial statements may be found on its website at [www.CalSTRS.com](http://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](http://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](http://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](mailto: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, 2017).

*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, 2018, CADA had total assets and deferred outflows of resources of \$37.0 million, total liabilities and deferred inflows of resources of \$25.1 million, and total net position of \$11.9 million. Total revenues for the fiscal year were \$14.3 million and expenses were \$12.2 million, resulting in an increase in net position of \$2.1 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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.treasurer.ca.gov/csfa).

## B. Government-wide and Fund Financial Statements

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

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

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

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

The State reports the following major governmental funds:

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

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

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for

transportation purposes, including highway and passenger rail construction and transportation safety programs.

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

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

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

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

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

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

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

The State reports the following major enterprise funds:

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

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

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

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

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



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

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

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

The State has the following four fiduciary fund types:

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

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

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

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

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

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

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

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

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

## C. Measurement Focus and Basis of Accounting

### 1. Government-wide Financial Statements

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

### 2. Fund Financial Statements

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

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

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

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

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

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

#### **D. Cash and Investments**

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

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

#### **E. Receivables**

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

#### **F. Inventories**

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

#### **G. Net Investment in Direct Financing Leases**

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

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

## **H. Long-term Prepaid Charges**

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

## **I. Capital Assets**

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

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

In general, capital assets of the primary government are defined as assets that have a normal useful life of at least one year and a unit cost of at least \$5,000. These assets are recorded at historical cost or estimated historical cost, including all costs related to the acquisition. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date received. Major capital asset outlays are capitalized as projects are constructed.

Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over 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 1 to 100 years.

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

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

## **J. Long-term Obligations**

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

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

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

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

## K. Compensated Absences

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

## L. Deferred Outflows and Deferred Inflows of Resources

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

### 1. Deferred Outflows of Resources

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

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Decrease in Fair Value of Hedging Derivatives:* Negative changes in the fair value of hedging derivatives are reported for component units.
- *Net Pension Liability:* Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State’s proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS’ special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

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

## 2. Deferred Inflows of Resources

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

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

- *Unavailable Revenues*: Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.
- *Gain on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Service Concession Arrangements*: The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.
- *Irrevocable Split-Interest Agreements*: The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.
- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State’s proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against

pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Net Other Postemployment Benefits Liability*: Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Other Deferred Inflows of Resources*: Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments and nonexchange transactions are reported as a deferred inflow of resources.

## M. Nonmajor Enterprise Segment Information

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

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

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



## N. Net Position and Fund Balance

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

### 1. Net Position

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

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

*Restricted* net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2018, the government-wide financial statements show restricted net position for the primary government of \$47.1 billion, of which \$8.1 billion is due to enabling legislation.

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

### 2. Fund Balance

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

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

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

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

*Assigned* fund balance: California does not have a formal policy to delegate authority to assign resources. However, fund balance can be classified as assigned when a purchase order creates an outstanding encumbrance amount, unless the purchase order relates to restricted or committed resources.

Furthermore, in governmental funds created by state law for a specific purpose, other than the General Fund, all resources that are not reported as nonspendable, restricted, or committed are classified as assigned for the purpose of the respective funds.

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

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

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

### **3. Stabilization Arrangements**

#### ***a. Budget Stabilization Account***

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

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

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2018, the Budget Stabilization Account had a restricted fund balance of \$9.4 billion.

## b. Special Fund for Economic Uncertainties

State law established the Special Fund for Economic Uncertainties (SFEU) as a contingency reserve to help the State meet its General Fund obligations in the event of declining revenues or unanticipated expenditures. A control section of the State's Budget Act establishes the annual reserve balance of the SFEU, but that amount would be reduced if certain constitutionally defined excess revenue limits are met during the fiscal year. In addition, SFEU funds may be set aside in a separate account and committed for disaster response operation costs incurred by state agencies as a result of a proclamation of a state of emergency by the Governor. The SFEU is a discretionary budget reserve and is available without additional legislative action to meet the cash needs of the General Fund and to eliminate any General Fund deficit at the end of a fiscal year. The SFEU is reported in the General Fund, and at June 30, 2018, the SFEU represented \$1.2 billion of the unassigned balance of the General Fund.

## 0. Restatement of Beginning Fund Balances and Net Position

### 1. Fund Financial Statements

The beginning fund balance of *governmental funds* decreased by \$1.7 billion primarily due to the reclassification of the Safe Drinking Water State Revolving Fund from the Environmental and Natural Resources Fund to a nonmajor enterprise fund.

The beginning net position of the *internal service funds* decreased by \$1.7 billion. This decrease is comprised of a \$1.7 billion decrease due to the recognition of net other postemployment benefits (OPEB) liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statement No. 75 and a \$19 million increase for overstated prior-year expenses in the Financial Information Systems Fund. In addition, the transfer of operations from the Technology Services Revolving Fund to other internal service programs caused a \$38 million transfer of beginning net position between internal service funds.

Internal Service Funds (amounts in thousands)	Net Position (Deficit) June 30, 2017 (previously reported)	GASB Statement No. 75 Implementation	Other Restatements	Net Position (Deficit) Beginning of Year (restated)
Architecture Revolving .....	\$ (92,873)	\$ (66,359)	\$ —	\$ (159,232)
Service Revolving .....	(537,521)	(500,181)	—	(1,037,702)
Prison Industries .....	195,570	(215,109)	—	(19,539)
Financial Information Systems .....	227,309	(76,198)	19,684	170,795
Technology Services Revolving .....	(242,955)	(242,667)	38,458	(447,164)
Other internal service programs .....	(335,799)	(631,269)	(38,458)	(1,005,526)
	<b>\$ (786,269)</b>	<b>\$ (1,731,783)</b>	<b>\$ 19,684</b>	<b>\$ (2,498,368)</b>

The beginning net position of the *enterprise funds* decreased by \$12.7 billion. This decrease is comprised of a \$14.4 billion decrease due to the recognition of net OPEB liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statement No. 75, a \$1.7 billion increase for the reclassification of the Safe Drinking Water State Revolving Fund from the Environmental and Natural Resources Fund, and a \$4 million decrease for the reclassification of a program previously reported in other enterprise programs to a nonmajor governmental fund.

Enterprise Funds (amounts in thousands)	Net Position (Deficit) June 30, 2017 (previously reported)	GASB Statement No. 75 Implementation	Other Restatements	Net Position (Deficit) Beginning of Year (restated)
State Lottery .....	\$ (2,838)	\$ (155,152)	\$ —	\$ (157,990)
Unemployment Programs .....	4,064,646	(334,436)	—	3,730,210
California State University .....	(2,464,323)	(13,923,704)	—	(16,388,027)
Safe Drinking Water State Revolving.....	—	—	1,728,875	1,728,875
Housing Loan .....	123,728	(25,184)	—	98,544
Other enterprise programs .....	283,058	(3,039)	(4,539)	275,480
	<u>\$ 2,004,271</u>	<u>\$ (14,441,515)</u>	<u>\$ 1,724,336</u>	<u>\$ (10,712,908)</u>

The beginning net position of the *private purpose trust funds* increased by \$106 thousand. The increase is comprised of a \$114 thousand increase due to the implementation of GASB Statement No. 75 and an \$8 thousand decrease for the reclassification of a program previously reported in other private purpose trust funds to a nonmajor governmental fund.

The beginning net position of the fiduciary funds and similar component units decreased by \$1.5 billion. This decrease is comprised of a \$1.1 billion decrease due to the recognition of net OPEB liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statement No. 75 and a \$396 million decrease due to the recognition of net pension liability and deferred outflows and inflows of resources due to GASB Statements No. 68 and No. 71.

Fiduciary Funds and Similar Component Units (amounts in thousands)	Net Position June 30, 2017 (previously reported)	GASB Statement No. 75 Implementation	GASB Statements No. 68 and No. 71	Net Position Beginning of Year (restated)
Public Employees' Retirement .....	\$ 326,498,998	\$ (572,830)	\$ (386,327)	\$ 325,539,841
State Teachers' Retirement .....	210,289,900	(510,819)	—	209,779,081
Judges' Retirement .....	48,275	(2,625)	(1,771)	43,879
Judges' Retirement II .....	1,356,099	(3,256)	(2,196)	1,350,647
Legislators' Retirement .....	116,884	(868)	(586)	115,430
Annuitants' Health Care Coverage .....	6,791,289	(5,366)	(3,619)	6,782,304
Deferred Compensation .....	14,990,010	(6,492)	(1,688)	14,981,830
Other pension and other employee benefit trust ....	132,101	259	(144)	132,216
	<u>\$ 560,223,556</u>	<u>\$ (1,101,997)</u>	<u>\$ (396,331)</u>	<u>\$ 558,725,228</u>

The beginning net position of the *discretely presented component units* decreased by \$389 million. This decrease is comprised of a \$160 million decrease due to the recognition of net OPEB liability and deferred outflows of resources in all applicable funds resulting from the implementation of GASB Statement No. 75, a \$201 million decrease due to the University of California and the California State University Auxiliary Organizations' implementation of GASB Statement No. 81, and a \$28 million decrease due to the

recognition of net pension liability and deferred outflows and inflows of resources due to GASB Statements No. 68 and No. 71 by an other component unit.

Discretely Presented Component Units (amounts in thousands)	Net Position June 30, 2017 (previously reported)	GASB Statement No. 75 Implementation	Other Restatements	Net Position Beginning of Year (restated)
University of California .....	\$ 10,987,491	\$ —	\$ (167,243)	\$ 10,820,248
California Housing Finance Agency .....	1,778,240	(47,350)	—	1,730,890
Financing authorities .....	387,389	(13,409)	—	373,980
California State University Auxiliary Organizations..	3,080,493	(10,930)	(33,583)	3,035,980
Other component units .....	149,064	(88,374)	(27,646)	33,044
	<u>\$ 16,382,677</u>	<u>\$ (160,063)</u>	<u>\$ (228,472)</u>	<u>\$ 15,994,142</u>

## 2. Government-wide Financial Statements

The beginning net position of *governmental activities* decreased by \$51.0 billion. In addition to the amounts described in the previous section for governmental funds and internal service funds, the restatement includes a \$46.0 billion decrease due to the recognition of net OPEB liability and deferred outflows of resources resulting from the implementation of GASB Statement No. 75, a \$1.5 billion decrease due to the recognition of trial courts' net pension liability and deferred outflows and inflows of resources, and a \$61 million decrease for overstated capital assets.

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

### P. Guaranty Deposits

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

## NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

### A. Budgeting and Budgetary Control

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

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2018, increased spending authority for the budgetary/

legal basis-reported General Fund, Transportation Funds, and the Environmental and Natural Resources 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](mailto: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, 2018, these discretely presented component units and related organizations account for approximately 3.2% 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, 2018, totaling approximately \$5.5 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, with the exception of one demand deposit account that contained \$70 million in uninsured and uncollateralized deposits as of June 30, 2018, due to larger than expected deposits beyond the time of day that additional collateral could be received. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2018, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$23 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 \$254 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2017-18 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](http://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, 2018

(amounts in thousands)

	June 30, 2018	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Pooled Investments</b>			
U.S. Treasury bills and notes .....	\$ 42,226,466	\$ 42,226,466	\$ —
U.S. Agency bonds and discount notes .....	14,087,600	14,087,600	—
Supranational debentures and discount notes .....	1,781,759	1,781,759	—
Small Business Administration loans .....	815,955	815,955	—
Mortgage-backed securities .....	29,847	29,847	—
Certificates of deposit .....	15,819,664	—	15,819,664
Bank notes .....	899,730	—	899,730
Commercial paper .....	7,521,009	—	7,521,009
<b>Total pooled investments at fair value .....</b>	<b>83,182,030</b>	<b>\$ 58,941,627</b>	<b>\$ 24,240,403</b>
<b>Other primary government investments</b>			
U.S. Treasuries and agencies .....	2,806,092	\$ 688,512	\$ 2,117,580
Commercial paper .....	30,106	—	30,106
Corporate debt securities .....	1,111,111	—	1,111,111
Repurchase agreements .....	9,928	—	9,928
Other .....	1,046,932	271,468	775,464
<b>Total other primary government investments at fair value .....</b>	<b>5,004,169</b>	<b>\$ 959,980</b>	<b>\$ 4,044,189</b>
<b>Investments measured at the net asset value (NAV)</b>			
Money market funds/2a-7 money market funds .....	354,097		
<b>Total investments measured at the NAV .....</b>	<b>354,097</b>		
<b>Other investment instruments</b>			
Guaranteed investment contracts <sup>1</sup> .....	200,000		
<b>Total other investment instruments .....</b>	<b>200,000</b>		
<b>Funds outside primary government included in pooled investments</b>			
Less: investment trust funds .....	22,653,745		
Less: other trust and agency funds .....	2,157,996		
Less: discretely presented component units and related organizations ...	2,663,740		
<b>Total primary government investments .....</b>	<b>\$ 61,264,815</b>		

<sup>1</sup> Reported at carrying value.



As of June 30, 2018, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 199 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, 2018, 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, 2018, structured notes and medium-term asset-backed securities comprised approximately 2.0% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 0.4% 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 0.8% 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**

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

**4. Risk of Investments**

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

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

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

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

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

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

**a. Interest Rate Risk**

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include \$4.9 billion of time deposits and \$734 million of internal loans to state funds. Repurchase agreements of the California State University system mature in two 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, 2018, only \$30 million, or 0.04% of the total pooled investments, was invested in mortgage-backed securities.

**Table 3****Schedule of Investments – Primary Government – Interest Rate Risk**

June 30, 2018

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
<b>Pooled investments</b>		
U.S. Treasury bills and notes.....	\$ 42,226,466	0.76
U.S. Agency bonds and discount notes.....	14,087,600	0.47
Supranational debentures and discount notes.....	1,781,759	0.66
Small Business Administration loans.....	815,955	0.25
Mortgage-backed securities.....	29,847	2.18
Certificates of deposit.....	15,819,664	0.24
Bank notes.....	899,730	0.26
Commercial paper.....	7,521,009	0.17
<b>Total pooled investments.....</b>	<b>83,182,030</b>	
<b>Other primary government investments</b>		
U.S. Treasuries and agencies.....	2,806,092	2.67
Commercial paper.....	30,106	2.38
Guaranteed investment contracts.....	200,000	3.83
Corporate debt securities.....	1,111,111	0.93
Repurchase agreements.....	9,928	0.01
Other.....	1,401,029	1.89
<b>Total other primary government investments.....</b>	<b>5,558,266</b>	
<b>Funds outside primary government included in pooled investments</b>		
Less: investment trust funds.....	22,653,745	
Less: other trust and agency funds.....	2,157,996	
Less: discretely presented component units and related organizations.....	2,663,740	
<b>Total primary government investments.....</b>	<b>\$ 61,264,815</b>	

**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, 2018

(amounts in thousands)

<b>Credit Rating as of Year End</b>		<b>Fair Value</b>
<b>Short-term</b>	<b>Long-term</b>	
<b>Pooled investments</b>		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 18,413,031
A-1/P-1/F-1	AA/Aa/AA	20,427,114
A-2/P-2/F-2	A/A/A	1,249,659
Not rated.....		49,805
Not applicable .....		43,042,421
<b>Total pooled investments.....</b>		<b>\$ 83,182,030</b>
<b>Other primary government investments</b>		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 1,088,458
A-1/P-1/F-1	AA/Aa/AA	2,598,654
A-2/P-2/F-2	A/A/A	1,088,365
A-3/P-3/F-3	BBB/Baa/BBB	21,236
B/NP/B	BB/Ba/BB	4,912
B/NP/B	BB/B	14,898
Not rated.....		741,743
<b>Total other primary government investments .....</b>		<b>\$ 5,558,266</b>

**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, 2018, 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, 2018, the State had investments in the Federal Home Loan Mortgage Corporation totaling 7.0% and the Federal Home Loan Bank totaling 8.2% 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 96.5% 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](http://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](http://www.CalSTRS.com).

## **C. Discretely Presented Component Units**

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 93.2% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

Additional disclosures for the University of California's investments and derivative instruments are included in the University's separately issued financial statements, which may be found on its website at [www.ucop.edu](http://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](http://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, 2018

(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
<b>Current governmental activities</b>			
General Fund .....	\$ 16,082,177	\$ —	\$ —
Federal Fund .....	—	—	—
Transportation Fund.....	743,785	623,651	—
Environmental and Natural Resources Fund .....	14,744	413,444	—
Health Care Related Programs Fund .....	533,243	2,837,763	—
Nonmajor governmental funds .....	414,073	451,423	—
Internal service funds.....	—	—	—
Adjustment:			
Unavailable revenue <sup>1</sup> .....	(1,473,427)	(42,089)	—
<b>Total current governmental activities</b> .....	<b>\$ 16,314,595</b>	<b>\$ 4,284,192</b>	<b>\$ —</b>
<b>Amounts not scheduled for collection during the subsequent year (unavailable revenue)</b> .....	<b>\$ 1,473,427</b>	<b>\$ 42,089</b>	<b>\$ —</b>
<b>Current business-type activities</b>			
Water Resources Fund .....	\$ —	\$ —	\$ —
State Lottery Fund .....	—	—	550,014
Unemployment Programs Fund.....	—	—	—
California State University .....	—	—	—
Nonmajor enterprise funds .....	—	—	—
<b>Total current business-type activities</b> .....	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 550,014</b>
<b>Amounts not scheduled for collection during the subsequent year (unavailable revenue)</b> .....	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

<sup>1</sup> 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.

<sup>2</sup> Amount includes noncurrent receivables for service concession arrangements of \$65 million that were not included in the governmental fund financial statements.

Unemployment Programs	California		Total
	State University	Other	
\$ —	\$ —	\$ 848,727	\$ 16,930,904
—	—	81,870	81,870
—	—	67,026	1,434,462
—	—	35,643	463,831
—	—	108	3,371,114
—	—	419,494	1,284,990
—	—	87,632	87,632
—	—	(465,433)	(1,980,949)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,075,067</u>	<u>\$ 21,673,854</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 530,862</u> <sup>2</sup>	<u>\$ 2,046,378</u>
\$ —	\$ —	\$ 97,140	\$ 97,140
—	—	—	550,014
1,191,096	—	—	1,191,096
—	192,753	—	192,753
—	—	41,184	41,184
<u>\$ 1,191,096</u>	<u>\$ 192,753</u>	<u>\$ 138,324</u>	<u>\$ 2,072,187</u>
<u>\$ 79,766</u>	<u>\$ 368,374</u>	<u>\$ —</u>	<u>\$ 448,140</u>

**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, 2018

(amounts in thousands)

	<b>Cash and Pooled Investments</b>	<b>Investments</b>	<b>Due From Other Governments</b>	<b>Loans Receivable</b>	<b>Total</b>
<b>Primary government</b>					
Debt service .....	\$ 2,025,717	\$ 352,066	\$ 155,541	\$ 2,054,876	\$ 4,588,200
Construction .....	565,792	—	—	—	565,792
Operations.....	50,000	—	—	—	50,000
Other .....	943	—	—	—	943
<b>Total primary government.....</b>	<b>2,642,452</b>	<b>352,066</b>	<b>155,541</b>	<b>2,054,876</b>	<b>5,204,935</b>
<b>Discretely presented component units</b>					
Debt service .....	332,709	116,781	—	—	449,490
Other .....	54,482	—	—	—	54,482
<b>Total discretely presented component units .....</b>	<b>387,191</b>	<b>116,781</b>	<b>—</b>	<b>—</b>	<b>503,972</b>
<b>Total restricted assets.....</b>	<b>\$ 3,029,643</b>	<b>\$ 468,847</b>	<b>\$ 155,541</b>	<b>\$ 2,054,876</b>	<b>\$ 5,708,907</b>



**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 \$8.2 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

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

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

**Table 7****Schedule of Minimum Lease Payments to be Received by the Primary Government**

(amounts in thousands)

Year Ending June 30	State Public Works Board			California State University
	Primary Government Agencies	Local Agencies	Total	
2019.....	\$ 15,986	\$ 26,183	\$ 42,169	\$ 23,689
2020.....	15,978	13,369	29,347	19,859
2021.....	15,960	12,754	28,714	19,809
2022.....	15,966	12,739	28,705	20,053
2023.....	15,954	12,720	28,674	22,228
2024-2028 .....	79,455	63,379	142,834	101,409
2029-2033 .....	78,801	39,021	117,822	85,775
2034-2038 .....	31,340	—	31,340	34,083
2039-2043 .....	—	—	—	638
<b>Total minimum lease payments.....</b>	<b>269,440</b>	<b>180,165</b>	<b>449,605</b>	<b>327,543</b>
Less: unearned income.....	116,172	43,907	160,079	97,930
<b>Net investment in direct financing leases.....</b>	<b>153,268</b>	<b>136,258</b>	<b>289,526</b>	<b>229,613</b>
Less: current portion .....	3,607	19,982	23,589	11,384
<b>Noncurrent net investment in direct financing leases....</b>	<b>\$ 149,661</b>	<b>\$ 116,276</b>	<b>\$ 265,937</b>	<b>\$ 218,229</b>

**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, 2018

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental activities</b>				
<b>Capital assets not being depreciated/amortized</b>				
Land .....	\$ 19,747,642 *	\$ 524,276	\$ 63,277	\$ 20,208,641
State highway infrastructure .....	75,071,022	2,041,662	45,010	77,067,674
Collections .....	22,627	—	—	22,627
Construction/development in progress .....	15,672,898 *	3,376,535	2,760,346	16,289,087
Intangible assets .....	416,546 *	1,207	84	417,669
<b>Total capital assets not being depreciated/amortized ....</b>	<b>110,930,735</b>	<b>5,943,680</b>	<b>2,868,717</b>	<b>114,005,698</b>
<b>Capital assets being depreciated/amortized</b>				
Buildings and improvements .....	25,204,997 *	439,838	46,984	25,597,851
Infrastructure .....	741,322 *	3,336	19	744,639
Equipment and other depreciable assets .....	5,194,107 *	343,729	180,063	5,357,773
Intangible assets .....	2,096,002 *	161,411	34,524	2,222,889
<b>Total capital assets being depreciated/amortized .....</b>	<b>33,236,428</b>	<b>948,314</b>	<b>261,590</b>	<b>33,923,152</b>
<b>Less accumulated depreciation/amortization for:</b>				
Buildings and improvements .....	8,868,855 *	633,802	32,606	9,470,051
Infrastructure .....	394,457 *	16,226	—	410,683
Equipment and other depreciable assets .....	4,109,162 *	387,423	174,397	4,322,188
Intangible assets .....	848,190 *	196,391	26,792	1,017,789
<b>Total accumulated depreciation/amortization .....</b>	<b>14,220,664</b>	<b>1,233,842</b>	<b>233,795</b>	<b>15,220,711</b>
<b>Total capital assets being depreciated/amortized, net ...</b>	<b>19,015,764</b>	<b>(285,528)</b>	<b>27,795</b>	<b>18,702,441</b>
<b>Governmental activities, capital assets, net .....</b>	<b>\$ 129,946,499</b>	<b>\$ 5,658,152</b>	<b>\$ 2,896,512</b>	<b>\$ 132,708,139</b>
<b>Business-type activities</b>				
<b>Capital assets not being depreciated/amortized</b>				
Land .....	\$ 258,295	\$ 12,945	\$ —	\$ 271,240
Collections .....	22,086	2,518	—	24,604
Construction/development in progress .....	1,750,443	1,543,183	818,865	2,474,761
Intangible assets .....	117,068	1,603	259	118,412
<b>Total capital assets not being depreciated/amortized ....</b>	<b>2,147,892</b>	<b>1,560,249</b>	<b>819,124</b>	<b>2,889,017</b>
<b>Capital assets being depreciated/amortized</b>				
Buildings and improvements .....	12,389,703	893,665	652	13,282,716
Infrastructure .....	429,533	30,565	107	459,991
Equipment and other assets .....	898,378	92,969	37,740	953,607
Intangible assets .....	420,480	11,536	914	431,102
<b>Total capital assets being depreciated/amortized .....</b>	<b>14,138,094</b>	<b>1,028,735</b>	<b>39,413</b>	<b>15,127,416</b>
<b>Less accumulated depreciation/amortization for:</b>				
Buildings and improvements .....	4,776,344	383,439	599	5,159,184
Infrastructure .....	119,356	23,642	93	142,905
Equipment and other assets .....	549,233	84,072	35,418	597,887
Intangible assets .....	171,302	18,670	634	189,338
<b>Total accumulated depreciation/amortization .....</b>	<b>5,616,235</b>	<b>509,823</b>	<b>36,744</b>	<b>6,089,314</b>
<b>Total capital assets being depreciated/amortized, net ...</b>	<b>8,521,859</b>	<b>518,912</b>	<b>2,669</b>	<b>9,038,102</b>
<b>Business-type activities, capital assets, net .....</b>	<b>\$ 10,669,751</b>	<b>\$ 2,079,161</b>	<b>\$ 821,793</b>	<b>\$ 11,927,119</b>

\* 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, 2018

(amounts in thousands)

	<b>Amount</b>
<b>Governmental activities</b>	
General government .....	\$ 291,664
Education .....	156,320
Health and human services .....	135,047
Natural resources and environmental protection .....	72,217
Business, consumer services, and housing .....	15,002
Transportation .....	204,186
Corrections and rehabilitation .....	307,016
Internal service funds (charged to the activities that utilize the fund) .....	52,390
<b>Total governmental activities</b> .....	<b>1,233,842</b>
<b>Business-type activities</b> .....	<b>464,632</b>
<b>Total primary government</b> .....	<b>\$ 1,698,474</b>

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, 2018

(amounts in thousands)

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated/amortized</b>				
Land .....	\$ 1,318,690	\$ 48,127	\$ 19,109	\$ 1,347,708
Collections .....	468,308	75,850	107	544,051
Construction/development in progress .....	2,560,457	471,532	27,005	3,004,984
Intangible assets .....	5,411	—	—	5,411
<b>Total capital assets not being depreciated/amortized</b> .....	<b>4,352,866</b>	<b>595,509</b>	<b>46,221</b>	<b>4,902,154</b>
<b>Capital assets being depreciated/amortized</b>				
Buildings and improvements .....	39,566,054	1,880,181	77,030	41,369,205
Infrastructure .....	781,305	51,310	6,687	825,928
Equipment and other depreciable assets .....	11,196,105	724,206	264,856	11,655,455
Intangible assets .....	1,029,465	616,387	38,715	1,607,137
<b>Total capital assets being depreciated/amortized</b> .....	<b>52,572,929</b>	<b>3,272,084</b>	<b>387,288</b>	<b>55,457,725</b>
<b>Less accumulated depreciation/amortization for:</b>				
Buildings and improvements .....	16,065,130	1,253,919	35,152	17,283,897
Infrastructure .....	397,925	26,538	4,431	420,032
Equipment and other depreciable assets .....	8,045,469	629,247	271,883	8,402,833
Intangible assets .....	534,351	193,529	23,286	704,594
<b>Total accumulated depreciation/amortization</b> .....	<b>25,042,875</b>	<b>2,103,233</b>	<b>334,752</b>	<b>26,811,356</b>
<b>Total capital assets being depreciated/amortized, net</b> .....	<b>27,530,054</b>	<b>1,168,851</b>	<b>52,536</b>	<b>28,646,369</b>
<b>Capital assets, net</b> .....	<b>\$ 31,882,920</b>	<b>\$ 1,764,360</b>	<b>\$ 98,757</b>	<b>\$ 33,548,523</b>

**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, 2018

(amounts in thousands)

	<b>General Government</b>	<b>Education</b>	<b>Health and Human Services</b>
<b>Governmental activities</b>			
General Fund.....	\$ 232,976	\$ 178,622	\$ 796,708
Federal Fund .....	77,909	71,797	284,320
Transportation Fund.....	5,504	8,860	—
Environmental and Natural Resources Fund .....	1,285	3,515	18
Health Care Related Programs Fund.....	509	441	28,592
Nonmajor governmental funds .....	357,030	12,231	125,287
Internal service funds.....	283,138	—	225,951
Adjustment:			
Fiduciary funds .....	882,802	1,488,737	21,174,560
<b>Total governmental activities.....</b>	<b>\$ 1,841,153</b>	<b>\$ 1,764,203</b>	<b>\$ 22,635,436</b>
<b>Business-type activities</b>			
Electric Power Fund.....	\$ —	\$ —	\$ —
Water Resources Fund .....	—	—	—
State Lottery Fund.....	66,116	—	—
California State University .....	—	271,560	—
Nonmajor enterprise funds.....	156	450	502
Adjustment:			
Fiduciary funds .....	—	—	—
<b>Total business-type activities .....</b>	<b>\$ 66,272</b>	<b>\$ 272,010</b>	<b>\$ 502</b>

<b>Natural Resources and Environmental Protection</b>				<b>Transportation</b>	<b>Other</b>	<b>Total</b>
\$	305,252	\$	96	\$	399,797	\$ 1,913,451
	26,347		210,284		15,668	686,325
	1,045		522,825		1,081	539,315
	226,354		17,851		12	249,035
	—		—		—	29,542
	7,394		1,331		14,078	517,351
	16,091		—		15,278	540,458
	—		56,022		—	23,602,121
<b>\$</b>	<b>582,483</b>	<b>\$</b>	<b>808,409</b>	<b>\$</b>	<b>445,914</b>	<b>\$ 28,077,598</b>
\$	2,000	\$	—	\$	—	\$ 2,000
	184,962		—		—	184,962
	—		—		—	66,116
	—		—		—	271,560
	611		—		3,400	5,119
	—		—		45	45
<b>\$</b>	<b>187,573</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>3,445</b>	<b>\$ 529,802</b>

## NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2018, the primary government had long-term obligations totaling \$315.0 billion. Of that amount, \$7.5 billion is due within one year. For governmental activities, the largest change is attributed to the implementation of GASB Statement No. 75, which caused a \$49.7 billion restatement of the beginning net other postemployment benefits (OPEB) liability after incorporating the existing net OPEB obligation of \$28.2 billion. The inclusion of trial courts' pensions to the governmental activities' long-term obligations as of June 30, 2018, caused a \$1.9 billion restatement of the beginning net pension liability. During the fiscal year, the net OPEB liability decreased by \$4.2 billion, resulting in an ending balance of \$73.7 billion. Overall, governmental activities had a net increase in long-term obligations of \$4.3 billion. Significant increases included \$8.8 billion in net pension liability and \$863 million in general obligation bonds payable. Other significant decreases included \$749 million in mandated cost claims payable, \$603 million in Proposition 98 funding guarantee, and \$516 million in revenue 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, 2018, the pollution remediation obligations increased by \$173 million to \$1.1 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant Superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2018, the State estimates that remediation costs at Stringfellow will total \$426 million. At BKK Landfill, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

The other long-term obligations for governmental activities consist of \$124 million to settle lawsuits, \$9 million owed to the University of California, Technology Services Revolving Fund notes payable of \$37 million, and Water Resources Revolving Fund notes payable of \$10 million. The net pension liability, net OPEB liability, and compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

For business-type activities, the largest change in long-term obligations is attributed to the implementation of GASB Statement No. 75, which caused a \$15.5 billion restatement of the beginning net OPEB liability. Overall, business-type activities had a net decrease in long-term obligations of \$300 million. Significant decreases included \$857 million in net OPEB liability, \$636 million in revenue bonds payable, and \$385 million in loans payable to the U.S. Department of Labor for prior-year shortfalls in the Unemployment Programs Fund. Other significant increases included \$1.3 billion in net pension liability and \$602 million in commercial paper payable.

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Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2018.

**Table 12**

**Schedule of Changes in Long-term Obligations**

(amounts in thousands)

	<b>Balance July 1, 2017</b>	<b>Additions</b>
<b>Governmental activities</b>		
Loans payable adjustment for fiduciary funds.....	\$ —	\$ 248,542
Compensated absences payable.....	3,520,573	1,554,342
Workers' compensation benefits payable.....	4,037,655	731,241
Commercial paper and other borrowings.....	1,158,080	1,310,985
Capital lease obligations.....	416,468	130,521
General obligation bonds outstanding.....	73,837,840	8,444,045
Premiums.....	4,962,277	942,938
Total general obligation bonds payable.....	<u>78,800,117</u>	<u>9,386,983</u>
Revenue bonds outstanding.....	15,402,175	2,326,975
Accreted interest.....	524,844	45,928
Premiums.....	956,826 *	167,016
Discounts.....	(3,945) *	—
Total revenue bonds payable.....	<u>16,879,900</u>	<u>2,539,919</u>
Mandated cost claims payable.....	2,963,072	139,045
Net other postemployment benefits liability.....	77,869,501 *	5,758,016
Net pension liability.....	79,218,377 *	39,745,372
Other long-term obligations:		
Proposition 98 funding guarantee.....	1,043,283	—
Pollution remediation obligations.....	969,860	296,545
Other.....	62,894	173,390
Total other long-term obligations.....	<u>2,076,037</u>	<u>469,935</u>
<b>Total governmental activities.....</b>	<b><u>\$ 266,939,780</u></b>	<b><u>\$ 62,014,901</u></b>
<b>Business-type activities</b>		
Loans payable.....	\$ 385,137	\$ —
Lottery prizes and annuities.....	1,613,494	4,508,548
Compensated absences payable.....	369,994	163,353
Workers' compensation benefits payable.....	3,639	508
Commercial paper and other borrowings.....	147,765	670,127
Capital lease obligations.....	353,453	3,125
General obligation bonds outstanding.....	701,740	106,805
Premiums.....	3,433	3,451
Discounts.....	(1,419)	—
Total general obligation bonds payable.....	<u>703,754</u>	<u>110,256</u>
Revenue bonds outstanding.....	13,653,173	940,720
Premiums.....	1,303,197	149,248
Discounts.....	(512)	—
Total revenue bonds payable.....	<u>14,955,858</u>	<u>1,089,968</u>
Net other postemployment benefits liability.....	16,476,119 *	1,253,935
Net pension liability.....	8,786,887	4,497,659
Other long-term obligations.....	263,727	47,209
<b>Total business-type activities.....</b>	<b><u>\$ 44,059,827</u></b>	<b><u>\$ 12,344,688</u></b>

\* Restated



Deductions	Balance June 30, 2018	Due Within One Year	Noncurrent Liabilities
\$ —	\$ 248,542	\$ —	\$ 248,542
1,469,980	3,604,935	11,838	3,593,097
465,506	4,303,390	429,157	3,874,233
1,609,370	859,695	—	859,695
65,728	481,261	68,817	412,444
8,121,395	74,160,490	3,309,065	70,851,425
402,677	5,502,538	291,331	5,211,207
8,524,072	79,663,028	3,600,396	76,062,632
2,885,071	14,844,079	683,521	14,160,558
—	570,772	—	570,772
171,954	951,888	122,573	829,315
(1,461)	(2,484)	(480)	(2,004)
3,055,564	16,364,255	805,614	15,558,641
888,091	2,214,026	303,013	1,911,013
9,910,074	73,717,443	—	73,717,443
30,936,600	88,027,149	—	88,027,149
603,280	440,003	100,000	340,003
123,066	1,143,339	93,523	1,049,816
56,140	180,144	54,597	125,547
782,486	1,763,486	248,120	1,515,366
<b>\$ 57,707,471</b>	<b>\$ 271,247,210</b>	<b>\$ 5,466,955</b>	<b>\$ 265,780,255</b>
\$ 385,137	\$ —	\$ —	\$ —
4,749,514	1,372,528	660,292	712,236
192,680	340,667	149,667	191,000
—	4,147	—	4,147
68,015	749,877	7,129	742,748
46,650	309,928	19,783	290,145
119,895	688,650	25,975	662,675
113	6,771	—	6,771
(98)	(1,321)	—	(1,321)
119,910	694,100	25,975	668,125
1,564,085	13,029,808	1,078,455	11,951,353
162,397	1,290,048	76,721	1,213,327
(28)	(484)	—	(484)
1,726,454	14,319,372	1,155,176	13,164,196
2,111,268	15,618,786	—	15,618,786
3,217,555	10,066,991	—	10,066,991
27,531	283,405	33,575	249,830
<b>\$ 12,644,714</b>	<b>\$ 43,759,801</b>	<b>\$ 2,051,597</b>	<b>\$ 41,708,204</b>

## **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](http://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](http://www.CalSTRS.com).

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

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

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

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective

contributions. The State does not directly contribute to the UCRS. Additional information on the UCRS can be found in the University's separately issued financial statements on its website at [www.ucop.edu](http://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, 2017, included the primary government and certain discretely presented component units; 1,366 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, 2016 Actuarial Valuation Report, which may be found at [www.CalPERS.ca.gov/docs/forms-publications/2016-state-valuation.pdf](http://www.CalPERS.ca.gov/docs/forms-publications/2016-state-valuation.pdf). In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

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

The four basic types of retirement are:

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

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

**Employees Covered by Benefit Terms:** The State’s June 30, 2017 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, 2017

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits .....	190,693	14,126	24,742	38,250	8,971	276,782
Inactive employees entitled to but not yet receiving benefits.....	58,106	3,457	6,730	7,016	428	75,737
Active employees .....	209,206	20,433	33,302	47,262	7,619	317,822
<b>Total.....</b>	<b>458,005</b>	<b>38,016</b>	<b>64,774</b>	<b>92,528</b>	<b>17,018</b>	<b>670,341</b>

**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, 2017.

**Table 14****Contribution Rates – PERF Plans**

June 30, 2017

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate .....	6.737 %	7.858 %	10.441 %	11.331 %	10.454 %
Employer rate of annual payroll .....	26.734	19.246	19.884	41.876	50.020
<b>Total .....</b>	<b>33.471 %</b>	<b>27.104 %</b>	<b>30.325 %</b>	<b>53.207 %</b>	<b>60.474 %</b>

**Actuarial Methods and Assumptions:** The total pension liability for PERF plans was measured as of June 30, 2017 (measurement date), by rolling forward the total pension liability determined by the June 30, 2016 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, 2016
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 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 7.15% 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The discount rate of 7.15% 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-2017.pdf](http://www.CalPERS.ca.gov/docs/gasb-crossover-testing-2017.pdf).

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

In determining the long-term expected rate of return, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. 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 the long-term expected geometric real rate of return by asset class for all plans in the PERF.

**Table 16**

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

Asset Class	Policy Target Allocation	Real Return Years 1 – 10 <sup>1</sup>	Real Return Years 11 – 60 <sup>2</sup>
Global equity.....	47.0 %	4.90 %	5.38 %
Global fixed income.....	19.0	0.80	2.27
Inflation sensitive.....	6.0	0.60	1.39
Private equity.....	12.0	6.60	6.63
Real estate.....	11.0	2.80	5.21
Infrastructure and forestland.....	3.0	3.90	5.36
Liquidity.....	2.0	(0.40)	(0.90)
<b>Total</b> .....	<b>100.0 %</b>		

<sup>1</sup> An expected inflation rate of 2.5% used for this period.

<sup>2</sup> An expected inflation rate of 3.0% used for this period.

In fiscal year 2016-17, the discount rate used in the actuarial assumptions was lowered from 7.65% to 7.15% (gross of 0.15% administrative expenses).

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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
<b>Balance at June 30, 2016</b> .....	\$ 99,773,521	\$ 66,659,683	\$ 33,113,838	\$ 3,816,213	\$ 2,900,351	\$ 915,862
<b>Changes recognized for the measurement period:</b>						
Service cost .....	1,927,531	—	1,927,531	124,792	—	124,792
Interest on total pension liability .....	7,381,049	—	7,381,049	290,058	—	290,058
Changes of assumptions .....	5,667,561	—	5,667,561	245,450	—	245,450
Difference between expected and actual experience .....	(387,041)	—	(387,041)	21,516	—	21,516
Plan to plan resource movement .....	—	(2,737)	2,737	—	(141)	141
Employer contributions .....	—	3,094,941	(3,094,941)	—	123,163	(123,163)
Employee contributions .....	—	843,772	(843,772)	—	54,114	(54,114)
Net investment income .....	—	7,329,859	(7,329,859)	—	322,150	(322,150)
Benefit payments, including refunds of employee contributions .....	(5,572,707)	(5,572,707)	—	(177,654)	(177,654)	—
Administrative expense .....	—	(98,419)	98,419	—	(4,282)	4,282
<b>Net changes</b> .....	<b>9,016,393</b>	<b>5,594,709</b>	<b>3,421,684</b>	<b>504,162</b>	<b>317,350</b>	<b>186,812</b>
<b>Balance at June 30, 2017 (Measurement Date)</b> .....	<b>\$ 108,789,914</b>	<b>\$ 72,254,392</b>	<b>\$ 36,535,522</b>	<b>\$ 4,320,375</b>	<b>\$ 3,217,701</b>	<b>\$ 1,102,674</b>



State Safety			State Peace Officers and Firefighters		
Total	Plan	Net	Total	Plan	Net
Pension	Fiduciary	Pension	Pension	Fiduciary	Pension
Liability	Net Position	Liability	Liability	Net Position	Liability
\$ 11,029,720	\$ 8,306,636	\$ 2,723,084	\$ 40,368,725	\$ 26,682,426	\$ 13,686,299
497,129	—	497,129	980,897	—	980,897
827,412	—	827,412	3,018,186	—	3,018,186
673,183	—	673,183	2,608,751	—	2,608,751
(109,901)	—	(109,901)	(286,527)	—	(286,527)
—	295	(295)	—	1,628	(1,628)
—	433,232	(433,232)	—	1,427,240	(1,427,240)
—	231,364	(231,364)	—	399,945	(399,945)
—	926,106	(926,106)	—	2,954,170	(2,954,170)
(538,735)	(538,735)	—	(1,938,026)	(1,938,026)	—
—	(12,264)	12,264	—	(39,395)	39,395
<b>1,349,088</b>	<b>1,039,998</b>	<b>309,090</b>	<b>4,383,281</b>	<b>2,805,562</b>	<b>1,577,719</b>
<b>\$ 12,378,808</b>	<b>\$ 9,346,634</b>	<b>\$ 3,032,174</b>	<b>\$ 44,752,006</b>	<b>\$ 29,487,988</b>	<b>\$ 15,264,018</b>

(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
<b>Balance at June 30, 2016</b> .....	\$ 11,240,831	\$ 6,720,757	\$ 4,520,074	\$ 166,229,010	\$ 111,269,853	\$ 54,959,157
<b>Changes recognized for the measurement period:</b>						
Service cost .....	237,064	—	237,064	3,767,413	—	3,767,413
Interest on total pension liability.....	833,062	—	833,062	12,349,767	—	12,349,767
Changes of assumptions.....	721,972	—	721,972	9,916,917	—	9,916,917
Difference between expected and actual experience.....	(158,393)	—	(158,393)	(920,346)	—	(920,346)
Plan to plan resource movement.....	—	1,050	(1,050)	—	95	(95)
Employer contributions.....	—	426,603	(426,603)	—	5,505,179	(5,505,179)
Employee contributions .....	—	91,116	(91,116)	—	1,620,311	(1,620,311)
Net investment income .....	—	747,272	(747,272)	—	12,279,557	(12,279,557)
Benefit payments, including refunds of employee contributions.....	(543,456)	(543,456)	—	(8,770,578)	(8,770,578)	—
Administrative expense.....	—	(9,923)	9,923	—	(164,283)	164,283
<b>Net changes</b> .....	<b>1,090,249</b>	<b>712,662</b>	<b>377,587</b>	<b>16,343,173</b>	<b>10,470,281</b>	<b>5,872,892</b>
<b>Balance at June 30, 2017 (Measurement Date)</b> .....	<b>\$ 12,331,080</b>	<b>\$ 7,433,419</b>	<b>\$ 4,897,661</b>	<b>\$ 182,572,183</b>	<b>\$ 121,740,134</b>	<b>\$ 60,832,049</b>

Reported in governmental activities	\$ 48,565,402
Reported in business-type activities	10,066,991
Reported by discretely presented component units	170,395
Not reported in government-wide Statement of Net Position <sup>1</sup>	2,029,261
<b>Total net pension liability – PERF plans</b>	<b>\$ 60,832,049</b>

(concluded)

<sup>1</sup> Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2017; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

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

**Table 18****Net Pension Liability Sensitivity – PERF Plans**

June 30, 2018

(amounts in thousands)

	<b>Current Rate -1%</b>	<b>Current Rate 7.15%</b>	<b>Current Rate +1%</b>
State Miscellaneous .....	\$ 49,984,377	\$ 36,535,522	\$ 25,280,052
State Industrial .....	1,705,459	1,102,674	606,342
State Safety .....	4,695,113	3,032,174	1,658,075
State Peace Officers and Firefighters.....	21,640,760	15,264,018	10,049,129
California Highway Patrol.....	6,658,065	4,897,661	3,459,598
<b>Total PERF plans .....</b>	<b>\$ 84,683,774</b>	<b>\$ 60,832,049</b>	<b>\$ 41,053,196</b>

**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, 2018, the State recognized pension expense of \$9.1 billion. At June 30, 2018, 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, 2017, but prior to the fiscal year ended June 30, 2018. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows 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, 2018

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
<b>Pension Expense</b> .....	\$ 5,333,804	\$ 246,189	\$ 641,824	\$ 2,252,747	\$ 656,925	\$ <b>9,131,489</b>
<b>Deferred Outflows of Resources:</b>						
Employer contributions .....	3,482,291	141,832	481,479	1,573,299	478,354	<b>6,157,255</b>
Supplemental employer contributions .....	3,600,000	100,000	300,000	1,500,000	500,000	<b>6,000,000</b>
Changes of assumptions .....	4,250,671	175,321	516,629	2,107,068	580,409	<b>7,630,098</b>
Difference between expected and actual experience .....	160,070	21,546	—	130,077	111,809	<b>423,502</b>
Net difference between projected and actual earnings on pension plan investments .....	1,036,369	43,892	125,983	407,177	101,818	<b>1,715,239</b>
<b>Deferred Inflows of Resources:</b>						
Difference between expected and actual experience .....	(340,972)	—	(86,859)	(231,426)	(127,335)	<b>(786,592)</b>

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
2019 .....	\$ 1,435,257	\$ 82,053	\$ 134,389	\$ 507,779	\$ 148,030	\$ <b>2,307,508</b>
2020 .....	2,450,623	125,776	266,338	957,185	261,989	<b>4,061,911</b>
2021 .....	1,748,517	56,078	181,654	622,854	181,791	<b>2,790,894</b>
2022 .....	(528,259)	(23,148)	(26,628)	235,762	63,841	<b>(278,432)</b>
2023 .....	—	—	—	89,316	11,051	<b>100,367</b>

**Payable to the Pension Plans:** At June 30, 2018, the State reported a payable of \$785 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2018.

## 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 PEPR 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](http://www.CalPERS.ca.gov).

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

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

*Judges’ II* – The four basic types of retirement are:

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

*Legislators’* – The three basic types of retirement are:

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

**Employees Covered by Benefit Terms:** The June 30, 2017 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, 2017

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits .....	1,861	161	232	<b>2,254</b>
Inactive employees entitled to but not yet receiving benefits .....	8	1	7	<b>16</b>
Active employees .....	192	1,511	8	<b>1,711</b>
<b>Total</b> .....	<b><u>2,061</u></b>	<b><u>1,673</u></b>	<b><u>247</u></b>	<b><u>3,981</u></b>

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

Judges’ II contribution rates are determined through CalPERS’ annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2017 actuarial valuation as 33.562%. The percentage changes in any given year only once the change to the total normal cost is greater than 1.0% from the base total normal cost. The new member rate should be 50% of the new normal cost rounded to the nearest quarter percentage.

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

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2017.

**Table 22**

**Contribution Rates – Single-employer Plans**

June 30, 2017

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>
Average active employee rate .....	“Pay-	8.000 %	7.370 %
Employer rate of annual payroll.....	as-you-	24.660	38.145
<b>Total</b> .....	go”	<u><b>32.660 %</b></u>	<u><b>45.515 %</b></u>

**Actuarial Methods and Assumptions:** The total pension liability for single-employer plans was measured as of June 30, 2017 (measurement date), by rolling forward the total pension liability determined by the June 30, 2016 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, 2016
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges’ 3.56%, Judges’ II 6.65%, Legislators’ 5.25%
Inflation	All single-employer plans – 2.75%
Salary increases	All single-employer plans – 3.00%
Investment rate of return	Judges’ 3.56%, Judges’ II 6.65%, Legislators’ 5.25%, 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’* – 3.56%, 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* – 6.65%

*Legislators’* – 5.25%

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



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

**Table 24**

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

Asset Class	Judges' II	Legislators'	Real Return Years 1 – 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
	Current Target Allocation	Current Target Allocation		
Global equity.....	50.0 %	24.0 %	3.95 %	5.71 %
Global fixed income.....	34.0	39.0	0.70	2.24
Inflation sensitive.....	5.0	26.0	(0.10)	2.04
Commodities.....	3.0	3.0	1.10	4.95
Real estate.....	8.0	8.0	2.60	7.88
<b>Total</b> .....	<b>100.0 %</b>	<b>100.0 %</b>		

<sup>1</sup> An expected inflation rate of 2.5% used for this period.

<sup>2</sup> An expected inflation rate of 3.0% used for this period.

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

**Table 25**

**Changes in Net Pension Liability – Single-employer Plans**

(amounts in thousands)

	Judges'			Judges' II		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016</b> (Valuation Date).....	\$ 3,794,944	\$ 39,794	\$ 3,755,150	\$ 1,207,549	\$ 1,172,952	\$ 34,597
<b>Changes recognized for the measurement period:</b>						
Service cost.....	22,733	—	22,733	97,679	—	97,679
Interest on total pension liability .....	115,067	—	115,067	85,654	—	85,654
Difference between expected and actual experience .....	(366,200)	—	(366,200)	(26,382)	—	(26,382)
Changes of assumptions .....	(107,670)	—	(107,670)	69,233	—	69,233
Employer contributions .....	—	204,475	(204,475)	—	67,102	(67,102)
Employee contributions.....	—	3,398	(3,398)	—	25,076	(25,076)
Net investment income.....	—	424	(424)	—	115,058	(115,058)
Benefit payments, including refunds of employee contributions ...	(200,440)	(200,440)	—	(22,406)	(22,406)	—
Administrative expense .....	—	(1,771)	1,771	—	(1,682)	1,682
Other miscellaneous income .....	—	2,395	(2,395)	—	—	—
<b>Net changes .....</b>	<b>(536,510)</b>	<b>8,481</b>	<b>(544,991)</b>	<b>203,778</b>	<b>183,148</b>	<b>20,630</b>
<b>Balance at June 30, 2017</b> (Measurement Date).....	<b>\$ 3,258,434</b>	<b>\$ 48,275</b>	<b>\$ 3,210,159</b>	<b>\$ 1,411,327</b>	<b>\$ 1,356,100</b>	<b>\$ 55,227</b>

Legislators'			Total Single-employer Plans		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
\$ 102,220	\$ 119,050	\$ (16,830)	\$ 5,104,713	\$ 1,331,796	\$ 3,772,917
639	—	639	121,051	—	121,051
5,291	—	5,291	206,012	—	206,012
(5,998)	—	(5,998)	(398,580)	—	(398,580)
7,857	—	7,857	(30,580)	—	(30,580)
—	517	(517)	—	272,094	(272,094)
—	94	(94)	—	28,568	(28,568)
—	5,047	(5,047)	—	120,529	(120,529)
(7,249)	(7,249)	—	(230,095)	(230,095)	—
—	(575)	575	—	(4,028)	4,028
—	—	—	—	2,395	(2,395)
<u>540</u>	<u>(2,166)</u>	<u>2,706</u>	<u>(332,192)</u>	<u>189,463</u>	<u>(521,655)</u>
<u>\$ 102,760</u>	<u>\$ 116,884</u>	<u>\$ (14,124)</u>	<u>\$ 4,772,521</u>	<u>\$ 1,521,259</u>	<u>\$ 3,251,262</u>
Reported in governmental activities					<u>\$ 3,251,262</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** Judges’ net pension liability was calculated using a discount rate of 3.56%; Judges’ II used 6.65%; and Legislators’ used 5.25%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

**Table 26**

**Net Pension Liability/Asset Sensitivity – Single-employer Plans**

June 30, 2018

(amounts in thousands)

	<u>Current Rate -1%</u>	<u>Current Rate</u>	<u>Current Rate +1%</u>
Judges’ (3.56%) .....	\$ 3,571,705	\$ 3,210,159	\$ 2,903,755
Judges’ II (6.65%).....	238,981	55,227	(91,774)
Legislators’ (5.25%) .....	(1,712)	(14,124)	(24,226)
<b>Total Single-employer Plans .....</b>	<b><u>\$ 3,808,974</u></b>	<b><u>\$ 3,251,262</u></b>	<b><u>\$ 2,787,755</u></b>

**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, 2017, the State recognized a credit balance for pension expense of \$268 million. At June 30, 2018, 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, 2017, but prior to the fiscal year ended June 30, 2018, 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, 2018

(amounts in thousands)

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>	<u>Total</u>
<b>Pension Expense</b> .....	\$ (342,289)	\$ 71,515	\$ 2,812	\$ (267,962)
<b>Deferred Outflows of Resources:</b>				
Employer contributions subsequent to the measurement date ....	197,017	73,916	467	271,400
Changes of assumptions .....	—	60,579	—	60,579
Net difference between projected and actual earnings on pension plan investments .....	2,892	20,380	3,755	27,027
<b>Deferred Inflows of Resources:</b>				
Difference between expected and actual experience .....	—	(37,813)	—	(37,813)
Changes of assumptions .....	—	(10,821)	—	(10,821)

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)

<u>Year Ending June 30</u>	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>		<u>Total</u>
	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>		
2019 .....	\$ 1,470	\$ 2,972	\$ 603	\$	5,045
2020 .....	777	21,226	2,240		24,243
2021 .....	419	5,728	710		6,857
2022 .....	227	(6,097)	203		(5,667)
2023 .....	—	862	—		862
Thereafter .....	—	7,633	—		7,633

## 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](http://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 1,740 contributing employers, 449,555 active and 198,186 inactive program members, and 301,629 benefit recipients as of June 30, 2018. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2017, was approximately \$34.1 billion.

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

**Contributions:** The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 9.21% and 12.58% of creditable compensation, respectively. The General Fund contributed an additional 4.311% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 4.811% in the next year and continue to increase until fiscal year 2045-46. The State contributed a total of \$2.8 billion for fiscal year 2017-18. CalSTRS' June 30, 2016 Defined Benefit Actuarial Valuation Report, may be found on CalSTRS' website at [www.CalSTRS.com/sites/main/files/file-attachments/2016\\_db\\_valuation\\_report.pdf](http://www.CalSTRS.com/sites/main/files/file-attachments/2016_db_valuation_report.pdf).

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2017, the CBB Program had 30 contributing school districts and 39,053 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, 2017, 347 individuals were receiving benefits from the RB program.

**Actuarial Methods and Assumptions:** The total pension liability in the June 30, 2016 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2017.

Table 29

**Actuarial Methods and Assumptions – CalSTRS**

Valuation date .....	June 30, 2016
Experience study .....	July 1, 2010 through June 30, 2015
Actuarial cost method .....	Entry age normal
Investment rate of return .....	7.10%
Consumer price inflation .....	2.75%
Wage growth.....	3.50%
Post-retirement benefit increases (COLAs).....	2.00% simple

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

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

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

in conjunction with the most recent experience study. For each future valuation, CalSTRS’ consulting actuary reviews the return assumption for reasonableness based on the current capital market assumptions.

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

**Table 30**

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity.....	47.0 %	6.30 %
Private equity.....	13.0	9.30
Real estate.....	13.0	5.20
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)
<b>Total</b> .....	<b>100.0 %</b>	

**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, 2017 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2016 (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, 2017, the State’s proportionate share of the CalSTRS’ net pension liability was 37.17%, or \$34.4 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2018.



As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$3.4 billion for the fiscal year ended June 30, 2018, 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, 2018

(amounts in thousands)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions .....	\$ 6,368,337	\$ —
Net difference between projected and actual earnings on pension plan investments .....	—	915,497
Difference between expected and actual experiences .....	127,121	599,552
Proportionate share change .....	1,473,947	1,272,183
State contributions subsequent to the measurement date .....	2,790,444	—
<b>Total</b> .....	<b>\$ 10,759,849</b>	<b>\$ 2,787,232</b>

The \$2.8 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, 2019.

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)

<b>Year Ending June 30</b>	<b>Amount</b>
2019 .....	\$ 145,018
2020 .....	1,482,023
2021 .....	988,777
2022 .....	92,609
2023 .....	1,293,814
Thereafter .....	1,179,930

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

**Table 33**

**Net Pension Liability Sensitivity – CalSTRS**

June 30, 2018  
(amounts in thousands)

	Current Rate -1%	Current Rate 7.10%	Current Rate +1%
State’s proportionate share of net pension liability .....	\$ 50,473,143	\$ 34,374,816	\$ 21,309,933

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

**C. Trial Court Pension Plans**

**Plan Description:** The 58 trial courts are reported as part of the primary government. Twenty-two of the trial courts provide pension benefits to their respective employees through cost-sharing multiple employer defined benefit plans administered by their respective county public employee retirement systems. Thirty-six of the trial courts participate in county retirement plans administered by CalPERS. Only the pension information related to the 22 courts that participate in county public employee retirement systems’ pension plans is presented for the year ended June 30, 2018. Information pertaining to the 36 trial courts that participate in county retirement plans administered by CalPERS will be presented in future reporting years.

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

**Net Pension Liability Actuarial Methods and Assumptions:** The net pension liability of 16 trial courts was measured as of each individual plan’s measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan’s valuation date, based on the actuarial methods and assumptions used by each plan. For five of the trial court plans, the net pension liability was measured as of December 31, 2017 (measurement date), and 11 plans had a measurement date of June 30, 2017. Three of the plans had an actuarial valuation date of December 31, 2016; two had an actuarial valuation date of January 1, 2017; and the remaining 11 plans were valued as of June 30, 2016.

For six trial courts, the net pension liability was measured as of the same date the total pension liability was valued for each individual plan. One of the trial court plans had an actuarial valuation and measurement

date of December 31, 2017, and the remaining five plans had an actuarial valuation and measurement date of June 30, 2017.

**Discount Rates:** The discount rates used to measure the total pension liability of each trial court ranged from 6.92% to 7.50% as of the respective measurement date.

**Pension Accounting Elements:** For the trial court pension plans, the State reported total pension liability of \$8.7 billion and fiduciary net position of \$6.9 billion, which resulted in a net pension liability of \$1.8 billion as of June 30, 2018. For the fiscal year ended June 30, 2018, the State recognized pension expense of \$241 million. At June 30, 2018, the State reported deferred outflows of resources of \$638 million and deferred inflows of resources of \$326 million. The reported deferred outflows of resources included \$216 million from pension contributions the trial courts made subsequent to the measurement date; the contributions will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

## NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

## A. Retiree Health Benefits Program

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

The Program has 25 different valuation groups that include different categories of employees. Valuation groups that have accumulated prefunding assets in a CERBTF subaccount are reported as separate OPEB plans. As of the June 30, 2018 reporting date, these valuation groups included Bargaining Units 5, 6, 9, 10, 12, 16, and the Judicial Branch. The OPEB plans for Bargaining Units 5, 6, 9, and 12 are each reported discretely. The OPEB plans for Bargaining Units 10, 16, and the Judicial Branch are collectively reported as "Other Funded Plans." The remaining valuation groups for which the State made contributions through the CERBTF on a "pay-as-you-go" basis to fund benefit payments are collectively reported as the "Unfunded Plan." Prefunding contributions to the CERBTF are nonrefundable, and state employees have no claims or rights to the assets. CalPERS reports on the CERBTF as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

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

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

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

**Employees Covered by Benefit Terms:** Detailed information about the number of employees covered within the OPEB plans is provided in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2017* (June 30, 2017 Actuarial Valuation Report), on the State Controller's Office website, at [www.SCO.ca.gov](http://www.SCO.ca.gov).

Table 34 shows the number of employees covered by the benefit terms.

**Table 34****Number of Employees by Type Covered by Benefit Terms – Retiree Health Benefits Program**

June 30, 2017

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Bargaining Unit 5 Plan.....	6,365	7,745	14,110
Bargaining Unit 6 Plan.....	22,646	31,408	54,054
Bargaining Unit 9 Plan.....	6,328	12,222	18,550
Bargaining Unit 12 Plan.....	9,447	12,535	21,982
Other Funded Plans.....	3,992	6,990	10,982
Unfunded Plan.....	134,088	201,674	335,762
<b>Total</b> .....	<b>182,866</b>	<b>272,574</b>	<b>455,440</b>

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

**Contributions:** The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of annuitants' family members. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending on the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a "pay-as-you-go" basis, with a modest amount of prefunding for members of Bargaining Units 5, 6, 9, 12, and other funded plans. See Table 37 for details on the fiduciary net positions of the OPEB plans. The maximum 2017 monthly State contribution was \$707 for one-party coverage, \$1,349 for two-party coverage, and \$1,727 for family coverage. For the fiscal year ended June 30, 2017, the State contributed \$2.4 billion toward annuitants' health and dental benefits.

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

The net OPEB liability for each of the OPEB plans was measured as of June 30, 2017 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The June 30, 2016 beginning total OPEB liability was determined by rolling back the June 30, 2017 total OPEB liability.

The June 30, 2017 total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 35.

**Table 35**

**Actuarial Methods and Assumptions – Retiree Health Benefits Program**

Valuation date:	June 30, 2017
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 7.28% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.56%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.28%, net of OPEB plan investment expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2018, increasing to 8.00% in 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years Post-Medicare coverage: Actual rates for 2018, increasing to 8.50% in 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years Dental coverage: 0.00% in 2018 and 4.50% thereafter
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

Other demographic assumptions used in the June 30, 2017 valuation were based on the results of the *2014 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 1997 to 2011, including updates to termination, disability, mortality assumptions, and retirement rates. The CalPERS experience study can be obtained from CalPERS’ website at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

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

**Investment Rate of Return:** The long-term expected rate of return on investments for the OPEB plans was determined by CalPERS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected nominal returns for the short-term (first 10 years) and the long-term (11-60 years), a single expected return rate of 7.28% was calculated for years 1-60. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows. The rate of return was calculated using the capital market assumptions.

Table 36 shows the long-term expected real rate of return by asset class.

**Table 36**

**Long-term Expected Real Rate of Return by Asset Class**

Asset Class	Target Asset Allocation	Real Return Years 1 – 10 <sup>1</sup>	Real Return Years 11 – 60 <sup>2</sup>
Global Equity .....	57.0 %	5.25 %	5.71 %
Global Fixed Income.....	27.0	1.79	2.40
Inflation Sensitive .....	5.0	1.00	2.25
Real Estate.....	8.0	3.25	7.88
Commodities .....	3.0	0.34	4.95
<b>Total</b> .....	<b>100.0 %</b>		

<sup>1</sup> An expected inflation rate of 2.5% used for this period.

<sup>2</sup> An expected inflation rate of 3.0% used for this period.

**Discount Rates:** The discount rates used to measure the total OPEB liability for each valuation group were based on blended rates. The blended rate used to measure the June 30, 2016 total OPEB liability for each valuation group consists of the 20-Bond G.O. Index rate of 2.85% as of June 30, 2016, as reported by Bond Buyer Index (general obligation, 20 years to maturity, mixed quality), when prefunding assets are not available to pay benefits, and 7.28% when prefunding assets are available to pay benefits. The blended rate used to measure the June 30, 2017 total OPEB liability for each valuation group consists of the 20-year Municipal G.O. Bond AA Index rate of 3.56% as of June 30, 2017, as reported by Fidelity Index, when prefunding assets are not available to pay benefits, and 7.28% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to legislatively approved collective bargaining and state law. Detailed information on the blended discount rates by valuation group is available in the June 30, 2017 Actuarial Valuation Report.

Blended rates for the June 30, 2018 valuation will be determined using the the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 3.62% when prefunding assets are not available to pay benefits.

In February 2019, the State Controller’s Office and its contracted actuary determined that the full funding discount rate used in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, will be lowered from 7.28% to 7.00%. Excluding other changes in assumptions impacting the net OPEB liabilities, a reduction to the discount rate would increase the net OPEB liabilities starting in the fiscal year ended June 30, 2019. The net effect of this assumption change will be amortized over the average expected remaining service lives of the plan members in the actuarial valuation.

**Changes in Net OPEB Liability:** Table 37 shows the changes in net OPEB liability for the OPEB plans, recognized over the measurement period.

**Table 37**

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

	<b>Bargaining Unit 5 Plan</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2016</b> .....	\$ 4,764,812	\$ 135,701	\$ 4,629,111
<b>Changes recognized for the measurement period:</b>			
Service cost .....	168,057	—	168,057
Interest on total OPEB liability .....	179,397	—	179,397
Changes of assumptions .....	(474,646)	—	(474,646)
Employer contributions .....	—	172,971	(172,971)
Employee contributions.....	—	12,783	(12,783)
Net investment income.....	—	21,109	(21,109)
Benefit payments.....	(95,517)	(95,517)	—
Administrative expense .....	—	(95)	95
Other miscellaneous income .....	—	(290)	290
<b>Net changes</b> .....	<u>(222,709)</u>	<u>110,961</u>	<u>(333,670)</u>
<b>Balance at June 30, 2017 (Measurement Date)</b> .....	<u><u>\$ 4,542,103</u></u>	<u><u>\$ 246,662</u></u>	<u><u>\$ 4,295,441</u></u>



Bargaining Unit 6 Plan			Bargaining Unit 9 Plan		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 15,990,189	\$ —	\$ 15,990,189	\$ 4,640,159	\$ —	\$ 4,640,159
609,551	—	609,551	166,173	—	166,173
574,853	—	574,853	154,495	—	154,495
(1,637,897)	—	(1,637,897)	(475,991)	—	(475,991)
—	472,277	(472,277)	—	117,659	(117,659)
—	23,181	(23,181)	—	—	—
—	15,089	(15,089)	—	3,630	(3,630)
(325,344)	(325,344)	—	(82,449)	(82,449)	—
—	(48)	48	—	(11)	11
—	—	—	—	—	—
(778,837)	185,155	(963,992)	(237,772)	38,829	(276,601)
<b>\$ 15,211,352</b>	<b>\$ 185,155</b>	<b>\$ 15,026,197</b>	<b>\$ 4,402,387</b>	<b>\$ 38,829</b>	<b>\$ 4,363,558</b>

(continued)

**Table 37 (continued)**

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

	<b>Bargaining Unit 12 Plan</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2016</b> .....	\$ 4,540,951	\$ 7,186	\$ 4,533,765
<b>Changes recognized for the measurement period:</b>			
Service cost .....	167,689	—	167,689
Interest on total OPEB liability .....	154,036	—	154,036
Changes of assumptions .....	(433,966)	—	(433,966)
Employer contributions .....	—	111,936	(111,936)
Employee contributions.....	—	1,076	(1,076)
Net investment income.....	—	872	(872)
Benefit payments.....	(110,860)	(110,860)	—
Administrative expense .....	—	(4)	4
Other miscellaneous income .....	—	—	—
<b>Net changes</b> .....	<u>(223,101)</u>	<u>3,020</u>	<u>(226,121)</u>
<b>Balance at June 30, 2017 (Measurement Date)</b> .....	<u><u>\$ 4,317,850</u></u>	<u><u>\$ 10,206</u></u>	<u><u>\$ 4,307,644</u></u>

Other Funded Plans			Unfunded Plan		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 2,116,405	\$ 4,836	\$ 2,111,569	\$ 64,144,931	\$ —	\$ 64,144,931
92,991	—	92,991	2,805,040	—	2,805,040
74,923	—	74,923	2,112,139	—	2,112,139
(197,059)	—	(197,059)	(6,610,919)	—	(6,610,919)
—	57,262	(57,262)	—	1,457,705	(1,457,705)
—	2,323	(2,323)	—	—	—
—	1,589	(1,589)	—	—	—
(46,820)	(46,820)	—	(1,457,705)	(1,457,705)	—
—	(7)	7	—	—	—
—	—	—	—	—	—
(75,965)	14,347	(90,312)	(3,151,445)	—	(3,151,445)
<b>\$ 2,040,440</b>	<b>\$ 19,183</b>	<b>\$ 2,021,257</b>	<b>\$ 60,993,486</b>	<b>\$ —</b>	<b>\$ 60,993,486</b>

(continued)

Table 37 (continued)

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

	<b>Total</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2016</b> .....	\$ 96,197,447	\$ 147,723	\$ 96,049,724
<b>Changes recognized for the measurement period:</b>			
Service cost .....	4,009,501	—	4,009,501
Interest on total OPEB liability .....	3,249,843	—	3,249,843
Changes of assumptions .....	(9,830,478)	—	(9,830,478)
Employer contributions .....	—	2,389,810	(2,389,810)
Employee contributions.....	—	39,363	(39,363)
Net investment income.....	—	42,289	(42,289)
Benefit payments.....	(2,118,695)	(2,118,695)	—
Administrative expense .....	—	(165)	165
Other miscellaneous income .....	—	(290)	290
<b>Net changes</b> .....	<u>(4,689,829)</u>	<u>352,312</u>	<u>(5,042,141)</u>
<b>Balance at June 30, 2017 (Measurement Date)</b> .....	<u><b>\$ 91,507,618</b></u>	<u><b>\$ 500,035</b></u>	<u><b>\$ 91,007,583</b></u>
		Reported in governmental activities	\$ 72,084,987
		Reported in business-type activities	15,618,786
		Reported by discretely presented component units	138,611
		Not reported in government-wide Statement of Net Position <sup>1</sup>	3,165,199
		<b>Total net OPEB liability</b>	<u><b>\$ 91,007,583</b></u>

(concluded)

<sup>1</sup> Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net OPEB liability for discretely presented component units with a reporting period ended December 31, 2017; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

**Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates:** Table 38 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 3.56% to 4.22%, as well as what the net OPEB liability would be if it were calculated using rates that are one percentage-point lower or one percentage-point higher than the blended discount rates.

**Table 38****Net OPEB Liability Sensitivity to Changes in Blended Discount Rates**

June 30, 2018

(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates		Blended Discount Rates +1%
		-1%	Blended Discount Rates	
Bargaining Unit 5 Plan .....	4.22%	\$ 5,218,068	\$ 4,295,441	\$ 3,580,665
Bargaining Unit 6 Plan .....	4.07%	18,029,523	15,026,197	12,689,574
Bargaining Unit 9 Plan .....	3.87%	5,161,339	4,363,558	3,727,267
Bargaining Unit 12 Plan .....	3.92%	5,052,582	4,307,644	3,711,953
Other Funded Plans.....	3.99% to 4.04%	2,371,172	2,021,257	1,740,212
Unfunded Plan .....	3.56% to 4.14%	71,864,678	60,993,486	52,331,297
<b>Total</b>		<b>\$ 107,697,362</b>	<b>\$ 91,007,583</b>	<b>\$ 77,780,968</b>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:** Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using the select and ultimate healthcare cost trend rates presented in Table 35, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the healthcare cost trend rates presented in Table 35.

**Table 39****Net OPEB Liability Sensitivity to Changes in the Healthcare Cost Trend Rates**

June 30, 2018

(amounts in thousands)

OPEB Plan	Healthcare Cost Trend Rates		Healthcare Cost Trend Rates +1%
	-1%	Healthcare Cost Trend Rates	
Bargaining Unit 5 Plan.....	\$ 3,541,740	\$ 4,295,441	\$ 5,281,792
Bargaining Unit 6 Plan.....	12,553,881	15,026,197	18,237,804
Bargaining Unit 9 Plan.....	3,676,765	4,363,558	5,241,071
Bargaining Unit 12 Plan.....	3,683,452	4,307,644	5,097,332
Other Funded Plans .....	1,719,951	2,021,257	2,403,307
Unfunded Plan.....	51,703,522	60,993,486	72,899,768
<b>Total</b> .....	<b>\$ 76,879,311</b>	<b>\$ 91,007,583</b>	<b>\$ 109,161,074</b>

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

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB:** The State recognized OPEB expense for the OPEB plans of \$5.7 billion for the fiscal year ended June 30, 2018. Deferred inflows of resources are recognized for changes of assumptions and for the difference between expected and actual experience. Net deferred inflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on the OPEB plans' investments occurring in different measurement periods.

As of June 30, 2018, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 40.

**Table 40**

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

June 30, 2018

(amounts in thousands)

Description	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan	Bargaining Unit 12 Plan
<b>OPEB Expense</b> .....	\$ 250,737	\$ 902,637	\$ 237,277	\$ 244,835
<b>Deferred Outflows of Resources:</b>				
Employer contributions subsequent to the measurement date.....	152,424	432,403	87,888	104,412
<b>Deferred Inflows of Resources:</b>				
Changes of assumptions.....	405,468	1,388,607	394,738	358,803
Net difference between projected and actual earnings on OPEB plan investments .....	5,968	5,745	1,481	217

The \$2.3 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

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<b>Other Funded Plans</b>	<b>Unfunded Plan</b>	<b>Total</b>
\$ 132,300	\$ 3,890,463	\$ 5,658,249
54,571	1,461,843	2,293,541
164,822	5,584,203	8,296,641
528	—	13,939

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Table 41 shows amounts for each plan reported as deferred outflows and deferred inflows of resources related to OPEB that will be recognized as OPEB expense in future years. Increases to OPEB expense are shown as positive amounts and decreases to OPEB expense are shown as negative amounts.

**Table 41**

**Recognition of Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

(amounts in thousands)

OPEB Plan	Year Ending June 30					
	2019	2020	2021	2022	2023	Thereafter
Bargaining Unit 5.....	\$ (70,670)	\$ (70,670)	\$ (70,670)	\$ (70,670)	\$ (69,178)	\$ (59,578)
Bargaining Unit 6.....	(250,727)	(250,727)	(250,727)	(250,724)	(249,290)	(142,157)
Bargaining Unit 9.....	(81,624)	(81,624)	(81,624)	(81,621)	(69,726)	—
Bargaining Unit 12.....	(75,218)	(75,218)	(75,218)	(75,215)	(58,151)	—
Other Funded Plans.....	(32,370)	(32,370)	(32,370)	(22,970)	(21,248)	(24,022)
Unfunded Plan.....	(1,026,716)	(990,065)	(930,775)	(899,623)	(890,843)	(846,181)
<b>Total.....</b>	<b>\$ (1,537,325)</b>	<b>\$ (1,500,674)</b>	<b>\$ (1,441,384)</b>	<b>\$ (1,400,823)</b>	<b>\$ (1,358,436)</b>	<b>\$ (1,071,938)</b>

**B. Trial Court OPEB Plans**

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

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

**Net OPEB Liability Actuarial Methods and Assumptions:** The beginning total OPEB liability for each trial court plan was determined either by rolling back the total OPEB liability to the beginning of the measurement period, or rolling forward the total OPEB liability calculated in previous valuations. For two of the trial court valuations, the net OPEB liability was measured as of December 31, 2017 (measurement date), and the remaining 51 valuations had a measurement date of June 30, 2017. One of the courts had an actuarial valuation date of December 31, 2017, while the remaining 52 courts were valued as of June 30, 2017.



Table 42 shows selected actuarial assumptions for the trial court OPEB plans, by plan type.

**Table 42**

**Actuarial Methods and Assumptions – Trial Court OPEB Plans**

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plan	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2017	June 30, 2017	Two plans as of June 30, 2017. One plan as of December 31, 2017.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 3.56% to 7.28%.	Blended rate of 3.62%.	Single rates ranging from 7.00% to 7.25%.
Healthcare cost trend rates	Initial rate of 6.80% in 2018, gradually decreasing to an ultimate rate of 4.40% over 57 years per the Society of Actuaries Getzen model.	Initial rate of 6.80% in 2018, gradually decreasing to an ultimate rate of 4.40% over 57 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.50% to 7.50%, decreasing gradually to ultimate rates ranging from 4.00% to 4.50% in 2026 and later years.

**Discount Rates:** The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2017 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.56% as of June 30, 2017, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.95% to 7.28% when prefunding assets are available to pay benefits. Single rates range from 4.95% to 7.28%. The projections of cash flows used to determine the discount rates assumed that plan contributions will be made according to funding policy, benefits will be paid out of OPEB trusts until assets are depleted, and employer contributions will first be applied to employee service costs in each period.

**OPEB Accounting Elements:** For the trial court OPEB plans, the State reported total OPEB liability of \$1.8 billion and fiduciary net position of \$216 million, which resulted in a net OPEB liability of \$1.6 billion as of June 30, 2018, reported in governmental activities. For the fiscal year ended June 30, 2018, the State recognized OPEB expense of \$108 million. At June 30, 2018, the State reported deferred outflows of resources of \$49 million and deferred inflows of resources of \$156 million. Deferred outflows of resources included \$46 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

## NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

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

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks. The current “Letter of Credit” agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$2.2 billion. As of June 30, 2018, the general obligation commercial paper program had \$860 million in outstanding commercial paper notes for governmental activities. The current agreements for the enterprise fund commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$1.1 billion. As of June 30, 2018, the enterprise fund commercial paper program had \$581 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, 2018, \$169 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

The University of California, a discretely presented component unit, has a commercial paper program and other uncollateralized borrowings. Additional disclosures for the University’s commercial paper and other long-term borrowings are included in the University’s separately issued financial statements, which can be obtained from the University on its website at [www.ucop.edu](http://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, 2018, 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, 2018, amounted to approximately \$267 million for governmental activities and \$28 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 \$791 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University, an enterprise fund, and the State Public Works Board (SPWB), an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of \$155 million, which are included in the capital lease commitments. This amount represents 19.6% 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 \$199 million for business-type activities.

The capital lease commitments do not include \$8.2 billion in lease-purchase agreements with the SPWB and \$111 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](http://www.ucop.edu).

Table 43 summarizes future minimum lease commitments of the primary government.

**Table 43****Schedule of Future Minimum Lease Commitments – Primary Government**

(amounts in thousands)

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Operating Leases	Capital Leases	Operating Leases	Capital Leases	
2019.....	\$ 241,986	\$ 87,806	\$ 28,448	\$ 36,491	\$ 394,731
2020.....	180,743	70,849	20,620	34,978	307,190
2021.....	113,210	60,188	19,349	33,583	226,330
2022.....	60,679	42,524	15,262	32,317	150,782
2023.....	24,962	32,830	9,724	31,429	98,945
2024-2028.....	48,620	89,917	38,954	136,694	314,185
2029-2033.....	12,087	80,767	13,497	126,199	232,550
2034-2038.....	1,095	63,977	3,205	47,089	115,366
2039-2043.....	771	10,803	1,538	7,518	20,630
2044-2048.....	107	—	992	—	1,099
2049-2053.....	107	—	—	—	107
2054-2058.....	84	—	—	—	84
2059-2063.....	18	—	—	—	18
<b>Total minimum lease payments.....</b>	<b>\$ 684,469</b>	<b>539,661</b>	<b>\$ 151,589</b>	<b>486,298</b>	<b>\$ 1,862,017</b>
Less: amount representing interest.....		58,400		176,370	
<b>Present value of net minimum lease payments.....</b>		<b>481,261</b>		<b>309,928</b>	
Less: current portion.....		68,817		19,783	
<b>Capital lease obligation, net of current portion ....</b>		<b>\$ 412,444</b>		<b>\$ 290,145</b>	

**NOTE 14: COMMITMENTS**

As of June 30, 2018, the primary government had commitments of \$7.6 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with \$6.3 billion from proceeds of approved federal grants and \$1.3 billion from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of \$578 million for terrorism prevention and disaster-preparedness response projects, \$469 million for various education programs, \$318 million for services under the workforce development program, \$184 million for services provided under various public health programs, \$124 million for services provided under the welfare program, and \$117 million for community service programs.

The primary government had other commitments, totaling \$12.4 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$12.4 billion in commitments includes grant agreements totaling approximately \$6.4 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 \$12.4 billion in commitments includes \$2.7 billion for undisbursed loan commitments to qualified agencies for clean water projects and \$587 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$12.4 billion in commitments also includes contracts of \$871 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 \$592 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2018, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$15 million in electricity through December 2019. The primary government also had commitments of \$45 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of \$1.2 billion for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2018, the primary government encumbered expenditures of \$1.2 billion for the General Fund, \$2.5 billion for the Transportation Fund, \$1.4 billion for the Environmental and Natural Resources Fund, \$13 million for the Health Care Related Programs 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, 2018, 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](http://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](http://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](http://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](http://www.CalSTRS.com).

## **NOTE 15: GENERAL OBLIGATION BONDS**

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds vote of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education; the General Fund can then

be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service that it provides on their behalf. General obligation bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included as a liability of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such enterprise funds.

As of June 30, 2018, the State had \$74.2 billion in outstanding general obligation bonds related to governmental activities and \$689 million related to business-type activities. In addition, \$33.9 billion in long-term general obligation bonds had been authorized but not issued, of which \$33.6 billion is related to governmental activities and \$261 million is related to business-type activities. The total amount authorized but not issued includes \$12.2 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, \$860 million 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, 2018, the State had \$3.1 billion in variable-rate general obligation bonds outstanding, consisting of \$925 million in daily-rate bonds with credit enhancement, \$1.2 billion in weekly-rate bonds with credit enhancement, and \$1.0 billion in weekly- or monthly- index floating rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced index floating rate bonds are determined either by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate or a predetermined percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds. The State has entered into different credit agreements with various banks (credit providers) for one or more series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments to the bondholders up to a commitment amount identified in the applicable credit agreement; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the applicable commitment amount. The bondholders have the right to tender the bonds daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. Upon a tender, the remarketing agent will attempt to remarket the tendered bond to a new investor. If the remarketing of the tendered bond is unsuccessful, the bond will be purchased by the applicable credit provider and become a bank bond and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed, redeemed, or paid at maturity. If a bond cannot be remarketed and remains a bank bond for a period ranging from 45 days to 90 days, the bond will be subject to amortization payments in equal installments under the terms stated in the applicable credit agreement. The amortization period may exceed the expiration date of the applicable credit agreement. A bank bond may be remarketed at any time during the amortization period. There were no bank bonds during fiscal year 2017-18.

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 September 7, 2018; August 11, 2020; and October 1, 2021. 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 index floating rate bonds have a mandatory redemption date on May 1, 2021. The Series 2012B index floating rate bonds have fixed maturities on May 1, 2019 and May 1, 2020. The Series 2013B, 2013C, 2013D, and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 3, 2018 (Series 2013E); December 1, 2020 (Series 2013C and Series 2013D); and December 1, 2022 (Series 2013B). The Series 2016B and 2017C index floating rate bonds have scheduled mandatory purchase dates on December 1, 2021 (Series 2016B) and April 1, 2022 (Series 2017C).

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for fiscal year 2017-18.

## **B. Mandatory Tender Bonds**

As of June 30, 2018, the State had \$1.7 billion in outstanding general obligation bonds with scheduled mandatory tender dates, including \$750 million with a fixed interest rate and \$925 million with an index floating rate (discussed in Section A). On their respective scheduled mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption or remarketed on or prior to that day. These bonds have scheduled mandatory tender dates on December 3, 2018; December 2, 2019; April 1, 2020; December 1, 2020; December 1, 2021; April 1, 2022; and December 1, 2022. In the event bonds are not redeemed or there is an unsuccessful remarketing of all the outstanding bonds for a particular scheduled mandatory tender date, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, in most cases gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Bonds in this delayed remarketing period can be redeemed or remarketed on any business day, with limited prior notice. Current state laws limit interest rates to 11% per annum.

## **C. Build America Bonds**

As of June 30, 2018, 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 6.9% for the federal fiscal year ending September 30, 2017, and by 6.6% for the federal fiscal year ending September 30, 2018. 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 44 shows the debt service requirements for all general obligation bonds as of June 30, 2018. The estimated debt service requirements for the \$3.1 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2018. For mandatory tender bonds, the debt service requirements shown in Table 44 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 44**

### Schedule of Debt Service Requirements for General Obligation Bonds

(amounts in thousands)

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019.....	\$ 3,309,065	\$ 3,776,912	\$ 7,085,977	\$ 25,975	\$ 23,145	\$ 49,120
2020.....	3,224,115	3,617,803	6,841,918	41,265	21,964	63,229
2021.....	3,378,990	3,478,956	6,857,946	31,445	20,762	52,207
2022.....	3,229,485	3,324,645	6,554,130	15,685	20,012	35,697
2023.....	2,858,780	3,173,117	6,031,897	12,015	19,637	31,652
2024 - 2028 .....	14,254,315	13,956,922	28,211,237	47,010	95,230	142,240
2029 - 2033 .....	14,947,870	10,587,351	25,535,221	182,695	75,666	258,361
2034 - 2038 .....	15,538,285	6,587,505	22,125,790	150,800	45,148	195,948
2039 - 2043 .....	10,317,585	2,156,570	12,474,155	100,535	23,344	123,879
2044 - 2048 .....	3,102,000	343,991	3,445,991	81,225	6,393	87,618
<b>Total .....</b>	<b>\$ 74,160,490</b>	<b>\$ 51,003,772</b>	<b>\$ 125,164,262</b>	<b>\$ 688,650</b>	<b>\$ 351,301</b>	<b>\$ 1,039,951</b>

## E. General Obligation Bond Defeasances

### 1. Current Year Activity

On September 12, 2017, the primary government issued \$1.7 billion in general obligation bonds to current and advance refund \$2.0 billion in outstanding general obligation bonds maturing in 2018 to 2038. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$478 million and resulted in an economic gain of \$381 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 2.39% per year over the life of the new bonds.

On October 26, 2017, the primary government issued \$872 million in general obligation bonds to advance refund \$1.0 billion in outstanding general obligation bonds maturing in 2019 to 2038. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$267 million and resulted in an economic gain of \$211 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 2.17% per year over the life of the new bonds.

On March 15, 2018, the primary government issued \$664 million in general obligation bonds to current refund \$744 million in outstanding general obligation bonds maturing in 2024 to 2029. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$137 million and resulted in an economic gain of \$114 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 2.81% per year over the life of the new bonds.

On April 25, 2018, the primary government issued \$1.2 billion in general obligation bonds to advance refund \$1.2 billion in outstanding general obligation bonds maturing in 2032 to 2038. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$354 million and resulted in an economic gain of \$258 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 3.91% per year over the life of the new bonds.

## **2. Outstanding Balance**

In the current and prior years, the primary government placed the proceeds of the refunding bonds and other resources in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2018, the outstanding balance of defeased general obligation bonds was approximately \$3.7 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 \$23 million, payable through 2020. In addition, the California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. Both of these bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

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



remaining on all asset-backed bonds is \$14.6 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 \$2.4 billion, while Tobacco Settlement Revenue and interest earned totaled \$434 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 \$13.4 billion, payable through 2043. 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 2017-18, which may be found on its website at [www.ucop.edu](http://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 2017-18, which may be found on its website at [www.CalHFA.ca.gov](http://www.CalHFA.ca.gov).

Table 45 shows outstanding revenue bonds of the primary government and the discretely presented component units.

**Table 45**

**Schedule of Revenue Bonds Payable**

June 30, 2018

(amounts in thousands)

**Primary government**

**Governmental activities**

Transportation Fund.....	\$	23,942
Public Buildings Construction Fund.....		9,486,317
Nonmajor governmental funds:		
Golden State Tobacco Securitization Corporation Fund .....		6,708,723
Building authorities .....		145,273
<b>Total governmental activities .....</b>		<b>16,364,255</b>

**Business-type activities**

Electric Power Fund.....		3,348,000
Water Resources Fund .....		2,869,007
California State University .....		6,268,647
Nonmajor enterprise funds.....		1,833,718
<b>Total business-type activities.....</b>		<b>14,319,372</b>
<b>Total primary government .....</b>		<b>30,683,627</b>

**Discretely presented component units**

University of California .....		22,113,342
California Housing Finance Agency.....		1,433,779
Nonmajor component units.....		462,478
<b>Total discretely presented component units .....</b>		<b>24,009,599</b>
<b>Total revenue bonds payable.....</b>	<b>\$</b>	<b>54,693,226</b>

Table 46 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 45.

**Table 46****Schedule of Debt Service Requirements for Revenue Bonds**

(amounts in thousands)

Year Ending June 30	Primary Government				Discretely Presented	
	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest *
2019.....	\$ 683,521	\$ 712,150	\$ 1,078,455	\$ 588,710	\$ 429,642	\$ 1,016,567
2020.....	675,321	685,023	1,174,698	536,750	761,050	1,000,857
2021.....	639,711	652,559	1,203,535	481,244	742,615	978,219
2022.....	619,076	621,285	1,293,005	428,480	527,635	952,008
2023.....	498,986	592,310	447,005	373,516	575,755	928,181
2024-2028 .....	3,062,526	2,693,659	2,219,920	1,549,404	3,718,270	4,184,065
2029-2033 .....	3,265,685	1,834,396	2,113,945	1,027,179	3,756,560	3,347,438
2034-2038 .....	2,725,905	1,103,098	1,665,510	578,884	3,838,838	2,452,492
2039-2043 .....	1,580,980	655,641	947,165	296,363	3,541,821	1,523,172
2044-2048 .....	1,663,140	3,022,103	716,515	105,090	2,685,350	779,789
2049-2053 .....	—	—	170,055	12,101	407,380	408,257
2054-2115.....	—	—	—	—	1,473,215	3,960,866
<b>Total.....</b>	<b>\$ 15,414,851</b>	<b>\$ 12,572,224</b>	<b>\$ 13,029,808</b>	<b>\$ 5,977,721</b>	<b>\$ 22,458,131</b>	<b>\$ 21,531,911</b>

\* Includes interest on variable-rate bonds based on rates in effect on June 30, 2018.

## D. Revenue Bond Defeasances

### 1. Current Year – Governmental Activities

In March 2018, the GSTSC issued \$111 million in Enhanced Tobacco Settlement Asset-Backed bonds. The bond proceeds were used to current refund \$118 million in outstanding Enhanced Tobacco Settlement Asset-Backed bonds with maturities in June of 2022 and 2023. The refunding decreased debt service payments by \$15 million and resulted in an economic gain of \$8 million.

In June 2018, the GSTSC issued \$1.7 billion in Tobacco Settlement Asset-Backed bonds. The bond proceeds were used to current refund \$1.8 billion in outstanding Tobacco Settlement Asset-Backed bonds with maturities in June of 2033 and 2047. The refunding decreased debt service payments by \$530 million and resulted in an economic gain of \$250 million.

During fiscal year 2017-18, the SPWB issued \$237 million in lease revenue refunding bonds. The bond proceeds were used to refund \$266 million 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 \$59 million and resulted in an economic gain of \$50 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

## 2. Current Year – Business-type Activities

In December 2017, the Department of Water Resources issued \$351 million in tax-exempt and \$141 million in federally taxable water system revenue bonds to current and advance refund \$531 million in outstanding water system 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 \$35 million and resulted in an economic gain of \$28 million.

## 3. Outstanding Balances

In current and prior fiscal years, the primary government placed the proceeds of the refunding bonds and other resources in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2018, the outstanding balances of defeased revenue bonds were \$3.0 billion for governmental activities and \$1.4 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 \$4.3 billion as of June 30, 2018. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately \$6.0 billion is discounted to \$4.3 billion using a 3.5% interest rate. Of the total discounted liability, \$429 million is a current liability, of which \$296 million is included in the General Fund, \$130 million in the special revenue funds, and \$3 million in the internal service funds. The remaining \$3.9 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

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

Table 47 shows the changes in the self-insurance claims liability for the primary government.

**Table 47**

**Schedule of Changes in Self-insurance Claims**

Year Ended June 30  
(amounts in thousands)

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning .....	\$ 4,041,294	\$ 3,939,720
Incurred claims.....	731,749	534,863
Claim payments .....	<u>(465,506)</u>	<u>(433,289)</u>
<b>Unpaid claims, ending.....</b>	<b><u>\$ 4,307,537</u></b>	<b><u>\$ 4,041,294</u></b>

**NOTE 18: INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Balances**

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

Table 48 shows the amounts due from and due to other funds.

**Table 48**

**Schedule of Due From Other Funds and Due To Other Funds**

June 30, 2018

(amounts in thousands)

Due From	Due To					
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds	Electric Power Fund
<b>Governmental funds</b>						
General Fund.....	\$ —	\$ 253,677	\$ 4,137	\$ —	\$ 341,204	\$ —
Federal Fund .....	677,936	1,431,205	39,117	19,793	8,192	—
Transportation Fund.....	—	—	4,137	—	306,639	—
Environmental and Natural Resources Fund.....	10,742	—	—	—	110	—
Health Care Related Programs Fund.....	2,096,839	—	16	—	14,409	—
Nonmajor governmental funds .....	414,338	15,926	23,028	—	19,639	—
<b>Total governmental funds.....</b>	<b>3,199,855</b>	<b>1,700,808</b>	<b>70,435</b>	<b>19,793</b>	<b>690,193</b>	<b>—</b>
<b>Enterprise funds</b>						
Water Resources Fund .....	157	—	—	—	—	—
State Lottery Fund.....	153	—	—	—	385,803	—
Unemployment Programs Fund.....	217,269	—	—	—	—	—
California State University Fund .....	—	—	—	—	136	—
Nonmajor enterprise funds.....	1,742	—	8,260	—	2,023	—
<b>Total enterprise funds .....</b>	<b>219,321</b>	<b>—</b>	<b>8,260</b>	<b>—</b>	<b>387,962</b>	<b>—</b>
<b>Internal service funds .....</b>	<b>10,479</b>	<b>42,748</b>	<b>43,279</b>	<b>4,693</b>	<b>47,820</b>	<b>8,000</b>
<b>Total due from other funds.....</b>	<b>\$ 3,429,655</b>	<b>\$ 1,743,556</b>	<b>\$ 121,974</b>	<b>\$ 24,486</b>	<b>\$ 1,125,975</b>	<b>\$ 8,000</b>

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
\$ —	\$ 1,272	\$ —	\$ 4,949	\$ —	\$ 535,862	\$ 4,803,047	\$ 5,944,148
—	—	9,631	—	8,740	61,044	14,342,910	16,598,568
—	—	—	—	—	8,572	62,321	381,669
—	—	—	—	60	12,157	—	23,069
—	—	—	—	—	125	4,339,936	6,451,325
—	—	—	1	—	90,346	42,058	605,336
—	<b>1,272</b>	<b>9,631</b>	<b>4,950</b>	<b>8,800</b>	<b>708,106</b>	<b>23,590,272</b>	<b>30,004,115</b>
—	—	—	—	—	53,059	—	53,216
—	—	—	—	—	—	—	385,956
—	—	—	—	—	—	—	217,269
—	—	—	—	—	—	—	136
—	—	—	—	—	185	45	12,255
—	—	—	—	—	<b>53,244</b>	<b>45</b>	<b>668,832</b>
4,229	2,762	15,419	—	6,066	80,559	11,849	277,903
<b>\$ 4,229</b>	<b>\$ 4,034</b>	<b>\$ 25,050</b>	<b>\$ 4,950</b>	<b>\$ 14,866</b>	<b>\$ 841,909</b>	<b>\$ 23,602,166</b>	<b>\$ 30,950,850</b>

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 48, annual enacted budgets provide for long-term loans from many of the State’s special funds—mainly the Transportation Fund, the Environmental and Natural Resources Fund, and nonmajor governmental funds—to the General Fund. The \$1.7 billion in Transportation Fund loans payable from the General Fund also includes \$471 million in deferred Proposition 42 transfers for traffic congestion relief.

During the year, a \$6.0 billion supplemental employer contribution to the California Public Employees’ Retirement System (CalPERS) was made to help reduce the State’s net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds—in the State’s internal investment pool. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits.

Table 49 shows the primary government’s interfund receivables and payables.

**Table 49**

**Schedule of Interfund Receivables and Payables**

June 30, 2018

(amounts in thousands)

Interfund Receivables	Interfund Payables			
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund
<b>Governmental funds</b>				
General Fund .....	\$ —	\$ 1,744,220	\$ 1,790,776	\$ 421,120
Transportation Fund .....	—	—	123,967	35,861
Environmental and Natural Resources Fund .....	106,570	10,000	—	—
Nonmajor governmental funds .....	133,707	1,448	340	98
<b>Total governmental funds .....</b>	<b>240,277</b>	<b>1,755,668</b>	<b>1,915,083</b>	<b>457,079</b>
<b>Enterprise funds</b>				
Electric Power Fund .....	—	—	265	77
Water Resources Fund .....	—	—	25,666	7,425
State Lottery Fund .....	—	—	5,814	1,681
California State University Fund .....	—	—	65,855	19,050
Nonmajor enterprise funds .....	15,000	—	844	244
<b>Total enterprise funds .....</b>	<b>15,000</b>	<b>—</b>	<b>98,444</b>	<b>28,477</b>
<b>Internal service funds .....</b>	<b>297,462</b>	<b>—</b>	<b>223,468</b>	<b>64,644</b>
<b>Total interfund receivables .....</b>	<b>\$ 552,739</b>	<b>\$ 1,755,668</b>	<b>\$ 2,236,995</b>	<b>\$ 550,200</b>



<b>Interfund Payables</b>						
<b>Nonmajor Governmental Funds</b>	<b>Water Resources Fund</b>	<b>Unemployment Programs Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Total Interfund Payables</b>
\$ 1,201,745	\$ —	\$ 860,600	\$ 13,407	\$ 9,863	\$ 190,232	\$ 6,231,963
83,665	—	53,358	1,142	1,156	16,199	315,348
7,406	—	—	—	2,689	—	126,665
175	—	147	3	—	45	135,963
<b>1,292,991</b>	<b>—</b>	<b>914,105</b>	<b>14,552</b>	<b>13,708</b>	<b>206,476</b>	<b>6,809,939</b>
136	—	114	2	—	34	628
13,181	—	11,047	237	—	3,354	60,910
2,986	—	2,503	54	—	760	13,798
33,821	—	28,345	606	—	8,606	156,283
434	—	364	8	—	110	17,004
50,558	—	42,373	907	—	12,864	248,623
114,794	95,129	96,186	2,058	18,868	29,201	941,810
<b>\$ 1,458,343</b>	<b>\$ 95,129</b>	<b>\$ 1,052,664</b>	<b>\$ 17,517</b>	<b>\$ 32,576</b>	<b>\$ 248,541</b>	<b>\$ 8,000,372</b>

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

**Table 50**

**Schedule of Due From Primary Government and Due To Component Units**

June 30, 2018

(amounts in thousands)

<b>Due From</b>	<b>Due To University of California</b>
<b>Governmental funds</b>	
General Fund .....	\$ 124,954
Transportation Fund.....	6,754
Nonmajor governmental funds .....	105,664
<b>Total governmental funds</b> .....	<b>237,372</b>
<b>Total due from primary government</b> .....	<b>\$ 237,372</b>

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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 \$4.3 billion to the California State University, an enterprise fund. The General Fund also transferred \$1.7 billion to nonmajor governmental funds, mainly for support of trial courts, local governments, and health care related programs. The Transportation Fund transferred \$1.6 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 \$472 million to the General Fund for administration of the Unemployment Insurance Program.

Table 51 shows interfund transfers of the primary government.

**Table 51**

**Schedule of Interfund Transfers**

June 30, 2018

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
<b>Governmental funds</b>			
General Fund.....	\$ —	\$ —	\$ 853
Federal Fund .....	472,385	—	—
Transportation Fund .....	84,392	—	16,744
Environmental and Natural Resources Fund .....	37,664	2,424	—
Health Care Related Programs Fund.....	48	—	—
Nonmajor governmental funds.....	46,064	5,977	28,190
<b>Total governmental funds.....</b>	<b>640,553</b>	<b>8,401</b>	<b>45,787</b>
<b>Internal service funds .....</b>	<b>20,044</b>	<b>—</b>	<b>—</b>
<b>Total transfers from other funds .....</b>	<b>\$ 660,597</b>	<b>\$ 8,401</b>	<b>\$ 45,787</b>

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Transferred To					
Health Care Related Programs Fund	Nonmajor Governmental Funds	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Transfers To Other Funds
\$ 168,610	\$ 1,737,179	\$ 4,338,333	\$ —	\$ —	\$ 6,244,975
—	13,788	—	—	—	486,173
—	1,555,987	—	—	—	1,657,123
—	6,703	—	—	2,690	49,481
—	10,000	—	—	—	10,048
13,110	12,791	—	1,662	—	107,794
<b>181,720</b>	<b>3,336,448</b>	<b>4,338,333</b>	<b>1,662</b>	<b>2,690</b>	<b>8,555,594</b>
—	33,643	—	—	6,255	<b>59,942</b>
<b>\$ 181,720</b>	<b>\$ 3,370,091</b>	<b>\$ 4,338,333</b>	<b>\$ 1,662</b>	<b>\$ 8,945</b>	<b>\$ 8,615,536</b>

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

**A. Fund Balances**

Table 52 shows the composition of the governmental fund balances.

**Table 52**

**Schedule of Fund Balances by Function**

June 30, 2018

(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds
<b>Nonspendable</b>						
Long-term interfund receivables ...	\$ 552,739	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable .....	6,905	—	—	—	—	—
Other .....	—	—	—	—	—	69,868
<b>Total nonspendable .....</b>	<b>559,644</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>69,868</b>
<b>Restricted</b>						
General government .....	24,463	—	—	3,489	1	3,597,454
Education .....	181,578	429	1,399	—	113,182	342,033
Health and human services .....	162,074	257	—	89,006	513,925	2,111,661
Natural resources and environmental protection .....	4,333	7,015	—	4,990,911	—	185,484
Business, consumer services, and housing .....	2,153	220,953	209,026	28,751	—	3,545,162
Transportation .....	—	—	9,083,942	—	—	6,792
Corrections and rehabilitation .....	27,706	—	—	—	—	676
Budget stabilization .....	9,405,422	—	—	—	—	—
<b>Total restricted .....</b>	<b>9,807,729</b>	<b>228,654</b>	<b>9,294,367</b>	<b>5,112,157</b>	<b>627,108</b>	<b>9,789,262</b>
<b>Committed</b>						
General government .....	142,798	—	—	18,225	5,229	326,503
Education .....	3,617	—	—	—	—	63,759
Health and human services .....	4,669	—	696	—	97,739	216,934
Natural resources and environmental protection .....	3,645	—	3	6,324,974	—	604,695
Business, consumer services, and housing .....	—	—	—	59,518	—	124,550
Transportation .....	—	—	49,126	—	—	4,997
Corrections and rehabilitation .....	16,291	—	—	—	—	414
<b>Total committed .....</b>	<b>171,020</b>	<b>—</b>	<b>49,825</b>	<b>6,402,717</b>	<b>102,968</b>	<b>1,341,852</b>
Assigned – general government .....	—	—	—	—	—	26,346
Unassigned .....	1,648,511	—	—	—	—	—
<b>Total fund balances .....</b>	<b>\$ 12,186,904</b>	<b>\$ 228,654</b>	<b>\$ 9,344,192</b>	<b>\$ 11,514,874</b>	<b>\$ 730,076</b>	<b>\$ 11,227,328</b>

## B. Net Position Deficits

Table 53 shows the net position deficit balances.

**Table 53**

### Schedule of Net Position Deficits

June 30, 2018

(amounts in thousands)

	<b>Internal Service Funds</b>	<b>Enterprise Funds</b>
Architecture Revolving Fund .....	\$ 145,394	\$ —
Service Revolving Fund .....	1,097,379	—
Prison Industries Fund .....	17,480	—
Technology Services Revolving Fund .....	470,901	—
Water Resources Revolving Fund .....	2,962	—
Other Internal Service Programs Fund .....	1,065,646	—
State Lottery Fund .....	—	189,413
California State University Fund .....	—	16,461,885
<b>Total net position deficits</b> .....	<b>\$ 2,799,762</b>	<b>\$ 16,651,298</b>

## 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, 2018, the value of restricted endowments and gifts totaled \$18.0 billion, and unrestricted endowments and gifts totaled \$4.9 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 \$2.6 billion at June 30, 2018. 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 \$1.3 billion and \$12 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 54 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 54**

### Schedule of Deferred Outflows and Deferred Inflows of Resources

June 30, 2018

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Deferred outflows of resources:</b>				
Loss on refunding of debt .....	\$ 962,457	\$ 335,502	\$ 1,297,959	\$ 359,829
Decrease in fair value of hedging derivatives.....	—	—	—	58,385
Net pension liability.....	29,463,183	3,732,588	33,195,771	817,316
Net other postemployment benefits liability.....	1,870,173	403,222	2,273,395	3,527,590
<b>Total deferred outflows of resources .....</b>	<b>\$ 32,295,813</b>	<b>\$ 4,471,312</b>	<b>\$ 36,767,125</b>	<b>\$ 4,763,120</b>
<b>Deferred inflows of resources:</b>				
Gain on refunding of debt.....	\$ 357,987	\$ —	\$ 357,987	\$ 3,432
Service concession arrangements .....	65,429	—	65,429	176,447
Irrevocable split-interest agreements .....	—	—	—	341,451
Net pension liability.....	3,833,020	107,386	3,940,406	311,554
Net other postemployment benefits liability.....	6,694,952	1,574,862	8,269,814	5,660,725
Other deferred inflows .....	—	1,239,821	1,239,821	435,709
<b>Total deferred inflows of resources.....</b>	<b>\$ 10,951,388</b>	<b>\$ 2,922,069</b>	<b>\$ 13,873,457</b>	<b>\$ 6,929,318</b>

## 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, 2018, the CalHFA had \$869 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, 2018, 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, 2018; those in progress as of June 30, 2018, and settled or decided against the primary government as of May 29, 2019; and those having a high probability of resulting in a decision against the primary government as of May 29, 2019, and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

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

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

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA-Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs assert class action and declaratory relief, and seek attorney fees based on alleged violations of the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. On January 30, 2013, Franchise Tax Board's Petition to Coordinate these cases was granted. The trial court denied class certification and the plaintiffs appealed. On December 17, 2014, the briefing of the appeal was completed. On August 27, 2018, the Court of Appeal reversed the trial court decision, directing the trial court to certify one or more classes. The State filed a petition for review in the California Supreme Court challenging the Court of Appeal's decision. On October 31, 2018, the California Supreme Court denied the State's petition for review. The plaintiffs' underlying challenge to the LLC fee will be tried. On July 2, 2019, a motion for an award of interim attorneys' fees will be heard. 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 primary government 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 appealed and filed its Opening Brief on August 11, 2017. The Franchise Tax Board's Respondent's Brief was filed on December 13, 2017. Abercrombie's Reply Brief was filed on May 4, 2018. An oral argument is scheduled before the Court of Appeal on June 4, 2019.

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 retail price of the phone, rather than any discounted price that is contingent on a service plan contract. A companion class action has been filed. The primary government filed a demurrer that was sustained on September 5, 2017, which resulted in the dismissal of the state defendants from the class action; the plaintiffs appealed that order and an opening brief is scheduled for June 4, 2019. In the writ action, plaintiffs amended the writ petition to add class action claims for refunds of sales tax. On September 14, 2018, the court granted the State's motion to strike the class action claims for refunds from the writ petition. CDTFA filed an answer to the amended petition on September 20, 2018 and is conducting discovery. In the writ action, the original briefing schedule and hearing on the merits were vacated, and there are currently no deadlines set. 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.

The primary government is a defendant in a case, *Coast Community College District (District), et al. v. Commission on State Mandates (Commission)*, regarding a claim that various laws and regulations prescribing standards for the formation and basic operation of California community colleges created reimbursable state mandates under Government Code section 17514 and article XII B, section 6, of the California Constitution. The District filed a test claim before the Commission and on May 26, 2011, the Commission ruled the test claim did not constitute a reimbursable state-mandated program. On May 22, 2014, the District filed a petition for administrative mandate, seeking review of the Commission's decision. On June 12, 2015, the Superior Court held a hearing and denied the petition. On September 15, 2015, the petitioner filed a notice of appeal. In February 2017, the briefing of the appeal was completed and the court has not yet scheduled oral arguments. The estimated range of loss is not possible to ascertain at this time. As this case is a test claim, other districts could also bring claims for reimbursement for the same reason.

The primary government is a defendant in a case, *People of the State of California (Butte County D.A.) v. Department of Water Resources*, regarding the claims that the debris deposited into the Feather River due to the failure of the Oroville Dam spillway in 2017 was harmful to fish and wildlife. This case is one of eleven coordinated cases concerning the Oroville Dam spillway failure. The Butte County District Attorney seeks to impose up to \$51.0 billion in civil penalties for alleged pollution that violates Fish and Game Code section 5650.

The primary government is a defendant in ten other coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs are seeking relief for business losses, property damage (personal and real property), evacuation and relocation costs, and other damages, resulting from the flooding and debris. Class certification motions were filed seeking to certify putative classes, and an opposition has

been filed. On May 17, 2019, a hearing on the class certification motions was held. The motion will be deemed submitted on July 15, 2019. The estimated range of loss for the coordinated cases is not possible to ascertain at this time. One of the ten cases plans to seek mediation. A mediator has been agreed upon, and the mediation will take place on June 10, 2019.

The primary government is a defendant in two similar cases: *Perea v. Wilkening*, and *Deuschel v. California Health & Human Services Agency*. The petitioners sued the primary government alleging that reimbursements paid to providers under the Medi-Cal program are too low and therefore impaired access to care and services for Medi-Cal patients. The petitioners argue that this constitutes discrimination against Latinos, seniors, and persons with disabilities. The petitioners do not seek damages but seek prospective declaratory and injunctive relief that would require the State to increase the reimbursement rates paid to providers by the Medi-Cal program. The State has filed demurrers to petitioners' of Third and First Amended Complaints, and demurrers are currently scheduled for hearing on June 21, and June 18, 2019, respectively. The estimated impact to prospective rates is not possible to ascertain at this time.

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

## **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, 2018, but prior to the date of the auditor's report.

### **A. Debt Issuances**

In July 2018, the California State University (CSU) issued \$664 million in revenue bonds to finance and refinance projects; to acquire, construct, improve, and renovate certain CSU facilities; and to refund certain outstanding systemwide revenue bonds.

In August 2018, the Golden State Tobacco Securitization Corporation, a blended component unit, issued \$711 million in asset-backed bonds to refund a portion of its outstanding Tobacco Settlement Asset-backed bonds.

In September 2018 and April 2019, the primary government issued a total of \$193 million in veterans general obligation bonds to finance the purchase of homes and farms for California military veterans.

In September and October 2018, and March and April 2019, the primary government issued a total of \$7.0 billion in general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes; to pay certain commercial paper notes as they mature; to current refund certain outstanding bonds; and to pay related issuance costs. In August and October 2018, the primary government remarketed \$264 million of variable-rate general obligation mandatory tender bonds.

In October 2018 and April 2019, the State Public Works Board issued a total of \$122 million in lease revenue bonds to finance and refinance design and construction costs of various correctional facility projects, to reimburse interim loans, and to pay related issuance costs.

In October 2018 and April 2019, the Department of Water Resources issued a total of \$515 million in revenue bonds to repay commercial paper, to refund certain outstanding water system revenue bonds, and to pay related issuance costs.

In October and December 2018, CSU issued a total of \$57 million in bond anticipation notes to finance various capital outlay projects. In January 2019, CSU issued \$52 million in bond anticipation notes for facilities renewal and improvements.

In November 2018, the California Housing Finance Agency, a major component unit, issued \$23 million in revenue bonds to fund a multi-family housing development for seniors.

In March 2019, the University of California, a major component unit, issued \$653 million in revenue bonds to finance and refinance current and future University projects, and to refund certain revenue bonds.

In March 2019, the primary government issued \$78 million in veterans home purchase revenue bonds to build bond reserve accounts and to finance current and future veterans home purchase programs.

In April 2019, the primary government issued \$84 million in revenue bonds to finance various safe drinking water projects, and to pay related issuance costs.

## **B. Other**

In September 2018, the Department of Water Resources updated its estimated costs for the Oroville Dam Spillway Recovery and Restoration Project to \$1.1 billion. Estimated costs were based on actual and projected work and may be adjusted further as work continues through completion of the project in 2019.

In the November 6, 2018 general election:

- Voters passed Proposition 1, authorizing the State to sell \$4.0 billion in general obligation bonds to fund veterans and affordable housing—\$3.0 billion for various state housing programs and \$1.0 billion for home loan assistance to veterans. The bonds will increase the General Fund's debt service expenditures by approximately \$170 million annually for 35 years.
- Voters passed Proposition 2, authorizing the State to sell \$2.0 billion in revenue bonds to fund housing for persons with mental illness who are homeless. The bonds will be repaid using up to \$140 million of Mental Health Services Act revenues annually for 30 years.
- Voters passed Proposition 4, authorizing the State to sell \$1.5 billion in general obligation bonds for capital improvement projects at various children's hospitals and other eligible public or private nonprofit hospitals. This measure provides \$1.1 billion to nonprofit children's hospitals, \$270 million to the University of California children's hospitals, and \$150 million to other eligible public or private nonprofit hospitals that provide services to children. These bonds will increase the General Fund's debt service expenditures by approximately \$80 million annually for 35 years.

In November 2018, the State of California experienced a number of catastrophic wildfires. The State has since spent billions of dollars in recovery efforts and debris removal. The fiscal year 2019-20 Governor's Budget assumes that the federal government will reimburse 75% of eligible costs, with the State's share estimated at \$923 million. The Governor's Budget assumes the State will waive the local share of debris-removal costs and backfill wildfire-related property tax revenue losses for several counties, cities, and special districts impacted by wildfires in the past four years. The State has committed funds from the General Fund's Special Fund for Economic Uncertainties toward disaster response operation costs resulting from these wildfires.

In May 2019, the Federal Railroad Administration (FRA) notified the California High-Speed Rail Authority (CHSRA) it terminated a cooperative agreement between the FRA and the CHSRA effective May 16, 2019, due to CHSRA's failure to comply with the terms of the agreement. The future of CHSRA's federal Transportation, Housing and Urban Development, and Related Agencies Appropriations Act for 2010 (FY10) grant funds, in the amount of \$929 million, remains uncertain. The FRA indicated it would re-obligate the FY10 funds. The State and the CHSRA filed a federal lawsuit to prevent the FRA from re-obligating the FY10 funds to another eligible program. However, the CHSRA has not spent, encumbered, or accrued those funds, resulting in no State liability to match those funds or return FY10 funds to the federal government.

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# Required Supplementary Information

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## Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<sup>1</sup> This schedule will be built prospectively until it contains ten years of data.

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

<sup>3</sup> 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.



<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 1,668,682	\$ 1,927,531
7,220,961	7,381,049
(101,381)	(387,041)
—	5,667,561
(5,346,864)	(5,572,707)
3,441,398	9,016,393
<b>96,332,123</b>	<b>99,773,521</b>
<b>\$ 99,773,521</b>	<b>\$ 108,789,914</b>

\$ 2,818,406	\$ 3,094,941
801,023	843,772
339,588	7,329,859
(5,346,864)	(5,572,707)
(1,154)	(2,737)
(41,497)	(98,419)
(1,430,498)	5,594,709
<b>68,090,181</b>	<b>66,659,683</b>
<b>\$ 66,659,683</b>	<b>\$ 72,254,392</b>

<b>\$ 33,113,838</b>	<b>\$ 36,535,522</b>
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66.81%	66.42%
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\$ 11,189,932	\$ 11,591,576
295.93%	315.19%
	(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 107,868	\$ 124,792
273,308	290,058
7,009	21,516
—	245,450
(167,359)	(177,654)
220,826	504,162
<b>3,595,387</b>	<b>3,816,213</b>
<b>\$ 3,816,213</b>	<b>\$ 4,320,375</b>

\$ 116,730	123,163
52,775	54,114
14,444	322,150
(167,359)	(177,654)
216	(141)
(1,758)	(4,282)
15,048	317,350
<b>2,885,303</b>	<b>2,900,351</b>
<b>\$ 2,900,351</b>	<b>\$ 3,217,701</b>

<b>\$ 915,862</b>	<b>\$ 1,102,674</b>
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76.00%	74.48%
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\$ 625,220	\$ 643,295
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146.49%	171.41%
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(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

\* Restated

<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 438,147	\$ 497,129
786,096	827,412
(2,235)	(109,901)
—	673,183
(502,427)	(538,735)
719,581	1,349,088
<b>10,310,139</b>	<b>11,029,720</b>
<b>\$ 11,029,720</b>	<b>\$ 12,378,808</b>

\$ 401,108	\$ 433,232
221,615	231,364
42,258	926,106
(502,427)	(538,735)
548	295
(4,966)	(12,264)
158,136	1,039,998
<b>8,148,500</b>	<b>8,306,636</b>
<b>\$ 8,306,636</b>	<b>\$ 9,346,634</b>

<b>\$ 2,723,084</b>	<b>\$ 3,032,174</b>
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75.31%	75.51%
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\$ 2,100,295	\$ 2,167,429
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129.65%	139.90%
	(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

\* Restated

<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 861,694	\$ 980,897
2,902,900	3,018,186
18,316	(286,527)
—	2,608,752
(1,822,841)	(1,938,027)
1,960,069	4,383,281
<b>38,408,656</b>	<b>40,368,725</b>
<b>\$ 40,368,725</b>	<b>\$ 44,752,006</b>

\$ 1,265,145	\$ 1,427,240
381,185	399,946
137,927	2,954,170
(1,822,841)	(1,938,027)
114	1,628
(16,295)	(39,395)
(54,765)	2,805,562
<b>26,737,191</b>	<b>26,682,426</b>
<b>\$ 26,682,426</b>	<b>\$ 29,487,988</b>

<b>\$ 13,686,299</b>	<b>\$ 15,264,018</b>
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66.10%	65.89%
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\$ 3,241,895	\$ 3,416,627
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422.17%	446.76%
	(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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



<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 210,619	\$ 237,064
809,691	833,062
125,614	(158,392)
—	721,972
(516,723)	(543,456)
629,201	1,090,250
<b>10,611,630</b>	<b>11,240,831</b>
<b>\$ 11,240,831</b>	<b>\$ 12,331,081</b>

\$ 375,928	\$ 426,603
86,111	91,116
33,918	747,272
(516,723)	(543,456)
292	1,050
(4,111)	(9,923)
(24,585)	712,662
<b>6,745,342</b>	<b>6,720,757</b>
<b>\$ 6,720,757</b>	<b>\$ 7,433,419</b>

<b>\$ 4,520,074</b>	<b>\$ 4,897,662</b>
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59.79%	60.28%
\$ 808,032	\$ 851,427
559.39%	575.23%

(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 29,314	\$ 22,733
107,514	115,067
(59,421)	(366,200)
384,306	(107,670)
(199,349)	(200,440)
262,364	(536,510)
<b>3,532,580</b>	<b>3,794,944</b>
<b>\$ 3,794,944</b>	<b>\$ 3,258,434</b>
\$ 192,287	\$ 204,475
3,559	3,398
193	424
(199,349)	(200,440)
(642)	(1,771)
2,568	2,395
(1,384)	8,481
<b>41,178</b>	<b>39,794</b>
<b>\$ 39,794</b>	<b>\$ 48,275</b>
<b>\$ 3,755,150</b>	<b>\$ 3,210,159</b>
1.05%	1.48%
\$ 23,537	\$ 26,102
15954.24%	12298.52%
	(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

	2016 <sup>3</sup>		2017 <sup>3</sup>
\$	86,635	\$	97,679
	78,412		85,654
	(4,546)		(26,382)
	—		69,233
	(21,704)		(22,406)
	138,797		203,778
	<b>1,068,752</b>		<b>1,207,549</b>
<b>\$</b>	<b>1,207,549</b>	<b>\$</b>	<b>1,411,327</b>
\$	65,839	\$	67,102
	24,598		25,076
	20,810		115,057
	(21,704)		(22,406)
	(732)		(1,682)
	88,811		183,147
	<b>1,084,141</b>		<b>1,172,952</b>
<b>\$</b>	<b>1,172,952</b>	<b>\$</b>	<b>1,356,099</b>
<b>\$</b>	<b>34,597</b>	<b>\$</b>	<b>55,228</b>
	97.13%		96.09%
\$	192,739	\$	192,786
	17.95%		28.65%

(continued)

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

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<u>2016<sup>3</sup></u>	<u>2017<sup>3</sup></u>
\$ 608	\$ 639
5,978	5,291
(3,530)	(5,998)
—	7,857
(7,407)	(7,249)
(4,351)	540
<b>106,571</b>	<b>102,220</b>
<b>\$ 102,220</b>	<b>\$ 102,760</b>
<b>\$ 102,220</b>	<b>\$ 102,760</b>
\$ 549	\$ 517
96	94
4,545	5,047
(7,407)	(7,249)
(202)	(575)
(2,419)	(2,166)
<b>121,469</b>	<b>119,050</b>
<b>\$ 119,050</b>	<b>\$ 116,884</b>
<b>\$ 119,050</b>	<b>\$ 116,884</b>
<b>\$ (16,830)</b>	<b>\$ (14,124)</b>
116.46%	113.74%
\$ 1,298	\$ 1,270
-1296.61%	-1112.13%
	(concluded)

## Schedule of State Pension Contributions

### For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<sup>1</sup> This schedule will be built prospectively until it contains ten years of data.

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



<u>2017</u>	<u>2018</u>
\$ 3,078,232	\$ 3,397,736
(3,098,305)	(3,482,291)
<u><b>\$ (20,073)</b></u>	<u><b>\$ (84,555)</b></u>
\$ 11,591,576	\$ 12,254,527
26.73%	28.42%
\$ 116,880	\$ 131,131
(123,789)	(141,832)
<u><b>\$ (6,909)</b></u>	<u><b>\$ (10,701)</b></u>
\$ 643,295	\$ 695,014
19.24%	20.41%
\$ 400,379	\$ 435,662
(431,991)	(481,479)
<u><b>\$ (31,612)</b></u>	<u><b>\$ (45,817)</b></u>
\$ 2,167,429	\$ 2,339,642
19.93%	20.58%
\$ 1,343,177	\$ 1,462,630
(1,431,851)	(1,573,299)
<u><b>\$ (88,674)</b></u>	<u><b>\$ (110,669)</b></u>
\$ 3,416,627	\$ 3,557,011
41.91%	44.23%

(continued)

## Schedule of State Pension Contributions (continued)

For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<u>2017</u>	<u>2018</u>
\$ 414,975	\$ 447,376
(426,014)	(478,354)
<b>\$ (11,039)</b>	<b>\$ (30,978)</b>
\$ 851,427	\$ 884,197
50.04%	54.10%
\$ 448,636	\$ 438,156
(202,368)	(197,017)
<b>\$ 246,268</b>	<b>\$ 241,139</b>
\$ 23,822	\$ 27,003
849.50%	729.61%
\$ 66,951	\$ 79,181
(55,965)	(73,916)
<b>\$ 10,986</b>	<b>\$ 5,265</b>
\$ 195,066	\$ 199,438
28.69%	37.06%
\$ —	\$ 20
(516)	(467)
<b>\$ (516)</b>	<b>\$ (447)</b>
\$ 1,270	\$ 1,121
40.63%	41.66%

(continued)

## Schedule of State Pension Contributions (continued)

### For the Past Four Fiscal Years<sup>1</sup>

(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, 2016.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2015 Actuarial Valuation Report.
Asset valuation method	Market value of assets; for details see each plan's June 30, 2015 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.

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

### For the Past Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<sup>1</sup> This schedule will be built prospectively until it contains ten years of data.

<sup>2</sup> 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 Four Fiscal Years<sup>1</sup>

(amounts in thousands)

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

<sup>1</sup> 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, 2016.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 30 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.25%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

<u>2016<sup>2</sup></u>		<u>2017<sup>2</sup></u>	
	36.28%		37.17%
\$	29,343,626	\$	34,374,816
	70.04%		69.46%

<u>2017</u>		<u>2018</u>	
\$	2,472,993	\$	2,790,444
	2,472,993		2,790,444
<u>\$</u>	<u>—</u>	<u>\$</u>	<u>—</u>

## Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	2017 <sup>2</sup>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>BARGAINING UNIT 5 PLAN</b>	
<b>Total OPEB liability</b>	
Service cost .....	\$ 168,057
Interest on total OPEB liability .....	179,397
Changes in assumptions .....	(474,646)
Benefit payments .....	(95,517)
Net change in total OPEB liability .....	(222,709)
<b>Total OPEB liability – beginning</b> .....	<b>4,764,812</b>
<b>Total OPEB liability – ending (a)</b> .....	<b>\$ 4,542,103</b>
<b>Plan fiduciary net position</b>	
Contributions – employer .....	\$ 95,517
Contributions – prefunding .....	77,454
Contributions – employee .....	12,783
Net investment income .....	21,109
Benefit payments .....	(95,517)
Administrative expense .....	(95)
Other expenses .....	(290)
Net change in plan fiduciary net position .....	110,961
<b>Plan fiduciary net position – beginning</b> .....	<b>135,701</b>
<b>Plan fiduciary net position – ending (b)</b> .....	<b>\$ 246,662</b>
<b>State’s net OPEB liability – ending (a) – (b)</b> .....	<b>\$ 4,295,441</b>
Plan fiduciary net position as a percentage of the total OPEB liability .....	5.43%
Covered payroll .....	\$ 866,040
State’s net OPEB liability as a percentage of covered payroll .....	495.99%

<sup>1</sup> This schedule will be built prospectively until it contains ten years of data.

<sup>2</sup> The date in the column heading represents the end of the measurement period of the net OPEB liability, which is one year prior to the reporting period.

<sup>3</sup> 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 Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	2017 <sup>2</sup>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>BARGAINING UNIT 6 PLAN</b>	
<b>Total OPEB liability</b>	
Service cost.....	\$ 609,551
Interest on total OPEB liability.....	574,853
Changes in assumptions.....	(1,637,897)
Benefit payments.....	(325,344)
Net change in total OPEB liability.....	(778,837)
<b>Total OPEB liability – beginning</b> .....	<b>15,990,189</b>
<b>Total OPEB liability – ending (a)</b> .....	<b>\$ 15,211,352</b>
<b>Plan fiduciary net position</b>	
Contributions – employer.....	\$ 325,344
Contributions – prefunding.....	146,933
Contributions – employee.....	23,181
Net investment income.....	15,089
Benefit payments.....	(325,344)
Administrative expense.....	(48)
Other expenses.....	—
Net change in plan fiduciary net position.....	185,155
<b>Plan fiduciary net position – beginning</b> .....	<b>—</b>
<b>Plan fiduciary net position – ending (b)</b> .....	<b>\$ 185,155</b>
<b>State’s net OPEB liability – ending (a) – (b)</b> .....	<b>\$ 15,026,197</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.22%
Covered payroll.....	\$ 2,653,404
State’s net OPEB liability as a percentage of covered payroll.....	566.30%

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

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	<u>2017<sup>2</sup></u>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>BARGAINING UNIT 9 PLAN<sup>3</sup></b>	
<b>Total OPEB liability</b>	
Service cost.....	\$ 166,173
Interest on total OPEB liability.....	154,495
Changes in assumptions.....	(475,991)
Benefit payments.....	(82,449)
Net change in total OPEB liability.....	<u>(237,772)</u>
<b>Total OPEB liability – beginning.....</b>	<b>4,640,159</b>
<b>Total OPEB liability – ending (a).....</b>	<b><u>\$ 4,402,387</u></b>
<b>Plan fiduciary net position</b>	
Contributions – employer.....	\$ 82,449
Contributions – prefunding.....	35,210
Contributions – employee.....	—
Net investment income.....	3,630
Benefit payments.....	(82,449)
Administrative expense.....	(11)
Other expenses.....	—
Net change in plan fiduciary net position.....	<u>38,829</u>
<b>Plan fiduciary net position – beginning.....</b>	<b>—</b>
<b>Plan fiduciary net position – ending (b).....</b>	<b><u>\$ 38,829</u></b>
<b>State’s net OPEB liability – ending (a) – (b).....</b>	<b><u>\$ 4,363,558</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.88%
Covered payroll.....	\$ 1,366,302
State’s net OPEB liability as a percentage of covered payroll.....	319.37%

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

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	<u>2017<sup>2</sup></u>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>BARGAINING UNIT 12 PLAN<sup>3</sup></b>	
<b>Total OPEB liability</b>	
Service cost .....	\$ 167,689
Interest on total OPEB liability .....	154,036
Changes in assumptions .....	(433,966)
Benefit payments .....	(110,860)
Net change in total OPEB liability .....	<u>(223,101)</u>
<b>Total OPEB liability – beginning .....</b>	<b>4,540,951</b>
<b>Total OPEB liability – ending (a) .....</b>	<b><u>\$ 4,317,850</u></b>
<b>Plan fiduciary net position</b>	
Contributions – employer .....	\$ 110,860
Contributions – prefunding .....	1,076
Contributions – employee .....	1,076
Net investment income .....	872
Benefit payments .....	(110,860)
Administrative expense .....	(4)
Other expenses .....	—
Net change in plan fiduciary net position .....	<u>3,020</u>
<b>Plan fiduciary net position – beginning .....</b>	<b>7,186</b>
<b>Plan fiduciary net position – ending (b) .....</b>	<b><u>\$ 10,206</u></b>
<b>State’s net OPEB liability – ending (a) – (b) .....</b>	<b><u>\$ 4,307,644</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability .....	0.24%
Covered payroll .....	\$ 627,283
State’s net OPEB liability as a percentage of covered payroll .....	686.71%

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

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	<u>2017<sup>2</sup></u>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>OTHER FUNDED PLANS<sup>3</sup></b>	
<b>Total OPEB liability</b>	
Service cost.....	\$ 92,991
Interest on total OPEB liability.....	74,923
Changes in assumptions.....	(197,059)
Benefit payments.....	(46,820)
Net change in total OPEB liability.....	<u>(75,965)</u>
<b>Total OPEB liability – beginning.....</b>	<b>2,116,405</b>
<b>Total OPEB liability – ending (a).....</b>	<b><u>\$ 2,040,440</u></b>
<b>Plan fiduciary net position</b>	
Contributions – employer.....	\$ 46,820
Contributions – prefunding.....	10,442
Contributions – employee.....	2,323
Net investment income.....	1,589
Benefit payments.....	(46,820)
Administrative expense.....	(7)
Other expenses.....	<u>—</u>
Net change in plan fiduciary net position.....	<u>14,347</u>
<b>Plan fiduciary net position – beginning.....</b>	<b>4,836</b>
<b>Plan fiduciary net position – ending (b).....</b>	<b><u>\$ 19,183</u></b>
<b>State’s net OPEB liability – ending (a) – (b).....</b>	<b><u>\$ 2,021,257</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.94%
Covered payroll.....	\$ 851,868
State’s net OPEB liability as a percentage of covered payroll.....	237.27%

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

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	2017 <sup>2</sup>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>UNFUNDED PLAN<sup>3</sup></b>	
<b>Total OPEB liability</b>	
Service cost.....	\$ 2,805,040
Interest on total OPEB liability.....	2,112,139
Changes in assumptions.....	(6,610,919)
Benefit payments.....	(1,457,705)
Net change in total OPEB liability.....	(3,151,445)
<b>Total OPEB liability – beginning.....</b>	<b>64,144,931</b>
<b>Total OPEB liability – ending (a).....</b>	<b>\$ 60,993,486</b>
<b>Plan fiduciary net position</b>	
Contributions – employer.....	\$ 1,457,705
Contributions – prefunding.....	—
Contributions – employee.....	—
Net investment income.....	—
Benefit payments.....	(1,457,705)
Administrative expense.....	—
Other expenses.....	—
Net change in plan fiduciary net position.....	—
<b>Plan fiduciary net position – beginning.....</b>	<b>—</b>
<b>Plan fiduciary net position – ending (b).....</b>	<b>\$ —</b>
<b>State’s net OPEB liability – ending (a) – (b).....</b>	<b>\$ 60,993,486</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	—%
Covered payroll.....	\$ 12,525,617
State’s net OPEB liability as a percentage of covered payroll.....	486.95%
	(concluded)

## Schedule of OPEB Contributions

### For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	<u>2018</u>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>BARGAINING UNIT 5 PLAN</b>	
Actuarially determined contribution .....	\$ 204,361
Contributions in relation to the actuarially determined contribution .....	(184,456)
Contribution deficiency (excess).....	<u>\$ 19,905</u>
Covered payroll .....	\$ 915,549
Contributions as a percentage of covered payroll .....	20.15%
<b>BARGAINING UNIT 6 PLAN</b>	
Actuarially determined contribution .....	\$ 743,757
Contributions in relation to the actuarially determined contribution .....	(503,636)
Contribution deficiency (excess).....	<u>\$ 240,121</u>
Covered payroll .....	\$ 2,805,093
Contributions as a percentage of covered payroll .....	17.95%
<b>BARGAINING UNIT 9 PLAN<sup>2</sup></b>	
Actuarially determined contribution .....	\$ 207,027
Contributions in relation to the actuarially determined contribution .....	(125,471)
Contribution deficiency (excess).....	<u>\$ 81,556</u>
Covered payroll .....	\$ 1,444,410
Contributions as a percentage of covered payroll .....	8.69%
<b>BARGAINING UNIT 12 PLAN<sup>2</sup></b>	
Actuarially determined contribution .....	\$ 217,883
Contributions in relation to the actuarially determined contribution .....	(119,368)
Contribution deficiency (excess).....	<u>\$ 98,515</u>
Covered payroll .....	\$ 663,143
Contributions as a percentage of covered payroll .....	18.00%

<sup>1</sup> This schedule will be built prospectively until it contains ten years of data.

<sup>2</sup> 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 OPEB Contributions (continued)

For the Past Fiscal Year<sup>1</sup>

(amounts in thousands)

	<u>2018</u>
<b>RETIREE HEALTH BENEFITS PROGRAM</b>	
<b>OTHER FUNDED PLANS<sup>2</sup></b>	
Actuarially determined contribution .....	\$ 109,630
Contributions in relation to the actuarially determined contribution .....	(61,064)
Contribution deficiency (excess).....	<u>\$ 48,566</u>
Covered payroll .....	\$ 900,567
Contributions as a percentage of covered payroll .....	6.78%
<b>UNFUNDED PLAN<sup>2</sup></b>	
Actuarially determined contribution .....	\$ 3,199,223
Contributions in relation to the actuarially determined contribution .....	(1,547,989)
Contribution deficiency (excess).....	<u>\$ 1,651,234</u>
Covered payroll .....	\$ 13,241,681
Contributions as a percentage of covered payroll .....	11.69%

## Schedule of OPEB Contributions (continued)

### For the Past Fiscal Year

(amounts in thousands)

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

##### Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2017.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets; for details see the June 30, 2017 Actuarial Valuation Report
Inflation	2.75%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2018, increasing to 8.00% in 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years Post-Medicare coverage: Actual rates for 2018, increasing to 8.50% in 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years Dental coverage: 0.00% in 2018 and 4.50% thereafter
Salary increases	Varies by entry age and service
Investment rate of return	7.28%, net of OPEB plan investment expenses
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. Post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

(concluded)



## Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state bridges, roadways, and high-speed rail). Under the modified approach, the State does not report depreciation expense for infrastructure assets but capitalizes all costs that add to the capacity and efficiency of state-owned bridges, roads, and the high-speed rail system. All maintenance and preservation costs are expensed and not capitalized.

### A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State’s financial statements for the fiscal year ending June 30, 2018, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$77.1 billion, land purchased for highway projects totaling \$14.5 billion, and infrastructure construction-in-progress (uncompleted highway projects) totaling \$10.4 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling \$2.3 billion, purchased land totaling \$916 million, and land use rights totaling \$3 million.

*Donation and Relinquishment:* Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State’s financial statements. For the fiscal year ending June 30, 2018, there were no donations of infrastructure land, and relinquishments were \$40 million of state highway infrastructure (completed highway projects) and \$8 million of infrastructure land.

### B. Condition Baselines and Assessments

#### 1. Bridges

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

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. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials’ *Guide Manual for Bridge Element Inspection* and the *Caltrans Bridge Element Inspection Manual*.

The following table shows the State’s established condition baseline and actual BHI for fiscal year 2015-16:

Fiscal Year Ended June 30	Established BHI Baseline <sup>1</sup>	Actual BHI
2016	80.0	94.5

<sup>1</sup> 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 2017-18 is to have at least 90.0% 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 years 2016-17 through 2017-18:

<b>Fiscal Year Ended June 30</b>	<b>Established Condition<sup>1</sup></b>	<b>Actual Condition</b>
2017	90.0% Fair or Better	96.6% Fair or Better
2018	90.0% Fair or Better	95.3% Fair or Better

<sup>1</sup> 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, 2018:

<b>Condition<sup>1</sup></b>	<b>Number of Bridges</b>	<b>Deck Area (sq. ft.)</b>	<b>Deck Area (%)</b>
Good	8,456	158,874,387	61.81 %
Fair	4,027	86,106,531	33.50
Poor	520	12,040,469	4.69
<b>Total</b>	<b>13,003</b>	<b>257,021,387</b>	<b>100.00 %</b>

<sup>1</sup> Effective fiscal year 2016-17, the performance measure for bridges 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:

<b>Condition Assessment Date</b>	<b>Established Condition Baseline Distressed Lane Miles (maximum)<sup>2</sup></b>	<b>Actual Distressed Lane Miles</b>	<b>Actual Distressed Lane Miles as Percent of Total Lane Miles</b>
December 2013 <sup>1</sup>	18,000	7,820	15.7
December 2015 <sup>1</sup>	18,000	7,889	15.9
December 2016 <sup>3</sup>	18,000	8,975	17.8

<sup>1</sup> 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.

<sup>2</sup> The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

<sup>3</sup> Condition assessment for the State’s established condition baseline and actual distressed lane miles is being reported in the *Automated Pavement Condition Survey* report as of the end of 2016.

The following table provides details on the State’s actual distressed lane miles as of the last completed pavement-condition survey:

<b>Pavement Condition</b>	<b>Lane Miles</b>	<b>Distressed Lane Miles</b>
Excellent/Good	31,455	—
Fair	9,916	—
Poor	8,975	8,975
<b>Total</b>	<b>50,346</b>	<b>8,975</b>

### 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:

---

<b>Fiscal Year Ending June 30</b>	<b>Estimated Budgeted Preservation Costs (in millions)<sup>1</sup></b>	<b>Actual Preservation Costs (in millions)<sup>1</sup></b>
2014	\$ 152	\$ 151
2015	135	135
2016	151	150
2017	195	192
2018	217	183

<sup>1</sup> 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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## 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:

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<b>Fiscal Year Ending June 30</b>	<b>Estimated Budgeted Preservation Costs (in millions)<sup>1</sup></b>	<b>Actual Preservation Costs (in millions)<sup>1</sup></b>
2014	\$ 2,314	\$ 2,268
2015	3,080	2,953
2016	3,814	3,451
2017	3,854	3,201
2018	3,859	2,056

<sup>1</sup> 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, 2018

(amounts in thousands)

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Corporation tax .....	\$ 10,655,743	\$ 11,246,000	\$ 12,260,663	\$ 1,014,663
Intergovernmental.....	—	—	—	—
Cigarette and tobacco taxes .....	64,903	67,000	65,248	(1,752)
Insurance gross premiums tax .....	2,438,099	2,514,000	2,569,271	55,271
Vehicle license fees.....	26,218	26,218	28,903	2,685
Motor vehicle fuel tax.....	—	—	—	—
Personal income tax .....	89,403,019	91,971,000	94,263,065	2,292,065
Retail sales and use taxes.....	25,164,877	25,384,000	25,127,131	(256,869)
Other major taxes and licenses .....	376,595	371,000	377,129	6,129
Other revenues .....	1,159,890	1,247,782	1,506,189	258,407
<b>Total revenues</b> .....	<b>129,289,344</b>	<b>132,827,000</b>	<b>136,197,599</b>	<b>3,370,599</b>
<b>EXPENDITURES</b>				
Business, consumer services, and housing .....	59,077	61,122	60,788	(334)
Transportation .....	5,252	5,252	5,252	—
Natural resources and environmental protection .....	2,225,818	2,650,784	2,231,544	(419,240)
Health and human services .....	35,011,303	35,980,524	34,809,447	(1,171,077)
Corrections and rehabilitation.....	11,241,406	11,719,123	11,614,818	(104,305)
Education .....	65,067,299	64,956,753	64,840,149	(116,604)
General government:				
Tax relief.....	420,424	425,424	411,750	(13,674)
Debt service .....	4,779,168	4,779,438	4,764,484	(14,954)
Other general government .....	7,183,581	7,075,348	5,997,603	(1,077,745)
<b>Total expenditures</b> .....	<b>125,993,328</b>	<b>127,653,768</b>	<b>124,735,835</b>	<b>(2,917,933)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds .....	—	—	414,296	—
Transfers to other funds .....	—	—	(4,261,838)	—
Other additions (deductions).....	—	—	447,535	—
<b>Total other financing sources (uses)</b> .....	<b>—</b>	<b>—</b>	<b>(3,400,007)</b>	<b>—</b>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses.....	—	—	8,061,757	—
<b>Fund balances – beginning</b> .....	<b>—</b>	<b>—</b>	<b>5,930,654</b>	<b>—</b>
<b>Fund balances – ending</b> .....	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 13,992,411</b>	<b>\$ —</b>

\* Restated

Federal				Transportation			
Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
81,368,222	81,368,222	81,368,222	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	5,113,278	6,832,602	6,641,508	(191,094)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	5,746,624	5,446,622	5,637,538	190,916
96	96	96	—	396,435	414,826	448,136	33,310
<b>81,368,318</b>	<b>81,368,318</b>	<b>81,368,318</b>	<b>—</b>	<b>11,256,337</b>	<b>12,694,050</b>	<b>12,727,182</b>	<b>33,132</b>
38,981	38,981	38,981	—	111,668	114,544	112,000	(2,544)
4,575,673	4,575,673	4,575,673	—	13,601,269	13,897,414	10,646,171	(3,251,243)
365,831	365,831	365,831	—	115,835	169,592	167,955	(1,637)
66,375,441	66,375,441	66,375,441	—	8,252	8,352	2,295	(6,057)
67,546	67,546	67,546	—	—	—	—	—
7,396,252	7,396,252	7,396,252	—	9,262	9,262	9,262	—
—	—	—	—	—	—	—	—
—	—	—	—	1,996	1,950	1,349	(601)
1,396,169	1,396,169	1,396,169	—	293,218	301,849	295,283	(6,566)
<b>80,215,893</b>	<b>80,215,893</b>	<b>80,215,893</b>	<b>—</b>	<b>14,141,500</b>	<b>14,502,963</b>	<b>11,234,315</b>	<b>(3,268,648)</b>
—	—	5,331,592	—	—	—	17,530,673	—
—	—	(6,482,865)	—	—	—	(18,232,280)	—
—	—	(5,024)	—	—	—	844,163	—
—	—	<b>(1,156,297)</b>	—	—	—	<b>142,556</b>	—
—	—	(3,872)	—	—	—	1,635,423	—
—	—	<b>6,229</b>	—	—	—	<b>4,979,675 *</b>	—
\$ —	\$ —	\$ <b>2,357</b>	\$ —	\$ —	\$ —	\$ <b>6,615,098</b>	\$ —

(continued)

## Budgetary Comparison Schedule (continued)

### General Fund and Major Special Revenue Funds

Year Ended June 30, 2018

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Corporation tax .....	\$ —	\$ —	\$ —	\$ —
Intergovernmental .....	—	—	—	—
Cigarette and tobacco taxes.....	—	—	—	—
Insurance gross premiums tax.....	—	—	—	—
Vehicle license fees.....	—	—	—	—
Motor vehicle fuel tax.....	(2)	(2)	(2)	—
Personal income tax .....	—	—	—	—
Retail sales and use taxes.....	—	—	—	—
Other major taxes and licenses.....	185,191	185,191	185,191	—
Other revenues .....	6,579,765	6,579,765	6,579,765	—
<b>Total revenues</b> .....	<b>6,764,954</b>	<b>6,764,954</b>	<b>6,764,954</b>	<b>—</b>
<b>EXPENDITURES</b>				
Business, consumer services, and housing.....	120,145	120,466	114,295	(6,171)
Transportation .....	197,926	197,965	187,841	(10,124)
Natural resources and environmental protection .....	6,837,542	6,901,004	4,968,103	(1,932,901)
Health and human services .....	120,165	121,101	117,772	(3,329)
Corrections and rehabilitation.....	—	—	—	—
Education .....	3,350	3,351	3,349	(2)
General government:				
Tax relief.....	—	—	—	—
Debt service .....	264	264	264	—
Other general government.....	132,114	132,826	124,258	(8,568)
<b>Total expenditures</b> .....	<b>7,411,506</b>	<b>7,476,977</b>	<b>5,515,882</b>	<b>(1,961,095)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds.....	—	—	587,320	—
Transfers to other funds .....	—	—	(301,828)	—
Other additions (deductions).....	—	—	1,399,135	—
<b>Total other financing sources (uses)</b> .....	<b>—</b>	<b>—</b>	<b>1,684,627</b>	<b>—</b>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses .....	—	—	2,933,699	—
<b>Fund balances – beginning</b> .....	<b>—</b>	<b>—</b>	<b>8,392,754 *</b>	<b>—</b>
<b>Fund balances – ending</b> .....	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,326,453</b>	<b>\$ —</b>

\* Restated



Health Care Related Programs

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,499,672	2,499,672	2,499,672	—
8,146,595	8,146,595	8,146,595	—
<b>10,646,267</b>	<b>10,646,267</b>	<b>10,646,267</b>	—
—	—	—	—
—	—	—	—
210	210	205	(5)
9,401,167	9,402,930	9,345,227	(57,703)
—	—	—	—
261,436	261,436	261,436	—
—	—	—	—
114	66	66	—
11,345	11,345	11,345	—
<b>9,674,272</b>	<b>9,675,987</b>	<b>9,618,279</b>	<b>(57,708)</b>
—	—	71,249	—
—	—	(67,904)	—
—	—	(29,200)	—
—	—	<b>(25,855)</b>	—
—	—	1,002,133	—
—	—	<b>1,905,627</b> *	—
<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,907,760</b>	<b>\$ —</b>

(concluded)

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

June 30, 2018

(amounts in thousands)

	Major Special Revenue Funds				
	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs
<b>Budgetary fund balance reclassified into GAAP statement fund structure ....</b>	<b>\$ 13,992,411</b>	<b>\$ 2,357</b>	<b>\$ 6,615,098</b>	<b>\$ 11,326,453</b>	<b>\$ 2,907,760</b>
<b>Basis difference:</b>					
Interfund receivables .....	549,739	—	1,755,668	335,000	—
Loans receivable.....	35,697	225,717	—	231,335	23,000
Interfund payables.....	(6,266,808)	—	(1,070,797)	(360,359)	(8,113)
Escheat property.....	(1,077,358)	—	—	—	—
Tax revenues.....	(756,200)	—	—	—	—
Fund classification changes.....	9,941,491	2,942	—	—	—
Other.....	53,371	—	2,616,708	82,798	—
<b>Timing difference:</b>					
Liabilities budgeted in subsequent years.....	(4,285,439)	(2,362)	(572,485)	(100,353)	(2,192,571)
<b>GAAP fund balance – ending.....</b>	<b>\$ 12,186,904</b>	<b>\$ 228,654</b>	<b>\$ 9,344,192</b>	<b>\$ 11,514,874</b>	<b>\$ 730,076</b>

### 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 budgetary basis beginning fund balance for the Transportation, the Environmental and Natural Resources, and the Health Care Related Programs funds is restated because the methodology for recording bonds authorized and unissued was changed in fiscal year 2017-18. Bond proceeds are now recognized as revenue when issued, rather than when authorized. The change was applied to all bond funds having outstanding bonds authorized and unissued. The beginning fund balance on a GAAP basis is not affected by these adjustments. In addition, the beginning fund balance for Environmental and Natural Resources Fund is also restated for a fund reclassification.

### Basis Difference

*Interfund Receivables and Loans Receivable:* Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of \$550 million in the General Fund, \$1.8 billion in the Transportation Fund, and \$335 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of \$36 million in the General Fund, \$226 million in the Federal Fund, \$231 million in the Environmental and Natural Resources Fund, and \$23 million in the Health Care Related Programs Fund.

*Interfund Payables:* Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of \$6.3 billion in the General Fund, \$1.1 billion in the Transportation Fund, \$360 million in the Environmental and Natural Resources Fund, and \$8 million in the Health Care Related Programs Fund.

*Escheat Property:* A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused a \$1.1 billion decrease in the General Fund.

*Tax Revenues:* Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008. However, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused a decrease of \$756 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 \$9.9 billion in the General Fund and \$3 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 \$53 million in the General Fund, \$2.6 billion in the Transportation Fund, and \$83 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 \$4.3 billion in the General Fund, \$2 million in the Federal Fund, \$572 million in the Transportation Fund, \$100 million in the Environmental and Natural Resources Fund, and \$2.2 billion in the Health Care Related Programs Fund. The large decrease in the General Fund primarily consists of \$985 million for June 2018 payroll that was deferred to July 2018, \$920 million for medical assistance, \$764 million for pension contributions, \$406 million for payments to K-12 schools and higher education institutions, \$403 million in tax overpayments, and \$303 million in state mandated payments. The large decrease in the Health Care Related Programs Fund primarily consists of \$2.2 billion for medical assistance.

# **Combining Financial Statements and Schedules – Nonmajor and Other Funds**



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# Nonmajor Governmental Funds

*Nonmajor governmental funds* account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

*Special revenue funds* account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted, committed, or assigned to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette, Tobacco, and Cannabis Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs; and cannabis excise and cultivation taxes that are used for various health, youth education, and research programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

**Other special revenue programs funds** account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

*Debt service funds* account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

(continued)

(continued)

**Capital projects funds** account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

**Building authorities** are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

**Other capital projects funds** account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.



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# Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2018

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
<b>ASSETS</b>			
Cash and pooled investments .....	\$ 1,244,111	\$ 1,094,401	\$ 1,097,849
Investments .....	—	—	—
Receivables (net) .....	88,870	3,656	414,073
Due from other funds .....	60,090	303,973	1,855
Due from other governments .....	6,532	1,149	—
Interfund receivables .....	171,626	279,776	88,585
Loans receivable .....	100,038	2,577,678	—
Other assets .....	—	—	—
<b>Total assets .....</b>	<b>\$ 1,671,267</b>	<b>\$ 4,260,633</b>	<b>\$ 1,602,362</b>
<b>LIABILITIES</b>			
Accounts payable .....	\$ 12,194	\$ 11,687	\$ 78,297
Due to other funds .....	48,556	3,526	44,547
Due to component units .....	—	—	98,097
Due to other governments .....	678	264,961	138,168
Interfund payables .....	130,184	—	—
Revenues received in advance .....	60,015	2,510	—
Deposits .....	—	—	—
Other liabilities .....	33,966	837	—
<b>Total liabilities .....</b>	<b>285,593</b>	<b>283,521</b>	<b>359,109</b>
<b>DEFERRED INFLOWS OF RESOURCES .....</b>	<b>—</b>	<b>—</b>	<b>211,973</b>
<b>Total liabilities and deferred inflows of resources .....</b>	<b>285,593</b>	<b>283,521</b>	<b>571,082</b>
<b>FUND BALANCES</b>			
Nonspendable .....	—	—	—
Restricted .....	709,764	3,731,506	1,031,280
Committed .....	675,910	245,606	—
Assigned .....	—	—	—
<b>Total fund balances .....</b>	<b>1,385,674</b>	<b>3,977,112</b>	<b>1,031,280</b>
<b>Total liabilities, deferred inflows of resources, and fund balances .....</b>	<b>\$ 1,671,267</b>	<b>\$ 4,260,633</b>	<b>\$ 1,602,362</b>

<b>Special Revenue</b>				
<b>Local Revenue and Public Safety</b>	<b>Trial Courts</b>	<b>Golden State Tobacco Securitization Corporation</b>	<b>Other Special Revenue Programs</b>	<b>Total Nonmajor Special Revenue</b>
\$ 2,883,932	\$ 1,048,541	\$ 392,417	\$ 1,875,108	\$ 9,636,359
—	344,618	149,887	—	494,505
98,347	264,299	189,117	226,466	1,284,828
38,810	—	—	441,012	845,740
—	34,616	—	52,096	94,393
119,851	257,163	—	537,585	1,454,586
—	—	—	56,028	2,733,744
—	12,120	—	—	12,120
<b>\$ 3,140,940</b>	<b>\$ 1,961,357</b>	<b>\$ 731,421</b>	<b>\$ 3,188,295</b>	<b>\$ 16,556,275</b>
\$ —	\$ 209,066	\$ 1,379	\$ 201,289	\$ 513,912
39,339	55,905	—	84,733	276,606
—	—	—	7,567	105,664
3,020,717	114,943	—	390,502	3,929,969
—	—	—	4,971	135,155
—	22,548	—	65,650	150,723
—	408,326	—	25,268	433,594
—	86,252	—	19,970	141,025
<b>3,060,056</b>	<b>897,040</b>	<b>1,379</b>	<b>799,950</b>	<b>5,686,648</b>
—	—	—	—	211,973
<b>3,060,056</b>	<b>897,040</b>	<b>1,379</b>	<b>799,950</b>	<b>5,898,621</b>
—	69,868	—	—	69,868
19,712	901,195	730,042	2,131,536	9,255,035
61,172	66,908	—	256,809	1,306,405
—	26,346	—	—	26,346
<b>80,884</b>	<b>1,064,317</b>	<b>730,042</b>	<b>2,388,345</b>	<b>10,657,654</b>
<b>\$ 3,140,940</b>	<b>\$ 1,961,357</b>	<b>\$ 731,421</b>	<b>\$ 3,188,295</b>	<b>\$ 16,556,275</b>

(continued)

## Combining Balance Sheet (continued)

### Nonmajor Governmental Funds

June 30, 2018

(amounts in thousands)

	Debt Service	
	Transportation Debt Service	Total Nonmajor Debt Service
<b>ASSETS</b>		
Cash and pooled investments .....	\$ 63,051	\$ 63,051
Investments .....	—	—
Receivables (net) .....	—	—
Due from other funds .....	251,396	251,396
Due from other governments .....	—	—
Interfund receivables .....	—	—
Loans receivable .....	—	—
Other assets .....	—	—
<b>Total assets</b> .....	<b>\$ 314,447</b>	<b>\$ 314,447</b>
<b>LIABILITIES</b>		
Accounts payable .....	\$ —	\$ —
Due to other funds .....	314,447	314,447
Due to component units .....	—	—
Due to other governments .....	—	—
Interfund payables .....	—	—
Revenues received in advance .....	—	—
Deposits .....	—	—
Other liabilities .....	—	—
<b>Total liabilities</b> .....	<b>314,447</b>	<b>314,447</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	—	—
<b>Total liabilities and deferred inflows of resources</b> .....	<b>314,447</b>	<b>314,447</b>
<b>FUND BALANCES</b>		
Nonspendable .....	—	—
Restricted .....	—	—
Committed .....	—	—
Assigned .....	—	—
<b>Total fund balances</b> .....	—	—
<b>Total liabilities, deferred inflows of resources, and fund balances</b> .....	<b>\$ 314,447</b>	<b>\$ 314,447</b>

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ 168,836	\$ 85,317	\$ 131,522	\$ 18,202	\$ 161,830	\$ 565,707	\$ 10,265,117
—	—	—	—	—	—	494,505
—	—	1	—	161	162	1,284,990
393	391	1,575	20,413	6,067	28,839	1,125,975
—	—	807	—	—	807	95,200
—	—	—	—	3,757	3,757	1,458,343
—	—	—	—	1,792	1,792	2,735,536
—	—	—	—	—	—	12,120
<b>\$ 169,229</b>	<b>\$ 85,708</b>	<b>\$ 133,905</b>	<b>\$ 38,615</b>	<b>\$ 173,607</b>	<b>\$ 601,064</b>	<b>\$ 17,471,786</b>
\$ —	\$ 124	\$ 4	\$ —	\$ 3,311	\$ 3,439	\$ 517,351
815	—	9,251	—	4,217	14,283	605,336
—	—	—	—	—	—	105,664
—	—	12,666	—	9	12,675	3,942,644
205	—	603	—	—	808	135,963
—	—	—	—	—	—	150,723
—	—	—	—	—	—	433,594
—	—	—	185	—	185	141,210
<b>1,020</b>	<b>124</b>	<b>22,524</b>	<b>185</b>	<b>7,537</b>	<b>31,390</b>	<b>6,032,485</b>
—	—	—	—	—	—	211,973
<b>1,020</b>	<b>124</b>	<b>22,524</b>	<b>185</b>	<b>7,537</b>	<b>31,390</b>	<b>6,244,458</b>
—	—	—	—	—	—	69,868
168,209	85,584	111,381	38,430	130,623	534,227	9,789,262
—	—	—	—	35,447	35,447	1,341,852
—	—	—	—	—	—	26,346
<b>168,209</b>	<b>85,584</b>	<b>111,381</b>	<b>38,430</b>	<b>166,070</b>	<b>569,674</b>	<b>11,227,328</b>
<b>\$ 169,229</b>	<b>\$ 85,708</b>	<b>\$ 133,905</b>	<b>\$ 38,615</b>	<b>\$ 173,607</b>	<b>\$ 601,064</b>	<b>\$ 17,471,786</b>

(concluded)

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

## Nonmajor Governmental Funds

Year Ended June 30, 2018

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
<b>REVENUES</b>			
Personal income taxes .....	\$ —	\$ 1,675,447	\$ —
Sales and use taxes .....	—	—	—
Motor vehicle excise taxes .....	56,573	57,568	—
Other taxes .....	1,543	618,808	2,139,466
Intergovernmental .....	—	—	—
Licenses and permits .....	532,737	15,291	—
Charges for services .....	43,466	3,192	476
Fees .....	1,212,600	71,240	4
Penalties .....	14,121	—	—
Investment and interest .....	41,445	10,815	5,308
Escheat .....	3	—	—
Other .....	13,166	45,128	—
<b>Total revenues</b> .....	<b>1,915,654</b>	<b>2,497,489</b>	<b>2,145,254</b>
<b>EXPENDITURES</b>			
Current:			
General government .....	797,533	720,785	66,005
Education .....	18,251	7,654	199,708
Health and human services .....	543,814	2,065,632	1,727,145
Natural resources and environmental protection .....	85,825	89,471	6,804
Business, consumer services, and housing .....	674,199	147,356	—
Transportation .....	11,217	—	—
Corrections and rehabilitation .....	—	114,810	—
Capital outlay .....	—	—	—
Debt service:			
Bond and commercial paper retirement .....	—	250,300	—
Interest and fiscal charges .....	—	693	—
<b>Total expenditures</b> .....	<b>2,130,839</b>	<b>3,396,701</b>	<b>1,999,662</b>
Excess (deficiency) of revenues over (under) expenditures .....	(215,185)	(899,212)	145,592
<b>OTHER FINANCING SOURCES (USES)</b>			
General obligation bonds and commercial paper issued .....	—	409,130	—
Refunding debt issued .....	—	25,790	—
Payment to refund long-term debt .....	—	(13,925)	—
Premium on bonds issued .....	—	20,967	—
Remarketing bonds issued .....	—	—	—
Payment to remarket long-term debt .....	—	—	—
Transfers in .....	4,535	390,426	10,000
Transfers out .....	(7,324)	(24,000)	(21,068)
<b>Total other financing sources (uses)</b> .....	<b>(2,789)</b>	<b>808,388</b>	<b>(11,068)</b>
Net change in fund balances .....	(217,974)	(90,824)	134,524
<b>Fund balances – beginning</b> .....	<b>1,603,648 *</b>	<b>4,067,936</b>	<b>896,756</b>
<b>Fund balances – ending</b> .....	<b>\$ 1,385,674</b>	<b>\$ 3,977,112</b>	<b>\$ 1,031,280</b>

\* Restated

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ 1,675,447
13,973,218	—	—	—	13,973,218
—	—	—	—	114,141
—	—	—	—	2,759,817
—	812,657	—	—	812,657
2,807,065	—	—	10,513	3,365,606
—	58,368	—	198,941	304,443
—	580,280	—	1,326,893	3,191,017
—	372,808	—	209,984	596,913
6,008	18,975	3,663	23,056	109,270
—	4,613	—	—	4,616
—	157,309	430,173	454,613	1,100,389
<b>16,786,291</b>	<b>2,005,010</b>	<b>433,836</b>	<b>2,224,000</b>	<b>28,007,534</b>
4,745,585	3,450,460	518	1,231,997	11,012,883
—	—	—	18,548	244,161
10,513,336	—	—	839,098	15,689,025
—	—	—	70,499	252,599
—	112	—	28,405	850,072
—	—	—	618	11,835
1,511,064	—	—	11,185	1,637,059
—	—	—	—	—
—	—	2,044,750	—	2,295,050
—	—	319,550	—	320,243
<b>16,769,985</b>	<b>3,450,572</b>	<b>2,364,818</b>	<b>2,200,350</b>	<b>32,312,927</b>
16,306	(1,445,562)	(1,930,982)	23,650	(4,305,393)
—	—	—	—	409,130
—	—	1,785,190	—	1,810,980
—	—	—	—	(13,925)
—	—	93,383	—	114,350
—	—	—	—	—
—	—	—	—	—
2	1,319,333	—	1,856	1,726,152
(382)	—	—	(53,934)	(106,708)
<b>(380)</b>	<b>1,319,333</b>	<b>1,878,573</b>	<b>(52,078)</b>	<b>3,939,979</b>
15,926	(126,229)	(52,409)	(28,428)	(365,414)
<b>64,958</b>	<b>1,190,546</b>	<b>782,451</b>	<b>2,416,773 *</b>	<b>11,023,068</b>
<b>\$ 80,884</b>	<b>\$ 1,064,317</b>	<b>\$ 730,042</b>	<b>\$ 2,388,345</b>	<b>\$ 10,657,654</b>

(continued)

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

## Nonmajor Governmental Funds

Year Ended June 30, 2018

(amounts in thousands)

	Debt Service	
	Transportation Debt Service	Total Nonmajor Debt Service
<b>REVENUES</b>		
Personal income taxes .....	\$ —	\$ —
Sales and use taxes .....	—	—
Managed care organization enrollment tax .....	—	—
Other taxes .....	—	—
Intergovernmental .....	—	—
Licenses and permits .....	—	—
Charges for services .....	—	—
Fees .....	—	—
Penalties .....	—	—
Investment and interest .....	—	—
Escheat .....	—	—
Other .....	—	—
<b>Total revenues</b> .....	<u>—</u>	<u>—</u>
<b>EXPENDITURES</b>		
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 .....	721,356	721,356
Interest and fiscal charges .....	830,973	830,973
<b>Total expenditures</b> .....	<u>1,552,329</u>	<u>1,552,329</u>
Excess (deficiency) of revenues over (under) expenditures .....	<u>(1,552,329)</u>	<u>(1,552,329)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
General obligation bonds and commercial paper issued .....	—	—
Refunding debt issued .....	—	—
Payment to refund long-term debt .....	—	—
Premium on bonds issued .....	—	—
Remarketing bonds issued .....	—	—
Payment to remarket long-term debt .....	—	—
Transfers in .....	1,552,329	1,552,329
Transfers out .....	—	—
<b>Total other financing sources (uses)</b> .....	<u>1,552,329</u>	<u>1,552,329</u>
Net change in fund balances .....	—	—
<b>Fund balances – beginning</b> .....	—	—
<b>Fund balances – ending</b> .....	<u>\$ —</u>	<u>\$ —</u>



Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,675,447
—	—	—	—	—	—	13,973,218
—	—	—	—	—	—	114,141
—	—	—	—	—	—	2,759,817
—	—	—	—	—	—	812,657
—	—	—	—	1,054	1,054	3,366,660
—	—	—	—	—	—	304,443
—	—	—	—	—	—	3,191,017
—	—	—	—	—	—	596,913
1,767	331	6,082	—	189	8,369	117,639
—	—	—	—	—	—	4,616
—	—	—	—	14,171	14,171	1,114,560
<b>1,767</b>	<b>331</b>	<b>6,082</b>	<b>—</b>	<b>15,414</b>	<b>23,594</b>	<b>28,031,128</b>
—	26,236	—	—	—	26,236	11,039,119
—	—	604,192	—	—	604,192	848,353
—	—	—	—	—	—	15,689,025
—	—	—	—	3,425	3,425	256,024
—	—	—	—	—	—	850,072
—	—	—	—	—	—	11,835
—	—	—	—	—	—	1,637,059
15,455	1,147	7,823	—	35,283	59,708	59,708
333,135	26,065	1,096,780	30,180	5,350	1,491,510	4,507,916
10,264	270	42,802	7,441	55	60,832	1,212,048
<b>358,854</b>	<b>53,718</b>	<b>1,751,597</b>	<b>37,621</b>	<b>44,113</b>	<b>2,245,903</b>	<b>36,111,159</b>
<b>(357,087)</b>	<b>(53,387)</b>	<b>(1,745,515)</b>	<b>(37,621)</b>	<b>(28,699)</b>	<b>(2,222,309)</b>	<b>(8,080,031)</b>
25,770	107,730	748,270	—	8,015	889,785	1,298,915
513,135	7,570	2,017,600	—	6,135	2,544,440	4,355,420
(249,016)	—	(1,298,034)	—	(6,974)	(1,554,024)	(1,567,949)
77,745	3,505	361,806	—	1,164	444,220	558,570
—	—	100,000	—	—	100,000	100,000
—	—	(100,000)	—	—	(100,000)	(100,000)
—	—	—	38,251	53,359	91,610	3,370,091
—	—	(1,086)	—	—	(1,086)	(107,794)
<b>367,634</b>	<b>118,805</b>	<b>1,828,556</b>	<b>38,251</b>	<b>61,699</b>	<b>2,414,945</b>	<b>7,907,253</b>
10,547	65,418	83,041	630	33,000	192,636	(172,778)
<b>157,662</b>	<b>20,166</b>	<b>28,340</b>	<b>37,800</b>	<b>133,070</b>	<b>377,038</b>	<b>11,400,106</b>
<b>\$ 168,209</b>	<b>\$ 85,584</b>	<b>\$ 111,381</b>	<b>\$ 38,430</b>	<b>\$ 166,070</b>	<b>\$ 569,674</b>	<b>\$ 11,227,328</b>

(concluded)

## Budgetary Comparison Schedule

### Nonmajor Governmental Funds<sup>1</sup>

Year Ended June 30, 2018

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Cigarette and tobacco taxes .....	\$ 387,400	\$ 387,400	\$ —
Vehicle license fees .....	2,112,655	2,112,655	—
Personal income tax .....	1,675,447	1,675,447	—
Retail sales and use taxes .....	13,973,503	13,973,503	—
Other major taxes and licenses .....	15,686	15,686	—
Other revenues .....	6,472,502	6,472,502	—
<b>Total revenues</b> .....	<b>24,637,193</b>	<b>24,637,193</b>	<b>—</b>
<b>EXPENDITURES</b>			
Business, consumer services, and housing .....	853,654	705,691	(147,963)
Transportation .....	1,561,525	1,560,828	(697)
Natural resources and environmental protection .....	299,766	242,768	(56,998)
Health and human services .....	18,901,509	18,335,222	(566,287)
Corrections and rehabilitation .....	(820)	(820)	—
Education .....	893,202	833,339	(59,863)
General government:			
Tax relief .....	2,873	2,873	—
Other general government .....	8,810,406	8,191,933	(618,473)
<b>Total expenditures</b> .....	<b>31,322,115</b>	<b>29,871,834</b>	<b>(1,450,281)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds .....	—	31,617,383	—
Transfers to other funds .....	—	(27,287,061)	—
Other additions and deductions .....	—	1,243,262	—
<b>Total other financing sources (uses)</b> .....	<b>—</b>	<b>5,573,584</b>	<b>—</b>
Excess of revenues and other sources over expenditures and other uses .....	—	338,943	—
<b>Fund balances – beginning, restated</b> .....	<b>—</b>	<b>7,076,694</b>	<b>—</b>
<b>Fund balances – ending</b> .....	<b>\$ —</b>	<b>\$ 7,415,637</b>	<b>\$ —</b>

<sup>1</sup>On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, Health Care Related Programs Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, Environmental and Natural Resources Fund, and Health Care Related Programs Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Comprehensive Annual Financial Report Supplement.

# Internal Service Funds

*Internal service funds* account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the Department of Technology.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

**Other internal service program funds** account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

## Combining Statement of Net Position

### Internal Service Funds

June 30, 2018

(amounts in thousands)

	<b>Public Buildings Construction</b>	<b>Architecture Revolving</b>
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments .....	\$ —	\$ 765,807
Restricted assets:		
Cash and pooled investments .....	440,303	—
Net investment in direct financing leases .....	493,644	—
Receivables (net) .....	—	96
Due from other funds .....	256,617	11,696
Due from other governments .....	—	—
Prepaid items .....	—	81,520
Inventories .....	—	—
Total current assets .....	<u>1,190,564</u>	<u>859,119</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments .....	176,851	—
Net investment in direct financing leases .....	7,996,250	—
Interfund receivables .....	—	—
Loans receivable .....	—	—
Long-term prepaid charges .....	719	—
Capital assets:		
Land .....	—	—
Buildings and other depreciable property .....	—	321
Intangible assets – amortizable .....	—	—
Less: accumulated depreciation/amortization .....	—	(321)
Construction/development in progress .....	639,628	—
Total noncurrent assets .....	<u>8,813,448</u>	<u>—</u>
<b>Total assets</b> .....	<b><u>10,004,012</u></b>	<b><u>859,119</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>174,776</u>	<u>20,411</u>
<b>Total assets and deferred outflows of resources</b> .....	<b><u>\$ 10,178,788</u></b>	<b><u>\$ 879,530</u></b>

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 163,151	\$ 254,927	\$ 38,109	\$ 54,897	\$ 14,153	\$ 427,005	\$ 1,718,049
—	—	—	—	—	—	440,303
—	—	—	—	—	—	493,644
2,076	2,856	7	12,807	7,164	62,626	87,632
72,354	249	9,406	34,923	81,728	374,936	841,909
1,533	87	—	135	—	15,322	17,077
135,942	915	4,513	1,196	7,346	2,335	233,767
2,751	43,687	—	—	1,019	25,032	72,489
<u>377,807</u>	<u>302,721</u>	<u>52,035</u>	<u>103,958</u>	<u>111,410</u>	<u>907,256</u>	<u>3,904,870</u>
—	—	—	—	—	—	176,851
—	—	—	—	—	—	7,996,250
—	—	—	—	—	32,576	32,576
—	—	—	—	—	216,810	216,810
—	—	—	—	—	—	719
—	—	—	—	—	2,080	2,080
164,325	200,739	2,881	156,268	34,765	77,588	636,887
9,986	4,430	2,621	48,592	4,501	999	71,129
(104,369)	(140,034)	(3,252)	(166,276)	(31,502)	(62,575)	(508,329)
—	5,733	321,694	16,075	—	505	983,635
<u>69,942</u>	<u>70,868</u>	<u>323,944</u>	<u>54,659</u>	<u>7,764</u>	<u>267,983</u>	<u>9,608,608</u>
<u>447,749</u>	<u>373,589</u>	<u>375,979</u>	<u>158,617</u>	<u>119,174</u>	<u>1,175,239</u>	<u>13,513,478</u>
188,356	43,712	18,567	86,260	—	200,920	733,002
<u>\$ 636,105</u>	<u>\$ 417,301</u>	<u>\$ 394,546</u>	<u>\$ 244,877</u>	<u>\$ 119,174</u>	<u>\$ 1,376,159</u>	<u>\$ 14,246,480</u>

(continued)

## Combining Statement of Net Position (continued)

### Internal Service Funds

June 30, 2018

(amounts in thousands)

	<b>Public Buildings Construction</b>	<b>Architecture Revolving</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable .....	\$ 36,028	\$ 7,477
Due to other funds .....	27,473	34,617
Due to other governments .....	9,631	300
Revenues received in advance .....	—	821,726
Deposits .....	—	—
Contracts and notes payable .....	—	—
Interest payable .....	148,490	—
Current portion of long-term obligations .....	606,277	—
Other liabilities .....	14,157	387
<b>Total current liabilities</b> .....	<b>842,056</b>	<b>864,507</b>
Noncurrent liabilities:		
Interfund payables .....	254,380	10,163
Compensated absences payable .....	—	7,707
Workers' compensation benefits payable .....	—	915
Revenue bonds payable .....	8,880,040	—
Net other postemployment benefits liability .....	—	82,309
Net pension liability .....	—	50,995
Other noncurrent liabilities .....	—	—
<b>Total noncurrent liabilities</b> .....	<b>9,134,420</b>	<b>152,089</b>
<b>Total liabilities</b> .....	<b>9,976,476</b>	<b>1,016,596</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	<b>8,387</b>	<b>8,328</b>
<b>Total liabilities and deferred inflows of resources</b> .....	<b>9,984,863</b>	<b>1,024,924</b>
<b>NET POSITION</b>		
Net investment in capital assets .....	—	—
Restricted – expendable:		
Construction .....	193,925	—
<b>Total expendable</b> .....	<b>193,925</b>	<b>—</b>
Unrestricted .....	—	(145,394)
<b>Total net position (deficit)</b> .....	<b>193,925</b>	<b>(145,394)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b> .....	<b>\$ 10,178,788</b>	<b>\$ 879,530</b>

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 112,323	\$ 15,278	\$ 8,083	\$ 30,678	\$ 16,091	\$ 314,500	\$ 540,458
51,281	11,179	168	641	388	152,156	277,903
45	—	—	—	5	2,160	12,141
30,517	326	—	—	409	105,942	958,920
1,955	—	—	—	—	—	1,955
3,633	—	—	15,038	3,904	—	22,575
—	—	—	—	—	—	148,490
—	2,954	1,558	—	—	1,593	612,382
68	1,167	—	—	1	2,186	17,966
<u>199,822</u>	<u>30,904</u>	<u>9,809</u>	<u>46,357</u>	<u>20,798</u>	<u>578,537</u>	<u>2,592,790</u>
64,974	6,371	42,563	11,357	94,879	457,123	941,810
58,815	10,995	4,029	28,996	—	34,872	145,414
26,540	14,582	—	727	—	1,521	44,285
—	—	—	—	—	—	8,880,040
806,032	279,150	73,312	339,192	—	767,820	2,347,815
499,354	66,397	49,857	231,375	—	521,067	1,419,045
—	—	—	21,489	6,459	—	27,948
<u>1,455,715</u>	<u>377,495</u>	<u>169,761</u>	<u>633,136</u>	<u>101,338</u>	<u>1,782,403</u>	<u>13,806,357</u>
<u>1,655,537</u>	<u>408,399</u>	<u>179,570</u>	<u>679,493</u>	<u>122,136</u>	<u>2,360,940</u>	<u>16,399,147</u>
77,947	26,382	7,738	36,285	—	80,865	245,932
<u>1,733,484</u>	<u>434,781</u>	<u>187,308</u>	<u>715,778</u>	<u>122,136</u>	<u>2,441,805</u>	<u>16,645,079</u>
69,942	70,868	323,944	25,971	—	18,528	509,253
—	—	—	—	—	—	193,925
—	—	—	—	—	—	193,925
(1,167,321)	(88,348)	(116,706)	(496,872)	(2,962)	(1,084,174)	(3,101,777)
<u>(1,097,379)</u>	<u>(17,480)</u>	<u>207,238</u>	<u>(470,901)</u>	<u>(2,962)</u>	<u>(1,065,646)</u>	<u>(2,398,599)</u>
<u>\$ 636,105</u>	<u>\$ 417,301</u>	<u>\$ 394,546</u>	<u>\$ 244,877</u>	<u>\$ 119,174</u>	<u>\$ 1,376,159</u>	<u>\$ 14,246,480</u>

(concluded)

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

### Internal Service Funds

Year Ended June 30, 2018

(amounts in thousands)

	<b>Public Buildings Construction</b>	<b>Architecture Revolving</b>
<b>OPERATING REVENUES</b>		
Services and sales .....	\$ —	\$ 339,721
Investment and interest .....	14,683	—
Rent .....	426,219	—
<b>Total operating revenues</b> .....	<b>440,902</b>	<b>339,721</b>
<b>OPERATING EXPENSES</b>		
Personal services .....	—	22,828
Supplies .....	—	—
Services and charges .....	4,023	303,055
Depreciation .....	—	—
Interest expense .....	415,551	—
Amortization of long-term prepaid charges .....	179	—
<b>Total operating expenses</b> .....	<b>419,753</b>	<b>325,883</b>
Operating income (loss) .....	21,149	13,838
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and interest income .....	1,407	—
Interest expense and fiscal charges .....	—	—
Other .....	2,351	—
<b>Total nonoperating revenues (expenses)</b> .....	<b>3,758</b>	<b>—</b>
Income (loss) before transfers .....	24,907	13,838
Transfers in .....	—	—
Transfers out .....	—	—
Change in net position .....	24,907	13,838
<b>Total net position (deficit) – beginning</b> .....	<b>169,018</b>	<b>(159,232)*</b>
<b>Total net position (deficit) – ending</b> .....	<b>\$ 193,925</b>	<b>\$ (145,394)</b>

\* Restated



Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 684,488	\$ 325,460	\$ 79,153	\$ 343,572	\$ 540,696	\$ 1,022,376	\$ 3,335,466
—	—	—	—	—	—	14,683
—	—	—	—	—	—	426,219
<b>684,488</b>	<b>325,460</b>	<b>79,153</b>	<b>343,572</b>	<b>540,696</b>	<b>1,022,376</b>	<b>3,776,368</b>
452,672	111,040	22,701	142,914	—	385,628	1,137,783
—	6,631	—	—	17,680	199	24,510
240,463	193,566	19,253	197,943	506,839	682,792	2,147,934
14,887	8,432	756	19,760	4,577	3,978	52,390
—	—	—	518	—	—	416,069
—	—	—	—	—	—	179
<b>708,022</b>	<b>319,669</b>	<b>42,710</b>	<b>361,135</b>	<b>529,096</b>	<b>1,072,597</b>	<b>3,778,865</b>
(23,534)	5,791	36,443	(17,563)	11,600	(50,221)	(2,497)
—	671	—	871	—	1,292	4,241
—	(37)	—	—	—	—	(37)
—	(4,366)	—	(3,290)	—	(92)	(5,397)
—	<b>(3,732)</b>	—	<b>(2,419)</b>	—	<b>1,200</b>	<b>(1,193)</b>
(23,534)	2,059	36,443	(19,982)	11,600	(49,021)	(3,690)
—	—	—	—	—	8,945	8,945
(36,143)	—	—	(3,755)	—	(20,044)	(59,942)
(59,677)	2,059	36,443	(23,737)	11,600	(60,120)	(54,687)
<b>(1,037,702)*</b>	<b>(19,539)*</b>	<b>170,795 *</b>	<b>(447,164)*</b>	<b>(14,562)</b>	<b>(1,005,526)*</b>	<b>(2,343,912)</b>
<b>\$ (1,097,379)</b>	<b>\$ (17,480)</b>	<b>\$ 207,238</b>	<b>\$ (470,901)</b>	<b>\$ (2,962)</b>	<b>\$ (1,065,646)</b>	<b>\$ (2,398,599)</b>

## Combining Statement of Cash Flows

### Internal Service Funds

Year Ended June 30, 2018

(amounts in thousands)

	<b>Public Buildings Construction</b>	<b>Architecture Revolving</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers .....	\$ 16,577	\$ —
Receipts from interfund services provided.....	909,533	512,366
Payments to suppliers .....	(192)	(335,890)
Payments to employees .....	—	(39,287)
Payments for interfund services used.....	—	—
Claims paid to other than employees.....	—	—
Other receipts (payments).....	(438,464)	687
<b>Net cash provided by (used in) operating activities .....</b>	<b>487,454</b>	<b>137,876</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Changes in interfund receivables.....	—	—
Changes in interfund payables and loans payable.....	254,380	(4,611)
Interest paid .....	—	—
Transfers in.....	—	—
Transfers out.....	—	—
<b>Net cash provided by (used in) noncapital financing activities .....</b>	<b>254,380</b>	<b>(4,611)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets .....	(750,406)	—
Proceeds from sale of capital assets .....	—	—
Proceeds from revenue bonds.....	615,418	—
Retirement of revenue bonds.....	(806,025)	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(941,013)</b>	<b>—</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments.....	1,407	—
<b>Net cash provided by (used in) investing activities .....</b>	<b>1,407</b>	<b>—</b>
Net increase (decrease) in cash and pooled investments .....	(197,772)	133,265
<b>Cash and pooled investments – beginning .....</b>	<b>814,926</b>	<b>632,542</b>
<b>Cash and pooled investments – ending .....</b>	<b>\$ 617,154</b>	<b>\$ 765,807</b>

\* Restated

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16,577
657,087	332,050	59,501	338,311	537,727	1,060,686	4,407,261
(156,847)	(201,902)	—	(182,422)	(15,731)	(639,937)	(1,532,921)
(428,546)	(99,766)	(17,508)	(146,560)	—	(358,097)	(1,089,764)
—	—	—	—	—	(7,319)	(7,319)
—	—	—	—	(506,839)	—	(506,839)
2,972	(4,282)	(63)	746	(3,753)	(6,193)	(448,350)
<b>74,666</b>	<b>26,100</b>	<b>41,930</b>	<b>10,075</b>	<b>11,404</b>	<b>49,140</b>	<b>838,645</b>
—	—	—	—	—	(457,602)	(457,602)
57,788	6,371	4,913	7,530	(86)	457,095	783,380
—	(37)	—	—	—	—	(37)
—	—	—	—	—	8,945	8,945
(36,143)	—	—	(3,755)	—	(20,044)	(59,942)
<b>21,645</b>	<b>6,334</b>	<b>4,913</b>	<b>3,775</b>	<b>(86)</b>	<b>(11,606)</b>	<b>274,744</b>
(29,638)	(18,971)	(52,001)	(24,040)	(12,341)	(7,448)	(894,845)
2,369	555	510	4	—	—	3,438
—	—	—	—	—	—	615,418
—	—	—	—	—	—	(806,025)
<b>(27,269)</b>	<b>(18,416)</b>	<b>(51,491)</b>	<b>(24,036)</b>	<b>(12,341)</b>	<b>(7,448)</b>	<b>(1,082,014)</b>
—	671	—	871	—	1,292	4,241
—	<b>671</b>	—	<b>871</b>	—	<b>1,292</b>	<b>4,241</b>
69,042	14,689	(4,648)	(9,315)	(1,023)	31,378	35,616
<b>94,109</b>	<b>240,238</b>	<b>42,757</b>	<b>64,212 *</b>	<b>15,176</b>	<b>395,627 *</b>	<b>2,299,587</b>
<b>\$ 163,151</b>	<b>\$ 254,927</b>	<b>\$ 38,109</b>	<b>\$ 54,897</b>	<b>\$ 14,153</b>	<b>\$ 427,005</b>	<b>\$ 2,335,203</b>

(continued)

## Combining Statement of Cash Flows (continued)

### Internal Service Funds

Year Ended June 30, 2018

(amounts in thousands)

	<b>Public Buildings Construction</b>	<b>Architecture Revolving</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss) .....	\$ 21,149	\$ 13,838
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation .....	—	—
Amortization of premiums and discounts .....	(95,734)	—
Amortization of long-term prepaid charges .....	179	—
Other .....	16,716	—
Change in account balances:		
Receivables .....	—	(64)
Due from other funds .....	251	(8,998)
Due from other governments .....	—	—
Prepaid items .....	—	(35,024)
Inventories .....	—	—
Net investment in direct financing leases .....	497,726	—
Deferred outflow of resources .....	567	(5,096)
Accounts payable .....	(442)	2,189
Due to other funds .....	1,187	18,851
Due to other governments .....	—	300
Deposits .....	—	—
Contracts and notes payable .....	—	—
Interest payable .....	47,295	—
Revenues received in advance .....	—	162,856
Other current liabilities .....	(1,440)	387
Compensated absences payable .....	—	573
Other noncurrent liabilities .....	—	(20,111)
Deferred inflow of resources .....	—	8,175
Total adjustments .....	<u>466,305</u>	<u>124,038</u>
<b>Net cash provided by (used in) operating activities .....</b>	<b><u>\$ 487,454</u></b>	<b><u>\$ 137,876</u></b>

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ (23,534)	\$ 5,791	\$ 36,443	\$ (17,563)	\$ 11,600	\$ (50,221)	\$ (2,497)
14,887	8,432	756	19,760	4,577	3,978	52,390
—	—	—	—	—	—	(95,734)
—	—	—	—	—	—	179
—	(4,098)	—	—	—	—	12,618
(1,426)	(1,961)	25	(890)	1,882	(62,109)	(64,543)
(29,495)	1,443	(2,812)	(5,895)	(4,687)	19,869	(30,324)
217	8	—	(39)	—	(5,712)	(5,526)
17,531	(59)	1,881	(297)	1,128	(917)	(15,757)
1,573	(1,123)	—	—	27	6,835	7,312
—	—	—	—	—	—	497,726
(78,393)	(24,390)	(8,460)	(36,251)	—	(86,453)	(238,476)
64,512	(523)	1,914	15,818	794	37,136	121,398
3,520	7,340	(1,407)	1,524	(361)	103,764	134,418
(265)	—	(63)	(1)	(3)	777	745
393	—	—	—	—	—	393
2,597	—	—	960	—	—	3,557
—	—	—	—	—	—	47,295
—	(232)	—	—	197	(30,533)	132,288
30	(374)	—	—	1	(1,258)	(2,654)
2,267	1,060	597	(617)	—	(1,306)	2,574
23,313	8,502	5,411	(2,225)	(3,751)	35,364	46,503
76,939	26,284	7,645	35,791	—	79,926	234,760
98,200	20,309	5,487	27,638	(196)	99,361	841,142
<b>\$ 74,666</b>	<b>\$ 26,100</b>	<b>\$ 41,930</b>	<b>\$ 10,075</b>	<b>\$ 11,404</b>	<b>\$ 49,140</b>	<b>\$ 838,645</b>

(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 **Safe Drinking Water State Revolving Fund** accounts for loans to finance the construction of publicly owned water systems for drinking water infrastructure projects.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

**Other enterprise program funds** account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

## Combining Statement of Net Position

### Nonmajor Enterprise Funds

June 30, 2018

(amounts in thousands)

	<b>State Water Pollution Control Revolving</b>	<b>Safe Drinking Water State Revolving</b>
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments .....	\$ 611,167	\$ 218,760
Restricted assets:		
Cash and pooled investments .....	637,898	—
Due from other governments .....	155,541	—
Receivables (net) .....	—	5,323
Due from other funds .....	4,904	8,709
Due from other governments .....	137,478	51,310
Prepaid items .....	—	—
Inventories .....	—	—
Total current assets .....	<u>1,546,988</u>	<u>284,102</u>
Noncurrent assets:		
Restricted assets:		
Loans receivable .....	2,054,876	—
Investments .....	—	—
Interfund receivables .....	9,341	—
Loans receivable .....	2,093,592	1,534,201
Capital assets:		
Land .....	—	—
Buildings and other depreciable property .....	—	—
Intangible assets – amortizable .....	—	—
Less: accumulated depreciation/amortization .....	—	—
Construction/development in progress .....	—	—
Other noncurrent assets .....	—	—
Total noncurrent assets .....	<u>4,157,809</u>	<u>1,534,201</u>
<b>Total assets</b> .....	<u><b>5,704,797</b></u>	<u><b>1,818,303</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....		
<b>Total assets and deferred outflows of resources</b> .....	<u><b>\$ 5,704,797</b></u>	<u><b>\$ 1,818,303</b></u>



<b>Housing Loan</b>	<b>Other Enterprise Programs</b>	<b>Total</b>
\$ 128,909	\$ 263,769	\$ 1,222,605
—	—	637,898
—	—	155,541
34,825	1,036	41,184
127	1,126	14,866
—	386	189,174
—	91	91
—	3,309	3,309
<u>163,861</u>	<u>269,717</u>	<u>2,264,668</u>
—	—	2,054,876
18,215	—	18,215
—	8,176	17,517
929,713	88,566	4,646,072
443	829	1,272
16,260	2,950	19,210
—	1,681	1,681
(16,240)	(2,230)	(18,470)
—	187	187
5,136	—	5,136
<u>953,527</u>	<u>100,159</u>	<u>6,745,696</u>
<b>1,117,388</b>	<b>369,876</b>	<b>9,010,364</b>
9,228	14,085	23,313
<u>\$ 1,126,616</u>	<u>\$ 383,961</u>	<u>\$ 9,033,677</u>

(continued)

## Combining Statement of Net Position (continued)

### Nonmajor Enterprise Funds

June 30, 2018

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable .....	\$ 247	\$ 210
Due to other funds .....	31	8,709
Due to other governments .....	—	—
Revenues received in advance .....	4	—
Interest payable .....	16,466	—
Current portion of long-term obligations .....	83,566	—
Other current liabilities .....	—	—
<b>Total current liabilities</b> .....	<b>100,314</b>	<b>8,919</b>
Noncurrent liabilities:		
Interfund payables .....	—	—
Compensated absences payable .....	—	—
Workers' compensation benefits payable .....	—	—
General obligation bonds payable .....	—	—
Revenue bonds payable .....	1,430,322	—
Net other postemployment benefits liability .....	—	—
Net pension liability .....	—	—
Other noncurrent liabilities .....	—	—
<b>Total noncurrent liabilities</b> .....	<b>1,430,322</b>	<b>—</b>
<b>Total liabilities</b> .....	<b>1,530,636</b>	<b>8,919</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	<b>—</b>	<b>—</b>
<b>Total liabilities and deferred inflows     of resources</b> .....	<b>1,530,636</b>	<b>8,919</b>
<b>NET POSITION</b>		
Net investment in capital assets .....	—	—
Restricted – expendable:		
Debt service .....	211,650	—
Security for revenue bonds .....	2,210,416	—
Other purposes .....	—	1,809,384
<b>Total expendable</b> .....	<b>2,422,066</b>	<b>1,809,384</b>
Unrestricted .....	1,752,095	—
<b>Total net position</b> .....	<b>4,174,161</b>	<b>1,809,384</b>
<b>Total liabilities, deferred inflows of resources, and net position</b> .....	<b>\$ 5,704,797</b>	<b>\$ 1,818,303</b>

<b>Housing Loan</b>	<b>Other Enterprise Programs</b>	<b>Total</b>
\$ —	\$ 4,662	\$ 5,119
515	3,000	12,255
—	597	597
—	59	63
14,308	—	30,774
1,770	10,729	96,065
—	155	155
<b>16,593</b>	<b>19,202</b>	<b>145,028</b>
2,004	15,000	17,004
—	8,999	8,999
—	1,689	1,689
640,035	—	640,035
318,060	—	1,748,382
31,047	12,314	43,361
21,253	25,944	47,197
402	31,299	31,701
<b>1,012,801</b>	<b>95,245</b>	<b>2,538,368</b>
<b>1,029,394</b>	<b>114,447</b>	<b>2,683,396</b>
3,031	1,539	4,570
<b>1,032,425</b>	<b>115,986</b>	<b>2,687,966</b>
463	433	896
—	—	211,650
—	—	2,210,416
93,728	248,992	2,152,104
93,728	248,992	4,574,170
—	18,550	1,770,645
<b>94,191</b>	<b>267,975</b>	<b>6,345,711</b>
<b>\$ 1,126,616</b>	<b>\$ 383,961</b>	<b>\$ 9,033,677</b>
		(concluded)

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

## Nonmajor Enterprise Funds

Year Ended June 30, 2018

(amounts in thousands)

	<b>State Water Pollution Control Revolving</b>	<b>Safe Drinking Water State Revolving</b>
<b>OPERATING REVENUES</b>		
Services and sales.....	\$ 9,137	\$ —
Investment and interest .....	64,185	20,278
Other.....	—	—
<b>Total operating revenues.....</b>	<b>73,322</b>	<b>20,278</b>
<b>OPERATING EXPENSES</b>		
Personal services .....	—	12,641
Supplies.....	—	—
Services and charges .....	3,404	—
Depreciation.....	—	—
Interest expense.....	—	—
Other.....	183	9,353
<b>Total operating expenses.....</b>	<b>3,587</b>	<b>21,994</b>
Operating income (loss) .....	69,735	(1,716)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Donations and grants.....	46,304	79,828
Investment and interest income.....	13,467	2,397
Interest expense and fiscal charges .....	(28,748)	—
Other.....	—	—
<b>Total nonoperating revenues (expenses).....</b>	<b>31,023</b>	<b>82,225</b>
Income (loss) before capital contributions and transfers .....	100,758	80,509
Transfers in.....	—	—
Change in net position	100,758	80,509
<b>Total net position – beginning.....</b>	<b>4,073,403</b>	<b>1,728,875 *</b>
<b>Total net position – ending.....</b>	<b>\$ 4,174,161</b>	<b>\$ 1,809,384</b>

\* Restated

Housing Loan	Other Enterprise Programs	Total
\$ 2,043	\$ 83,262	\$ 94,442
49,097	710	134,270
1,340	404	1,744
<b>52,480</b>	<b>84,376</b>	<b>230,456</b>
12,243	27,257	52,141
—	42,364	42,364
13,700	26,156	43,260
89	301	390
31,056	—	31,056
—	—	9,536
<b>57,088</b>	<b>96,078</b>	<b>178,747</b>
<b>(4,608)</b>	<b>(11,702)</b>	<b>51,709</b>
—	—	126,132
—	2,535	18,399
—	—	(28,748)
255	—	255
255	2,535	116,038
(4,353)	(9,167)	167,747
—	1,662	1,662
(4,353)	(7,505)	169,409
<b>98,544 *</b>	<b>275,480 *</b>	<b>6,176,302</b>
<b>\$ 94,191</b>	<b>\$ 267,975</b>	<b>\$ 6,345,711</b>

## Combining Statement of Cash Flows

### Nonmajor Enterprise Funds

Year Ended June 30, 2018

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers/employers .....	\$ 59,315	\$ 19,933
Receipts from interfund services provided .....	—	—
Payments to suppliers.....	(3,650)	—
Payments to employees .....	—	(15,307)
Payments for interfund services used.....	(92)	—
Other receipts (payments) .....	(385,641)	(188,602)
<b>Net cash provided by (used in) operating activities.....</b>	<b>(330,068)</b>	<b>(183,976)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Changes in interfund receivables .....	(9,341)	—
Changes in interfund payables and loans payable.....	—	—
Proceeds from general obligation bonds .....	—	—
Retirement of general obligation bonds .....	—	—
Proceeds from revenue bonds .....	527,000	—
Retirement of revenue bonds .....	(27,350)	—
Interest paid.....	(43,386)	—
Transfers in.....	—	—
Grants received.....	46,414	73,140
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>493,337</b>	<b>73,140</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets.....	—	—
Proceeds from sale of capital assets .....	—	—
<b>Net cash provided by (used in) capital and related financing activities.....</b>	<b>—</b>	<b>—</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments.....	—	—
Proceeds from maturity and sale of investments.....	—	—
Earnings on investments .....	11,281	2,462
<b>Net cash provided by (used in) investing activities.....</b>	<b>11,281</b>	<b>2,462</b>
Net increase (decrease) in cash and pooled investments .....	174,550	(108,374)
<b>Cash and pooled investments – beginning .....</b>	<b>1,074,515</b>	<b>327,134</b>
<b>Cash and pooled investments – ending.....</b>	<b>\$ 1,249,065</b>	<b>\$ 218,760</b>

\* Restated

<b>Housing Loan</b>	<b>Other Enterprise Programs</b>	<b>Total</b>
\$ 174,128	\$ 103,979	\$ 357,355
—	3,826	3,826
(6,037)	(51,371)	(61,058)
(12,243)	(29,182)	(56,732)
—	(815)	(907)
(210,541)	(21,601)	(806,385)
<b>(54,693)</b>	<b>4,836</b>	<b>(563,901)</b>
—	(8,176)	(17,517)
—	15,000	15,000
110,257	—	110,257
(85,660)	—	(85,660)
—	—	527,000
(14,000)	—	(41,350)
—	—	(43,386)
—	1,662	1,662
—	—	119,554
<b>10,597</b>	<b>8,486</b>	<b>585,560</b>
—	(335)	(335)
—	2	2
—	<b>(333)</b>	<b>(333)</b>
(6,055)	—	(6,055)
5,804	—	5,804
—	2,535	16,278
<b>(251)</b>	<b>2,535</b>	<b>16,027</b>
(44,347)	15,524	37,353
173,256	248,245 *	1,823,150
<b>\$ 128,909</b>	<b>\$ 263,769</b>	<b>\$ 1,860,503</b>

(continued)

## Combining Statement of Cash Flows (continued)

### Nonmajor Enterprise Funds

Year Ended June 30, 2018

(amounts in thousands)

	<b>State Water Pollution Control Revolving</b>	<b>Safe Drinking Water State Revolving</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss) .....	\$ 69,735	\$ (1,716)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation .....	—	—
Provisions and allowances .....	—	—
Amortization of premiums and discounts .....	—	—
Other .....	(11,786)	—
Change in account balances:		
Receivables .....	—	—
Due from other funds .....	(92)	—
Due from other governments .....	(1,724)	(345)
Prepaid items .....	—	—
Inventories .....	—	—
Other current assets .....	—	—
Loans receivable .....	(386,138)	(188,603)
Deferred outflow of resources .....	—	—
Accounts payable .....	—	—
Due to other funds .....	(62)	6,688
Due to other governments .....	—	—
Interest payable .....	—	—
Revenues received in advance .....	(1)	—
Other current liabilities .....	—	—
Benefits payable .....	—	—
Compensated absences payable .....	—	—
Other noncurrent liabilities .....	—	—
Deferred inflows of resources .....	—	—
Total adjustments .....	<u>(399,803)</u>	<u>(182,260)</u>
<b>Net cash provided by (used in) operating activities .....</b>	<b><u>\$ (330,068)</u></b>	<b><u>\$ (183,976)</u></b>
<b>Noncash investing, capital, and financing activities</b>		
Miscellaneous noncash activities .....	\$ —	\$ —



<u>Housing Loan</u>	<u>Other Enterprise Programs</u>	<u>Total</u>
\$ (4,608)	\$ (11,702)	\$ 51,709
89	301	390
768	—	768
(300)	—	(300)
—	—	(11,786)
(302)	(431)	(733)
—	(489)	(581)
—	(138)	(2,207)
—	(79)	(79)
—	(437)	(437)
(2,022)	—	(2,022)
(51,651)	22,311	(604,081)
(1,235)	(4,834)	(6,069)
73	2,289	2,362
8	1,215	7,849
—	573	573
426	—	426
—	9	8
—	661	661
—	(6,391)	(6,391)
—	(305)	(305)
4,086	(5,750)	(1,664)
(25)	8,033	8,008
<u>(50,085)</u>	<u>16,538</u>	<u>(615,610)</u>
<u>(54,693)</u>	<u>4,836</u>	<u>(563,901)</u>
		(concluded)
\$ 1,678	\$ —	\$ 1,678

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# Private Purpose Trust Funds

*Private purpose trust funds* account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

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

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

**Other private purpose trust funds** account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

## Combining Statement of Fiduciary Net Position

### Private Purpose Trust Funds

June 30, 2018

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
<b>ASSETS</b>				
Cash and pooled investments .....	\$ —	\$ 106,738	\$ 12,902	\$ 119,640
Investments, at fair value:				
Equity securities.....	4,419,457	—	—	4,419,457
Debt securities .....	2,644,621	—	—	2,644,621
Real estate .....	256,325	—	—	256,325
Other .....	1,271,428	—	—	1,271,428
Total investments .....	8,591,831	—	—	8,591,831
Receivables (net) .....	15,919	823	—	16,742
Due from other funds .....	—	2,239	54	2,293
Other assets .....	—	207,205	—	207,205
<b>Total assets</b> .....	<b>8,607,750</b>	<b>317,005</b>	<b>12,956</b>	<b>8,937,711</b>
<b>LIABILITIES</b>				
Accounts payable .....	17,973	22,233	11,935	52,141
Deposits .....	—	207,205	—	207,205
Other liabilities .....	—	823	305	1,128
<b>Total liabilities</b> .....	<b>17,973</b>	<b>230,261</b>	<b>12,240</b>	<b>260,474</b>
<b>NET POSITION</b>				
Held in trust for individuals, organizations, or other governments .....	<b>\$ 8,589,777</b>	<b>\$ 86,744</b>	<b>\$ 716</b>	<b>\$ 8,677,237</b>

## Combining Statement of Changes in Fiduciary Net Position

### Private Purpose Trust Funds

Year Ended June 30, 2018

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
<b>ADDITIONS</b>				
Investment income:				
Net appreciation (depreciation) in fair value of investments .....	\$ 71,944	\$ —	\$ —	\$ 71,944
Interest, dividends, and other investment income....	485,351	—	—	485,351
Less: investment expense .....	(3,645)	—	—	(3,645)
Net investment income.....	553,650	—	—	553,650
Receipts from depositors.....	4,122,552	305,590	749	4,428,891
<b>Total additions</b> .....	<b>4,676,202</b>	<b>305,590</b>	<b>749</b>	<b>4,982,541</b>
<b>DEDUCTIONS</b>				
Payments to and for depositors .....	3,811,881	377,787	1,585	4,191,253
<b>Total deductions</b> .....	<b>3,811,881</b>	<b>377,787</b>	<b>1,585</b>	<b>4,191,253</b>
Change in net position .....	864,321	(72,197)	(836)	791,288
<b>Net position – beginning</b> .....	<b>7,725,456</b>	<b>158,941</b>	<b>1,552 *</b>	<b>7,885,949</b>
<b>Net position – ending</b> .....	<b>\$ 8,589,777</b>	<b>\$ 86,744</b>	<b>\$ 716</b>	<b>\$ 8,677,237</b>

\* Restated

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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, 2018

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
<b>ASSETS</b>			
Cash and pooled investments .....	\$ 1,469,377	\$ 359,923	\$ 2,447
Investments, at fair value:			
Short-term .....	21,183,042	4,960,452	39,592
Equity securities .....	163,011,734	115,337,965	—
Debt securities .....	108,439,708	38,806,392	—
Real estate .....	38,008,043	29,519,289	—
Securities lending collateral .....	6,003,421	21,931,891	—
Other .....	27,192,946	36,467,806	—
Total investments .....	363,838,894	247,023,795	39,592
Receivables (net) .....	12,436,116	3,821,987	2,557
Due from other funds .....	789,365	—	72
Due from other governments .....	—	—	—
Loans receivable .....	—	2,723,533	—
Other assets .....	502,283	276,001	—
<b>Total assets</b> .....	<b>379,036,035</b>	<b>254,205,239</b>	<b>44,668</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....	130,411	117,457	598
<b>Total assets and deferred outflows of resources</b> .....	<b>379,166,446</b>	<b>254,322,696</b>	<b>45,266</b>
<b>LIABILITIES</b>			
Accounts payable .....	10,717	3,346,989	27
Due to other governments .....	—	—	—
Benefits payable .....	105,593	263,254	—
Securities lending obligations .....	5,992,919	21,917,706	—
Loans payable .....	—	2,731,737	—
Other liabilities .....	19,056,653	1,139,097	5,585
<b>Total liabilities</b> .....	<b>25,165,882</b>	<b>29,398,783</b>	<b>5,612</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	5,063	55,278	23
<b>Total liabilities and deferred inflows of resources</b> .....	<b>25,170,945</b>	<b>29,454,061</b>	<b>5,635</b>
<b>NET POSITION</b>			
Restricted for pension and other postemployment benefits .....	353,995,501	224,868,635	39,631
Held in trust for:			
Deferred compensation participants .....	—	—	—
Individuals, organizations, or other governments .....	—	—	—
<b>Total net position</b> .....	<b>\$ 353,995,501</b>	<b>\$ 224,868,635</b>	<b>\$ 39,631</b>

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 2,472	\$ 1,416	\$ 38,567	\$ 16,574	\$ 15,682	\$	1,906,458
225	19	109,522	2,590,148	32,319		28,915,319
920,718	40,063	5,281,173	9,391,588	41,355		294,024,596
600,592	73,934	2,898,638	1,751,990	43,005		152,614,259
—	—	—	—	—		67,527,332
8,555	444	11,891	—	—		27,956,202
—	—	—	2,736,585	—		66,397,337
1,530,090	114,460	8,301,224	16,470,311	116,679		637,435,045
7,497	121	38,322	31,319	714		16,338,633
46	—	42	68	67		789,660
—	—	—	7	—		7
—	—	—	4,331	—		2,727,864
—	—	—	—	—		778,284
<b>1,540,105</b>	<b>115,997</b>	<b>8,378,155</b>	<b>16,522,610</b>	<b>133,142</b>		<b>659,975,951</b>
741	198	1,222	1,369	239		252,235
<b>1,540,846</b>	<b>116,195</b>	<b>8,379,377</b>	<b>16,523,979</b>	<b>133,381</b>		<b>660,228,186</b>
3	11	—	3,344	2,983		3,364,074
—	—	—	—	—		—
—	49	61,386	2,963	740		433,985
8,540	443	11,870	—	—		27,931,478
—	—	—	—	—		2,731,737
6,760	1,808	11,902	12,819	2,385		20,237,009
<b>15,303</b>	<b>2,311</b>	<b>85,158</b>	<b>19,126</b>	<b>6,108</b>		<b>54,698,283</b>
29	8	47	451	150		61,049
<b>15,332</b>	<b>2,319</b>	<b>85,205</b>	<b>19,577</b>	<b>6,258</b>		<b>54,759,332</b>
1,525,514	113,876	8,294,172	—	116,135		588,953,464
—	—	—	16,504,402	—		16,504,402
—	—	—	—	10,988		10,988
<b>\$ 1,525,514</b>	<b>\$ 113,876</b>	<b>\$ 8,294,172</b>	<b>\$ 16,504,402</b>	<b>\$ 127,123</b>	<b>\$</b>	<b>605,468,854</b>

## 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, 2018

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
<b>ADDITIONS</b>			
Contributions:			
Employer .....	\$ 19,917,796	\$ 4,866,661	\$ 199,241
Plan member .....	4,415,129	3,496,245	3,062
Non-employer .....	—	2,796,673	—
Total contributions .....	24,332,925	11,159,579	202,303
Investment income:			
Net appreciation (depreciation) in fair value of investments .....	24,906,678	13,653,813	—
Interest, dividends, and other investment income .....	3,720,761	5,710,958	848
Less: investment expense .....	(1,065,798)	(691,234)	(3)
Net investment income (loss) .....	27,561,641	18,673,537	845
Other .....	8,030	105,144	2,533
<b>Total additions</b> .....	<b>51,902,596</b>	<b>29,938,260</b>	<b>205,681</b>
<b>DEDUCTIONS</b>			
Distributions to beneficiaries .....	22,654,444	14,432,810	207,815
Refunds of contributions .....	286,979	103,886	8
Administrative expense .....	505,513	217,761	2,106
Interest expense .....	—	94,249	—
Payments to and for depositors .....	—	—	—
<b>Total deductions</b> .....	<b>23,446,936</b>	<b>14,848,706</b>	<b>209,929</b>
Change in net position .....	28,455,660	15,089,554	(4,248)
<b>Net position – beginning</b> .....	<b>325,539,841 *</b>	<b>209,779,081 *</b>	<b>43,879 *</b>
<b>Net position – ending</b> .....	<b>\$ 353,995,501</b>	<b>\$ 224,868,635</b>	<b>\$ 39,631</b>

\* Restated

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 79,699	\$ 467	\$ 3,915,969	\$ 1,431	\$ 28,218	\$	29,009,482
27,513	82	—	779,073	42,226		8,763,330
—	—	—	—	—		2,796,673
107,212	549	3,915,969	780,504	70,444		40,569,485
101,529	5,492	532,134	1,265,004	4,271		40,468,921
1,339	66	1,853	18,975	152		9,454,952
(1,048)	(72)	(3,335)	(589)	(43)		(1,762,122)
101,820	5,486	530,652	1,283,390	4,380		48,161,751
—	—	6,522	21,177	2,775		146,181
<b>209,032</b>	<b>6,035</b>	<b>4,453,143</b>	<b>2,085,071</b>	<b>77,599</b>		<b>88,877,417</b>
31,745	6,918	2,907,220	49,892	70,618		40,361,462
50	—	—	5,702	—		396,625
2,370	671	3,862	24,046	3,028		759,357
—	—	—	—	—		94,249
—	—	30,193	482,859	9,046		522,098
<b>34,165</b>	<b>7,589</b>	<b>2,941,275</b>	<b>562,499</b>	<b>82,692</b>		<b>42,133,791</b>
174,867	(1,554)	1,511,868	1,522,572	(5,093)		46,743,626
<b>1,350,647 *</b>	<b>115,430 *</b>	<b>6,782,304 *</b>	<b>14,981,830 *</b>	<b>132,216 *</b>		<b>558,725,228</b>
<b>\$ 1,525,514</b>	<b>\$ 113,876</b>	<b>\$ 8,294,172</b>	<b>\$ 16,504,402</b>	<b>\$ 127,123</b>	<b>\$</b>	<b>605,468,854</b>

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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, 2018

(amounts in thousands)

	<b>Receiving and Disbursing</b>	<b>Deposit</b>	<b>Other Agency Activities</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and pooled investments.....	\$ 3,178,764	\$ 1,173,977	\$ 26,343	\$ 4,379,084
Receivables (net).....	4,177,966	435,109	4,385	4,617,460
Due from other funds.....	22,758,821	48,921	2,471	22,810,213
Due from other governments.....	35,854	—	—	35,854
Interfund receivable.....	18,941	226,524	3,076	248,541
Loans receivable.....	—	—	3,636	3,636
Other assets.....	33	37,015	—	37,048
<b>Total assets.....</b>	<b>\$ 30,170,379</b>	<b>\$ 1,921,546</b>	<b>\$ 39,911</b>	<b>\$ 32,131,836</b>
<b>LIABILITIES</b>				
Accounts payable.....	\$ 20,690,688	\$ 51,760	\$ 6,595	\$ 20,749,043
Due to other governments.....	9,430,935	3,593	6,992	9,441,520
Tax overpayments.....	487	—	—	487
Revenues received in advance.....	—	728	—	728
Deposits.....	35,077	1,150,571	11,758	1,197,406
Other liabilities.....	13,192	714,894	14,566	742,652
<b>Total liabilities.....</b>	<b>\$ 30,170,379</b>	<b>\$ 1,921,546</b>	<b>\$ 39,911</b>	<b>\$ 32,131,836</b>



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## Combining Statement of Changes in Fiduciary Assets and Liabilities

### Agency Funds

Year Ended June 30, 2018

(amounts in thousands)

#### Receipting and Disbursing Fund

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>ASSETS</b>				
Cash and pooled investments .....	\$ 2,657,727	\$ 217,304,349	\$ 216,783,312	\$ 3,178,764
Receivables (net) .....	3,477,332	6,441,841	5,741,207	4,177,966
Due from other funds .....	19,628,211	37,843,159	34,712,549	22,758,821
Due from other governments .....	36,903	26,322	27,371	35,854
Interfund receivable .....	—	18,941	—	18,941
Other assets .....	55	—	22	33
<b>Total assets</b> .....	<b>\$ 25,800,228</b>	<b>\$ 261,634,612</b>	<b>\$ 257,264,461</b>	<b>\$ 30,170,379</b>
<b>LIABILITIES</b>				
Accounts payable .....	\$ 17,917,915	\$ 57,014,578	\$ 54,241,805	\$ 20,690,688
Due to other governments .....	7,833,556	146,330,964	144,733,585	9,430,935
Tax overpayments .....	832	134,613	134,958	487
Deposits .....	36,312	156,428	157,663	35,077
Other liabilities .....	11,613	24,122	22,543	13,192
<b>Total liabilities</b> .....	<b>\$ 25,800,228</b>	<b>\$ 203,660,705</b>	<b>\$ 199,290,554</b>	<b>\$ 30,170,379</b>

#### Deposit Fund

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>ASSETS</b>				
Cash and pooled investments .....	\$ 1,792,052	\$ 29,161,802	\$ 29,779,877	\$ 1,173,977
Receivables (net) .....	254,650	1,264,062	1,083,603	435,109
Due from other funds .....	4,082	120,447	75,608	48,921
Due from other governments .....	263	17	280	—
Interfund receivable .....	—	226,524	—	226,524
Other assets .....	37,015	—	—	37,015
<b>Total assets</b> .....	<b>\$ 2,088,062</b>	<b>\$ 30,772,852</b>	<b>\$ 30,939,368</b>	<b>\$ 1,921,546</b>
<b>LIABILITIES</b>				
Accounts payable .....	\$ 91,472	\$ 163,959	\$ 203,671	\$ 51,760
Due to other governments .....	4,443	522	1,372	3,593
Revenues received in advance .....	794	—	66	728
Deposits .....	1,133,066	15,903,067	15,885,562	1,150,571
Other liabilities .....	858,287	12,047,330	12,190,723	714,894
<b>Total liabilities</b> .....	<b>\$ 2,088,062</b>	<b>\$ 28,114,878</b>	<b>\$ 28,281,394</b>	<b>\$ 1,921,546</b>

**Other Agency Activity Funds**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
<b>ASSETS</b>				
Cash and pooled investments.....	\$ 27,470	\$ 31,923	\$ 33,050	\$ 26,343
Receivables (net).....	1,460	2,925	—	4,385
Due from other funds.....	802	2,202	533	2,471
Interfund receivable.....	—	3,076	—	3,076
Loans receivable.....	4,328	900	1,592	3,636
<b>Total assets.....</b>	<b>\$ 34,060</b>	<b>\$ 41,026</b>	<b>\$ 35,175</b>	<b>\$ 39,911</b>
<b>LIABILITIES</b>				
Accounts payable.....	\$ 3,787	\$ 3,578	\$ 770	\$ 6,595
Due to other governments.....	6,569	12,707	12,284	6,992
Deposits.....	10,344	4,159	2,745	11,758
Other liabilities.....	13,360	1,268	62	14,566
<b>Total liabilities.....</b>	<b>\$ 34,060</b>	<b>\$ 21,712</b>	<b>\$ 15,861</b>	<b>\$ 39,911</b>

**Total Agency Funds**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
<b>ASSETS</b>				
Cash and pooled investments.....	\$ 4,477,249	\$ 246,498,074	\$ 246,596,239	\$ 4,379,084
Receivables (net).....	3,733,442	7,708,828	6,824,810	4,617,460
Due from other funds.....	19,633,095	37,965,808	34,788,690	22,810,213
Due from other governments.....	37,166	26,339	27,651	35,854
Interfund receivable.....	—	248,541	—	248,541
Loans receivable.....	4,328	900	1,592	3,636
Other assets.....	37,070	—	22	37,048
<b>Total assets.....</b>	<b>\$ 27,922,350</b>	<b>\$ 292,448,490</b>	<b>\$ 288,239,004</b>	<b>\$ 32,131,836</b>
<b>LIABILITIES</b>				
Accounts payable.....	\$ 18,013,174	\$ 57,182,115	\$ 54,446,246	\$ 20,749,043
Due to other governments.....	7,844,568	146,344,193	144,747,241	9,441,520
Tax overpayments.....	832	134,613	134,958	487
Revenues received in advance.....	794	—	66	728
Deposits.....	1,179,722	16,063,654	16,045,970	1,197,406
Other liabilities.....	883,260	12,072,720	12,213,328	742,652
<b>Total liabilities.....</b>	<b>\$ 27,922,350</b>	<b>\$ 231,797,295</b>	<b>\$ 227,587,809</b>	<b>\$ 32,131,836</b>

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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, 2017.

**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, 2018

(amounts in thousands)

	<b>Financing Authorities</b>	<b>California State University Auxiliary Organizations</b>
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments .....	\$ 4,131	\$ 478,578
Investments .....	—	574,360
Restricted assets:		
Cash and pooled investments .....	332,709	—
Investments .....	45,806	—
Receivables (net) .....	20,940	471,542
Prepaid items .....	331	—
Other current assets .....	—	35,273
Total current assets .....	<u>403,917</u>	<u>1,559,753</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments .....	—	39,908
Investments .....	64,373	—
Investments .....	—	2,049,498
Receivables (net) .....	—	232,399
Loans receivable .....	347,674	—
Long-term prepaid charges .....	—	—
Capital assets:		
Land .....	—	129,245
Collections – nondepreciable .....	—	12,474
Buildings and other depreciable property .....	9	1,219,965
Intangible assets – amortizable .....	—	9,288
Less: accumulated depreciation/amortization .....	(5)	(597,854)
Construction/development in progress .....	—	55,434
Intangible assets – nonamortizable .....	—	5,098
Other noncurrent assets .....	—	36,869
Total noncurrent assets .....	<u>412,051</u>	<u>3,192,324</u>
<b>Total assets</b> .....	<b><u>815,968</u></b>	<b><u>4,752,077</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>7,739</b>	<b>37,782</b>
<b>Total assets and deferred outflows of resources</b> .....	<b><u>\$ 823,707</u></b>	<b><u>\$ 4,789,859</u></b>

District Agricultural Associations	Other Component Units	Total
\$ 104,117	\$ 675,388	\$ 1,262,214
—	—	574,360
10,989	3,585	347,283
3,296	—	49,102
7,422	35,975	535,879
1,054	2,613	3,998
87	—	35,360
<u>126,965</u>	<u>717,561</u>	<u>2,808,196</u>
—	—	39,908
3,306	—	67,679
—	74,350	2,123,848
—	783	233,182
—	2,817	350,491
—	142	142
22,246	5,089	156,580
—	421	12,895
753,061	127,614	2,100,649
—	935	10,223
(485,528)	(53,279)	(1,136,666)
13,810	4,486	73,730
197	116	5,411
532	9,273	46,674
<u>307,624</u>	<u>172,747</u>	<u>4,084,746</u>
<b><u>434,589</u></b>	<b><u>890,308</u></b>	<b><u>6,892,942</u></b>
26,293	18,125	89,939
<b><u>\$ 460,882</u></b>	<b><u>\$ 908,433</u></b>	<b><u>\$ 6,982,881</u></b>

(continued)

## Combining Statement of Net Position (continued)

### Nonmajor Component Units

June 30, 2018

(amounts in thousands)

	<b>Financing Authorities</b>	<b>California State University Auxiliary Organizations</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable .....	\$ 1,367	\$ 92,403
Revenues received in advance .....	—	77,605
Deposits .....	—	—
Contracts and notes payable .....	—	13,116
Interest payable .....	3,593	—
Current portion of long-term obligations .....	13,917	232,198
Other current liabilities .....	41,647	102,412
<b>Total current liabilities</b> .....	<b>60,524</b>	<b>517,734</b>
Noncurrent liabilities:		
Compensated absences payable .....	322	5,554
Workers' compensation benefits payable .....	—	31,151
Loans payable .....	1,037	—
Commercial paper and other borrowings .....	—	2,926
Capital lease obligations .....	—	237,440
Revenue bonds payable .....	335,145	47,221
Net other postemployment benefits liability .....	14,243	121,645
Net pension liability .....	9,725	82,280
Other noncurrent liabilities .....	30,428	486,686
<b>Total noncurrent liabilities</b> .....	<b>390,900</b>	<b>1,014,903</b>
<b>Total liabilities</b> .....	<b>451,424</b>	<b>1,532,637</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	<b>1,738</b>	<b>45,034</b>
<b>Total liabilities and deferred inflows of resources</b> .....	<b>453,162</b>	<b>1,577,671</b>
<b>NET POSITION</b>		
Net investment in capital assets .....	—	259,778
Restricted:		
Nonexpendable – endowments .....	—	1,274,214
Expendable:		
Endowments and gifts .....	—	—
Education .....	—	1,025,148
Statute .....	372,287	—
Other purposes .....	4	—
<b>Total expendable</b> .....	<b>372,291</b>	<b>1,025,148</b>
Unrestricted .....	(1,746)	653,048
<b>Total net position</b> .....	<b>370,545</b>	<b>3,212,188</b>
<b>Total liabilities, deferred inflows of resources, and net position</b> .....	<b>\$ 823,707</b>	<b>\$ 4,789,859</b>



District Agricultural Associations	Other Component Units	Total
\$ 11,609	\$ 667,237	\$ 772,616
4,203	1,059	82,867
1,454	346	1,800
237	—	13,353
516	—	4,109
1,777	1,841	249,733
3,546	3,200	150,805
<u>23,342</u>	<u>673,683</u>	<u>1,275,283</u>
9,864	—	15,740
414	—	31,565
—	—	1,037
—	—	2,926
—	—	237,440
43,611	19,909	445,886
9,452	83,795	229,135
105,742	58,203	255,950
6,042	18,239	541,395
<u>175,125</u>	<u>180,146</u>	<u>1,761,074</u>
<b>198,467</b>	<b>853,829</b>	<b>3,036,357</b>
784	21,842	69,398
<u>199,251</u>	<u>875,671</u>	<u>3,105,755</u>
252,558	65,195	577,531
—	24,036	1,298,250
—	11,873	11,873
—	20,762	1,045,910
—	—	372,287
16,884	—	16,888
<u>16,884</u>	<u>32,635</u>	<u>1,446,958</u>
(7,811)	(89,104)	554,387
<u>261,631</u>	<u>32,762</u>	<u>3,877,126</u>
<b>\$ 460,882</b>	<b>\$ 908,433</b>	<b>\$ 6,982,881</b>

(concluded)

## Combining Statement of Activities

### Nonmajor Component Units

Year Ended June 30, 2018

(amounts in thousands)

	<b>Financing Authorities</b>	<b>California State University Auxiliary Organizations</b>
<b>OPERATING EXPENSES</b>		
Personal services.....	\$ 4,855	\$ 379,382
Scholarships and fellowships.....	—	70,329
Supplies .....	—	—
Services and charges.....	8,166	1,212,192
Depreciation.....	2	52,604
Interest expense and fiscal charges.....	11,197	21,343
Other .....	—	91,424
<b>Total operating expenses.....</b>	<b>24,220</b>	<b>1,827,274</b>
<b>PROGRAM REVENUES</b>		
Charges for services.....	2,179	750,071
Operating grants and contributions.....	861	668,654
Capital grants and contributions .....	—	13,643
<b>Total program revenues.....</b>	<b>3,040</b>	<b>1,432,368</b>
Net revenues (expenses).....	(21,180)	(394,906)
<b>GENERAL REVENUES</b>		
Investment and interest income (loss) .....	14,619	133,703
Other .....	3,126	437,411
<b>Total general revenues.....</b>	<b>17,745</b>	<b>571,114</b>
Change in net position.....	(3,435)	176,208
<b>Net position – beginning .....</b>	<b>373,980 *</b>	<b>3,035,980 *</b>
<b>Net position – ending.....</b>	<b>\$ 370,545</b>	<b>\$ 3,212,188</b>

\* Restated

District Agricultural Associations	Other Component Units	Total
\$ 119,570	\$ 35,562	\$ 539,369
—	4,270	74,599
—	11,532	11,532
118,197	36,383	1,374,938
20,097	2,986	75,689
1,791	1,396	35,727
466	7,910	99,800
<b>260,121</b>	<b>100,039</b>	<b>2,211,654</b>
260,775	61,300	1,074,325
—	15,846	685,361
239	696	14,578
<b>261,014</b>	<b>77,842</b>	<b>1,774,264</b>
893	(22,197)	(437,390)
221	10,510	159,053
4,078	11,405	456,020
<b>4,299</b>	<b>21,915</b>	<b>615,073</b>
5,192	(282)	177,683
<b>256,439</b>	<b>33,044 *</b>	<b>3,699,443</b>
<b>\$ 261,631</b>	<b>\$ 32,762</b>	<b>\$ 3,877,126</b>

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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)

	<u>2009</u>	<u>2010</u>	<u>2011<sup>2</sup></u>	<u>2012</u>
<b>Governmental activities</b>				
Net investment in capital assets .....	\$ 83,285,184	\$ 84,085,632	\$ 85,460,957	\$ 80,768,527
Restricted – Expendable.....	8,391,814	14,987,867	27,865,821	24,871,510
Unrestricted <sup>1</sup> .....	(86,302,434)	(103,272,097)	(123,783,314)	(123,897,753)
<b>Total governmental activities net position (deficit).....</b>	<b><u>\$ 5,374,564</u></b>	<b><u>\$ (4,198,598)</u></b>	<b><u>\$ (10,456,536)</u></b>	<b><u>\$ (18,257,716)</u></b>
<b>Business-type activities</b>				
Net investment in capital assets .....	\$ (130,634)	\$ 89,334	\$ 1,382,957	\$ 1,561,258
Restricted – Nonexpendable .....	—	—	21,812	21,584
Restricted – Expendable.....	3,855,051	3,404,682	3,615,945	4,571,036
Unrestricted .....	717,740	(4,250,609)	(4,214,494)	(3,346,849)
<b>Total business-type activities net position (deficit).....</b>	<b><u>\$ 4,442,157</u></b>	<b><u>\$ (756,593)</u></b>	<b><u>\$ 806,220</u></b>	<b><u>\$ 2,807,029</u></b>
<b>Primary government</b>				
Net investment in capital assets .....	\$ 83,154,550	\$ 84,174,966	\$ 86,843,914	\$ 82,329,785
Restricted – Nonexpendable .....	—	—	21,812	21,584
Restricted – Expendable.....	12,246,865	18,392,549	31,481,766	29,442,546
Unrestricted .....	(85,584,694)	(107,522,706)	(127,997,808)	(127,244,602)
<b>Total primary government net position (deficit).....</b>	<b><u>\$ 9,816,721</u></b>	<b><u>\$ (4,955,191)</u></b>	<b><u>\$ (9,650,316)</u></b>	<b><u>\$ (15,450,687)</u></b>

<sup>1</sup> Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities and unfunded employee-related obligations—net pension liability, net other postemployment benefits (OPEB) liability and compensated absences.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.



<b>2013</b>	<b>2014<sup>3</sup></b>	<b>2015<sup>4</sup></b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>5</sup></b>
\$ 84,931,030	\$ 94,001,659	\$ 100,694,652	\$ 104,596,917	\$ 107,042,274	\$ 109,614,321
24,315,913	24,950,740	26,632,502	29,060,971	33,832,232	35,053,202
(117,383,903)	(116,948,128)	(169,744,967)	(168,542,861)	(169,499,683)	(213,316,033)
<b>\$ (8,136,960)</b>	<b>\$ 2,004,271</b>	<b>\$ (42,417,813)</b>	<b>\$ (34,884,973)</b>	<b>\$ (28,625,177)</b>	<b>\$ (68,648,510)</b>
\$ 1,718,648	\$ 2,065,550	\$ 2,278,252	\$ 2,520,621	\$ 2,295,270	\$ 2,469,723
20,627	16,219	13,448	8,653	1,746	1,708
5,151,915	4,897,314	4,523,496	5,750,634	6,307,218	12,083,737
(2,824,738)	(1,661,692)	(5,360,817)	(3,707,406)	(1,321,132)	(16,464,573)
<b>\$ 4,066,452</b>	<b>\$ 5,317,391</b>	<b>\$ 1,454,379</b>	<b>\$ 4,572,502</b>	<b>\$ 7,283,102</b>	<b>\$ (1,909,405)</b>
\$ 86,649,678	\$ 96,067,209	\$ 102,972,904	\$ 107,117,538	\$ 109,337,544	\$ 112,084,044
20,627	16,219	13,448	8,653	1,746	1,708
29,467,828	29,848,054	31,155,998	34,811,605	40,139,450	47,136,939
(120,208,641)	(118,609,820)	(175,105,784)	(172,250,267)	(170,820,815)	(229,780,606)
<b>\$ (4,070,508)</b>	<b>\$ 7,321,662</b>	<b>\$ (40,963,434)</b>	<b>\$ (30,312,471)</b>	<b>\$ (21,342,075)</b>	<b>\$ (70,557,915)</b>

## Schedule of Changes in Net Position

### For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2009	2010	2011 <sup>4</sup>	2012
<b>Governmental activities</b>				
<b>Expenses</b>				
General government .....	\$ 13,895,948	\$ 12,454,969	\$ 13,520,557	\$ 14,411,737
Education .....	65,643,486	61,764,385	56,486,944	51,288,647
Health and human services .....	79,077,015	80,799,454	92,475,364	89,939,730
Natural resources and environmental protection .....	5,626,359	6,019,104	5,853,278	5,950,635
Business, consumer services, and housing .....	1,518,402	979,962	1,405,019	1,241,269
Transportation .....	11,980,315	14,155,767	11,119,644	13,719,927
Corrections and rehabilitation .....	10,835,203	10,310,229	10,295,564	10,343,574
Interest on long-term debt .....	3,801,283	4,146,259	4,377,064	4,365,181
<b>Total expenses</b> .....	<b>192,378,011</b>	<b>190,630,129</b>	<b>195,533,434</b>	<b>191,260,700</b>
<b>Program revenues</b>				
Charges for services:				
General government .....	4,781,126	4,918,132	5,057,082	6,841,334
Education .....	3,483,072	4,231,692	110,423	81,212
Health and human services .....	4,256,069	3,769,794	8,471,261	4,940,650
Natural resources and environmental protection .....	2,578,738	2,597,712	2,797,264	2,866,232
Business, consumer services, and housing .....	658,486	654,034	660,196	724,222
Transportation .....	4,210,461	5,420,261	4,010,433	4,342,668
Corrections and rehabilitation .....	21,592	18,097	14,981	16,757
Operating grants/contributions .....	57,828,622	75,469,783	67,849,215	58,777,006
Capital grants/contributions .....	1,142,691	962,388	1,272,326	2,193,189
<b>Total program revenues</b> .....	<b>78,960,857</b>	<b>98,041,893</b>	<b>90,243,181</b>	<b>80,783,270</b>
<b>Total governmental activities net program expenses</b>	<b>(113,417,154)</b>	<b>(92,588,236)</b>	<b>(105,290,253)</b>	<b>(110,477,430)</b>
<b>General revenues and other changes in net position</b>				
General revenues:				
Personal income taxes .....	45,709,344	43,866,857	51,719,107	54,368,347
Sales and use taxes .....	31,244,979	33,784,106	33,521,221	31,216,438
Corporation taxes .....	10,741,140	9,472,611	9,384,416	8,629,935
Motor vehicle excise taxes <sup>1</sup> .....	—	—	—	5,263,435
Insurance taxes .....	2,063,555	2,235,251	2,311,880	2,408,473
Managed care organization enrollment tax <sup>2</sup> .....	—	—	—	—
Other taxes <sup>1</sup> .....	5,264,685	5,234,531	7,768,010	2,368,748
Investment and interest .....	175,584	114,933	62,946	72,237
Escheat .....	315,642	149,996	229,146	372,215
Gain (loss) on early extinguishment of debt <sup>3</sup> .....	—	—	—	—
Transfers .....	21,015	(13,441,875)	(3,251,598)	(2,031,032)
<b>Total general revenues and other changes in net position</b> .....	<b>95,535,944</b>	<b>81,416,410</b>	<b>101,745,128</b>	<b>102,668,796</b>
<b>Total governmental activities change in net position</b>	<b>\$ (17,881,210)</b>	<b>\$ (11,171,826)</b>	<b>\$ (3,545,125)</b>	<b>\$ (7,808,634)</b>

<sup>1</sup> Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

<sup>2</sup> 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.

<sup>3</sup> In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds.

<sup>4</sup> In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

<sup>5</sup> In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

<sup>6</sup> In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

	2013	2014 <sup>5</sup>	2015	2016	2017	2018 <sup>6</sup>
\$	15,390,100	\$ 14,292,179	\$ 15,804,281	\$ 16,686,037	\$ 17,400,482	\$ 18,378,216
	50,586,387	54,719,677	59,521,018	65,467,497	67,377,805	70,280,444
	94,069,749	105,037,102	122,063,805	127,543,288	135,090,171	137,828,737
	5,670,922	5,854,685	6,419,591	6,988,442	7,342,079	8,304,162
	1,475,486	589,715	903,782	814,676	1,163,511	1,258,104
	12,836,192	13,427,229	12,897,591	12,120,820	12,947,296	14,259,461
	10,081,736	11,234,705	11,483,573	11,875,294	13,086,499	14,921,295
	4,349,632	4,699,265	4,880,625	4,231,581	4,191,283	4,154,485
	<b>194,460,204</b>	<b>209,854,557</b>	<b>233,974,266</b>	<b>245,727,635</b>	<b>258,599,126</b>	<b>269,384,904</b>
	6,196,586	5,994,608	6,502,363	6,525,736	5,825,533	5,726,900
	64,480	67,165	53,498	66,298	74,548	37,147
	8,761,781	7,961,897	8,259,696	10,630,859	11,638,503	12,968,379
	3,269,315	3,403,524	4,546,413	4,823,861	3,998,751	6,319,879
	682,503	586,055	626,960	823,189	844,445	957,885
	4,082,616	4,247,258	4,382,901	4,532,300	4,611,244	6,053,140
	45,153	13,645	18,557	19,411	17,988	39,887
	60,943,536	69,861,130	84,896,237	86,628,827	89,497,290	87,812,627
	1,669,021	1,515,890	1,319,430	1,480,351	3,027,780	1,882,595
	<b>85,714,991</b>	<b>93,651,172</b>	<b>110,606,055</b>	<b>115,530,832</b>	<b>119,536,082</b>	<b>121,798,439</b>
	<b>(108,745,213)</b>	<b>(116,203,385)</b>	<b>(123,368,211)</b>	<b>(130,196,803)</b>	<b>(139,063,044)</b>	<b>(147,586,465)</b>
	67,502,738	68,793,292	78,098,865	80,303,076	85,712,013	94,460,551
	33,839,065	36,477,724	38,224,080	39,121,061	38,726,332	39,784,494
	7,289,910	9,102,128	10,720,647	9,213,173	11,128,198	12,608,756
	5,219,605	5,777,167	5,393,994	5,028,589	4,878,953	6,680,858
	2,295,579	3,359,043	3,926,319	4,203,885	2,719,489	2,754,056
	—	—	—	—	2,282,313	2,397,531
	2,498,248	2,302,231	2,235,498	2,158,874	2,574,456	3,573,848
	57,285	80,969	58,016	131,615	149,135	297,782
	551,580	487,937	400,807	304,960	325,755	378,180
	—	(54,537)	—	40,516	30,986	—
	(1,997,759)	(2,296,010)	(2,554,970)	(2,800,101)	(3,083,437)	(4,339,995)
	<b>117,256,251</b>	<b>124,029,944</b>	<b>136,503,256</b>	<b>137,705,648</b>	<b>145,444,193</b>	<b>158,596,061</b>
\$	<b>8,511,038</b>	<b>7,826,559</b>	<b>13,135,045</b>	<b>7,508,845</b>	<b>6,381,149</b>	<b>11,009,596</b>

(continued)

## Schedule of Changes in Net Position (continued)

### For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2009	2010	2011	2012
<b>Business-type activities</b>				
<b>Expenses</b>				
Electric Power .....	\$ 4,560,000	\$ 3,908,000	\$ 2,317,000	\$ 915,000
Water Resources.....	914,837	1,069,662	1,115,793	1,047,574
Public Buildings Construction <sup>5</sup> .....	420,465	494,332	390,173	403,853
State Lottery .....	3,069,365	3,166,447	3,507,524	4,431,709
Unemployment Programs .....	19,609,068	29,614,598	25,619,138	21,111,658
California State University <sup>4</sup> .....	—	—	5,851,355	6,181,397
High Technology Education.....	15,590	15,025	9,590	7,778
State University Dormitory Building Maintenance and Equipment.....	486,349	856,106	—	—
State Water Pollution Control Revolving.....	12,261	16,893	10,953	8,780
Safe Drinking Water State Revolving <sup>6</sup> .....	—	—	—	—
Housing Loan.....	130,777	122,114	104,667	89,570
Other enterprise programs.....	147,441	130,329	118,006	78,601
<b>Total expenses</b> .....	<b>29,366,153</b>	<b>39,393,506</b>	<b>39,044,199</b>	<b>34,275,920</b>
<b>Program revenues</b>				
Charges for services:				
Electric Power.....	4,560,000	3,908,000	2,317,000	915,000
Water Resources.....	914,837	1,069,662	1,115,793	1,047,574
Public Buildings Construction <sup>5</sup> .....	366,151	430,069	456,467	428,260
State Lottery.....	3,051,320	3,145,259	3,484,689	4,484,291
Unemployment Programs .....	14,273,975	11,255,098	24,678,783	21,947,781
California State University <sup>4</sup> .....	—	—	2,505,545	2,915,123
High Technology Education .....	15,975	13,015	10,498	8,452
State University Dormitory Building Maintenance and Equipment .....	811,454	599,571	—	—
State Water Pollution Control Revolving .....	59,923	56,121	55,957	57,540
Safe Drinking Water State Revolving <sup>6</sup> .....	—	—	—	—
Housing Loan.....	109,636	85,321	89,224	84,830
Other enterprise programs .....	124,952	98,957	105,676	74,693
Operating grants/contributions.....	—	—	1,216,808	1,249,995
Capital grants/contributions .....	71,882	91,808	86,272	106,057
<b>Total program revenues</b> .....	<b>24,360,105</b>	<b>20,752,881</b>	<b>36,122,712</b>	<b>33,319,596</b>
<b>Total business-type activities net program revenues (expenses)</b> .....	<b>(5,006,048)</b>	<b>(18,640,625)</b>	<b>(2,921,487)</b>	<b>(956,324)</b>
<b>Other changes in net position</b>				
Gain (loss) on early extinguishment of debt <sup>3</sup> .....	—	—	—	—
Transfers.....	(21,015)	13,441,875	3,251,598	2,031,032
<b>Total business-type activities change in net position</b> .....	<b>(5,027,063)</b>	<b>(5,198,750)</b>	<b>330,111</b>	<b>1,074,708</b>
<b>Total primary government change in net position</b> .....	<b>\$ (22,908,273)</b>	<b>\$ (16,370,576)</b>	<b>\$ (3,215,014)</b>	<b>\$ (6,733,926)</b>

	2013	2014	2015	2016	2017	2018 <sup>6</sup>
\$	488,000	\$ 835,000	\$ 799,000	\$ 728,000	\$ 945,000	\$ 952,000
	1,127,195	983,048	1,019,378	1,086,650	1,223,340	1,221,866
	410,404	—	—	—	—	—
	4,499,451	5,078,935	5,560,299	6,315,957	6,271,875	7,006,591
	17,599,219	13,673,403	11,390,227	11,458,966	11,907,623	12,133,531
	6,196,541	6,544,936	6,847,789	7,199,277	8,001,396	9,806,114
	6,568	847	—	—	—	—
	—	—	—	—	—	—
	3,698	5,072	9,082	11,814	17,112	32,335
	—	—	—	—	—	21,994
	70,356	57,206	58,280	55,627	62,885	57,088
	58,578	79,641	77,475	84,188	75,397	96,078
	<b>30,460,010</b>	<b>27,258,088</b>	<b>25,761,530</b>	<b>26,940,479</b>	<b>28,504,628</b>	<b>31,327,597</b>
	488,000	835,000	799,000	728,000	945,000	952,000
	1,127,195	983,048	1,019,378	1,086,650	1,223,340	1,221,866
	616,041	—	—	—	—	—
	4,445,921	5,077,976	5,553,418	6,367,902	6,213,074	6,975,168
	18,597,962	15,167,258	13,402,902	13,866,028	14,437,094	15,594,045
	2,891,432	3,014,030	3,113,988	3,172,154	3,224,919	3,387,420
	5,585	424	—	—	—	—
	—	—	—	—	—	—
	60,173	62,985	65,959	70,245	75,912	86,789
	—	—	—	—	—	22,675
	66,050	65,247	57,742	53,617	52,842	52,735
	80,540	77,671	78,625	82,029	93,177	86,911
	1,323,345	1,491,559	1,666,292	1,764,962	1,805,406	2,132,665
	142,304	80,903	107,746	66,914	61,027	—
	<b>29,844,548</b>	<b>26,856,101</b>	<b>25,865,050</b>	<b>27,258,501</b>	<b>28,131,791</b>	<b>30,512,274</b>
	<b>(615,462)</b>	<b>(401,987)</b>	<b>103,520</b>	<b>318,022</b>	<b>(372,837)</b>	<b>(815,323)</b>
	—	(26,913)	—	—	—	—
	1,997,759	2,296,010	2,554,970	2,800,101	3,083,437	4,339,995
	<b>1,382,297</b>	<b>1,867,110</b>	<b>2,658,490</b>	<b>3,118,123</b>	<b>2,710,600</b>	<b>3,524,672</b>
\$	<b>9,893,335</b>	<b>9,693,669</b>	<b>15,793,535</b>	<b>10,626,968</b>	<b>9,091,749</b>	<b>14,534,268</b>

(concluded)

## Schedule of Fund Balances – Governmental Funds

### For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011<sup>1</sup></u>	<u>2012</u>
<b>General Fund</b>				
Reserved .....	\$ 2,260,504	\$ 1,320,782	\$ —	\$ —
Unreserved.....	(18,344,400)	(20,929,640)	—	—
Nonspendable .....	—	—	148,019	7,614
Restricted.....	—	—	156,496	80,849
Committed .....	—	—	29,850	19,600
Unassigned .....	—	—	(20,273,606)	(23,069,351)
<b>Total General Fund .....</b>	<b><u>\$ (16,083,896)</u></b>	<b><u>\$ (19,608,858)</u></b>	<b><u>\$ (19,939,241)</u></b>	<b><u>\$ (22,961,288)</u></b>
<b>All other governmental funds</b>				
Reserved .....	\$ 27,465,566	\$ 41,087,578	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds .....	(3,539,254)	(8,554,611)	—	—
Capital projects funds .....	686,113	838,879	—	—
Nonspendable .....	—	—	39,448	—
Restricted.....	—	—	27,709,325	24,790,661
Committed .....	—	—	2,701,702	2,109,089
Assigned .....	—	—	268,888	3
Unassigned .....	—	—	(21,847)	(103,177)
<b>Total all other governmental funds .....</b>	<b><u>\$ 24,612,425</u></b>	<b><u>\$ 33,371,846</u></b>	<b><u>\$ 30,697,516</u></b>	<b><u>\$ 26,796,576</u></b>

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.

<sup>1</sup> 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.

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
140,107	128,609	53,431	75,939	103,903	559,644
178,643	394,246	2,266,635	4,044,911	7,429,825	9,807,729
22,879	125,120	102,793	68,102	180,755	171,020
(14,596,085)	(8,092,571)	(4,651,491)	(3,827,224)	(1,904,097)	1,648,511
<b>\$ (14,254,456)</b>	<b>\$ (7,444,596)</b>	<b>\$ (2,228,632)</b>	<b>\$ 361,728</b>	<b>\$ 5,810,386</b>	<b>\$ 12,186,904</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
15,022	27,260	5,620	11,188	20,172	69,868
24,137,270	24,269,093	24,224,167	24,885,166	26,233,389	25,051,548
2,318,035	2,914,747	4,090,563	5,652,478	5,847,879	7,897,362
209,171	18,857	16,767	14,622	12,033	26,346
(176,066)	(20,145)	(6,456)	(1,037)	(15,152)	—
<b>\$ 26,503,432</b>	<b>\$ 27,209,812</b>	<b>\$ 28,330,661</b>	<b>\$ 30,562,417</b>	<b>\$ 32,098,321</b>	<b>\$ 33,045,124</b>

## Schedule of Changes in Fund Balances - Governmental Funds

### For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2009	2010	2011 <sup>3</sup>	2012
<b>Revenues</b>				
Personal income taxes .....	\$ 45,482,726	\$ 43,884,798	\$ 51,691,153	\$ 54,442,733
Sales and use taxes .....	31,425,308	33,696,412	33,488,805	31,205,183
Corporation taxes .....	10,738,140	9,467,611	9,433,416	8,609,935
Motor vehicle excise taxes <sup>1</sup> .....	—	—	—	5,263,435
Insurance taxes .....	2,063,555	2,235,251	2,311,881	2,408,473
Managed care organization enrollment tax <sup>2</sup> .....	—	—	—	—
Other taxes <sup>1</sup> .....	5,245,416	5,235,801	7,829,662	2,306,717
Intergovernmental .....	61,053,091	79,183,291	69,160,916	62,235,671
Licenses and permits .....	5,805,369	6,900,747	6,767,437	6,600,001
Charges for services .....	986,773	974,181	1,008,647	728,980
Fees and penalties.....	6,204,288	7,291,894	10,262,387	8,315,452
Investment and interest.....	1,108,058	281,881	212,116	175,898
Escheat.....	315,642	149,996	229,146	372,215
Other .....	3,933,035	3,555,282	2,941,484	2,542,505
<b>Total revenues</b> .....	<b>174,361,401</b>	<b>192,857,145</b>	<b>195,337,050</b>	<b>185,207,198</b>
<b>Expenditures</b>				
General government .....	13,075,901	12,036,503	12,997,651	13,484,305
Education.....	63,857,066	59,229,726	55,547,139	50,362,337
Health and human services.....	78,731,136	80,321,470	91,941,309	89,473,391
Natural resources and environmental protection.....	5,209,684	5,456,904	5,254,757	5,358,575
Business, consumer services, and housing.....	1,266,068	1,088,494	1,183,536	1,219,499
Transportation.....	13,803,518	14,083,790	13,181,390	15,684,611
Corrections and rehabilitation .....	9,883,593	9,553,992	9,253,791	9,805,846
Capital outlay .....	1,432,376	1,691,674	1,128,011	1,296,413
Debt service:				
Bond and commercial paper retirement.....	5,131,600	3,259,203	3,118,906	4,435,992
Interest and fiscal charges.....	3,584,358	4,022,922	4,355,110	4,453,643
<b>Total expenditures</b> .....	<b>195,975,300</b>	<b>190,744,678</b>	<b>197,961,600</b>	<b>195,574,612</b>
Excess (deficiency) of revenues over (under) expenditures...	(21,613,899)	2,112,467	(2,624,550)	(10,367,414)
<b>Other financing sources (uses)</b>				
General obligation bonds and commercial paper issued.....	16,764,085	12,039,472	4,525,000	4,165,515
Revenue bonds issued .....	97,635	—	—	—
Refunding/remarketing debt issued.....	—	4,176,050	—	4,300,555
Payment to refund/remarket long-term debt .....	—	(4,221,604)	—	(4,508,834)
Premium on bonds issued.....	126,107	267,980	32,607	667,931
Proceeds from loans .....	—	1,996,737	35,538	—
Capital leases.....	364,813	811,816	204,631	528,804
Transfers in.....	6,776,476	6,548,447	8,705,229	5,523,644
Transfers out.....	(6,689,658)	(19,952,766)	(11,902,800)	(7,499,131)
<b>Total other financing sources</b> .....	<b>17,439,458</b>	<b>1,666,132</b>	<b>1,600,205</b>	<b>3,178,484</b>
<b>Total change in fund balance</b> .....	<b>\$ (4,174,441)</b>	<b>\$ 3,778,599</b>	<b>\$ (1,024,345)</b>	<b>\$ (7,188,930)</b>
Debt service as a percentage of noncapital expenditures .....	4.6%	3.9%	3.9%	4.7%

<sup>1</sup> Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

<sup>2</sup> 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.

<sup>3</sup> In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.



	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$	67,424,576	\$ 68,771,667	\$ 78,245,616	\$ 79,934,285	\$ 85,737,905	\$ 94,484,443
	33,869,961	36,409,311	38,389,972	39,136,040	38,741,715	39,777,069
	7,261,910	9,242,454	10,780,647	9,214,173	11,125,198	12,597,928
	5,219,605	5,777,167	5,393,994	5,028,589	4,878,953	6,680,858
	2,295,579	3,359,043	3,926,319	4,203,885	2,719,489	2,754,056
	—	—	—	—	2,282,313	2,397,531
	2,425,184	2,297,025	2,312,875	2,185,690	2,565,928	3,548,182
	64,418,808	73,000,600	87,740,667	91,069,753	95,709,784	92,904,469
	6,659,078	6,957,117	7,270,994	7,612,551	8,113,542	8,761,620
	741,201	769,302	849,895	870,142	860,241	975,314
	10,673,104	9,757,476	10,510,727	11,882,699	11,571,934	13,548,471
	135,928	137,754	119,690	232,285	318,502	607,418
	551,580	488,945	406,899	305,394	327,614	382,793
	3,227,347	2,903,335	3,975,144	4,049,789	2,934,157	5,318,739
	<b>204,903,861</b>	<b>219,871,196</b>	<b>249,923,439</b>	<b>255,725,275</b>	<b>267,887,275</b>	<b>284,738,891</b>
	15,748,069	14,778,214	16,202,395	16,715,892	17,250,720	18,978,389
	49,692,763	53,309,436	62,952,621	65,213,542	67,224,796	69,902,627
	94,621,630	104,781,494	122,259,036	127,201,314	134,372,094	138,018,275
	5,318,332	5,508,860	6,006,446	6,278,363	6,712,838	7,987,878
	1,259,392	621,037	670,774	1,130,213	1,103,694	1,189,365
	15,008,671	15,721,532	15,137,217	14,814,829	15,007,639	17,169,040
	9,681,086	10,395,234	11,182,926	11,450,980	12,276,391	14,665,524
	1,222,342	1,909,010	1,019,335	1,492,442	1,238,700	612,769
	5,189,150	7,002,941	8,482,380	6,929,866	9,364,550	8,598,856
	4,363,260	4,321,040	4,473,799	4,057,907	3,986,270	3,961,704
	<b>202,104,695</b>	<b>218,348,798</b>	<b>248,386,929</b>	<b>255,285,348</b>	<b>268,537,692</b>	<b>281,084,427</b>
	2,799,166	1,522,398	1,536,510	439,927	(650,417)	3,654,464
	4,038,095	5,082,305	4,343,165	4,074,980	4,325,075	5,283,365
	—	—	—	—	—	—
	4,634,365	2,077,330	5,086,100	5,220,320	7,074,225	6,681,855
	(3,174,613)	(328,024)	(3,865,093)	(4,378,328)	(3,038,281)	(3,726,204)
	964,211	505,026	1,116,811	1,037,920	1,309,254	1,036,320
	—	—	—	—	—	—
	710,440	1,486,204	625,282	1,148,774	988,680	405,930
	2,957,762	4,041,250	5,344,134	4,385,123	4,586,199	4,266,596
	(4,898,754)	(6,304,047)	(7,934,754)	(7,130,142)	(7,551,627)	(8,555,594)
	<b>5,231,506</b>	<b>6,560,044</b>	<b>4,715,645</b>	<b>4,358,647</b>	<b>7,693,525</b>	<b>5,392,268</b>
\$	<b>8,030,672</b>	<b>8,082,442</b>	<b>6,252,155</b>	<b>4,798,574</b>	<b>7,043,108</b>	<b>9,046,732</b>
	4.9%	5.3%	5.3%	4.4%	5.1%	4.6%

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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)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Personal Income by Industry</b>				
(items restated as footnoted) <sup>1</sup>				
Farm earnings .....	\$ 11,106,106	\$ 12,353,918	\$ 13,158,193	\$ 15,198,140
Forestry, fishing, and other natural resources .....	5,846,897	5,843,512	6,400,497	6,693,485
Mining.....	7,161,014	4,407,806	4,620,076	5,251,493
Construction and utilities.....	73,677,307	63,527,010	64,196,131	62,972,017
Manufacturing.....	122,746,904	113,311,993	115,565,437	119,852,946
Wholesale trade.....	56,664,424	51,178,861	52,651,124	56,488,847
Retail trade.....	70,141,490	66,566,961	69,564,024	72,732,632
Transportation and warehousing.....	33,195,174	31,539,745	33,579,755	36,376,555
Information, finance, and insurance .....	118,514,884	119,984,148	130,737,220	135,321,324
Real estate and rental and leasing.....	31,513,132	33,474,649	36,963,992	47,395,981
Services.....	433,280,763	417,996,629	439,206,312	467,337,237
Federal, civilian .....	22,294,322	23,413,156	25,736,809	26,083,443
Military .....	14,559,860	15,579,596	16,264,215	16,062,725
State and local government.....	179,150,537	177,405,543	177,461,935	181,063,132
Other <sup>2</sup> .....	426,911,691	417,646,137	441,733,296	489,583,154
<b>Total personal income .....</b>	<b><u>\$ 1,606,764,505</u></b>	<b><u>\$ 1,554,229,664</u></b>	<b><u>\$ 1,627,839,016</u></b>	<b><u>\$ 1,738,413,111</u></b>
Average effective rate <sup>3</sup> .....	5.7%	5.2%	4.7%	5.3%

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

<sup>1</sup> Prior years were updated based on more current information.

<sup>2</sup> Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

<sup>3</sup> The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	17,356,593	\$ 20,049,107	\$ 22,059,308	\$ 21,372,154	\$ 18,530,925	\$ 22,523,816
	7,504,590	7,928,931	8,377,804	9,306,866	9,839,986	10,174,653
	6,041,129	6,522,865	6,767,639	5,039,127	3,837,717	3,026,435
	67,862,415	75,578,567	81,245,751	89,612,217	94,829,175	102,994,717
	124,666,659	126,302,825	133,264,173	139,817,905	145,764,299	154,388,705
	59,067,338	61,598,279	66,001,226	70,528,366	70,466,840	73,976,742
	77,323,055	79,202,104	82,466,141	86,378,279	86,199,023	89,451,738
	37,949,820	39,849,739	42,798,845	46,656,349	49,806,143	53,857,784
	144,204,507	157,149,112	160,946,504	175,499,613	191,586,390	209,566,441
	55,245,202	52,971,172	50,451,414	52,958,405	55,357,883	59,699,575
	506,565,209	515,553,620	553,295,287	590,143,886	611,756,625	642,486,823
	26,157,961	25,771,225	26,498,641	27,663,625	28,560,772	29,370,219
	15,933,633	15,353,761	15,043,948	14,905,222	15,395,195	15,031,600
	179,834,589	190,303,808	200,325,665	212,335,637	221,798,464	230,772,194
	527,754,528	511,537,315	572,097,688	631,082,019	655,684,428	666,807,962
	<u><b>\$ 1,853,467,228</b></u>	<u><b>\$ 1,885,672,430</b></u>	<u><b>\$ 2,021,640,034</b></u>	<u><b>\$ 2,173,299,670</b></u>	<u><b>\$ 2,259,413,865</b></u>	<u><b>\$ 2,364,129,404</b></u>
	5.0%	6.1%	5.6%	6.1%	6.0%	5.9%

(continued)

## Schedule of Revenue Base (continued)

### For the Past Ten Calendar Years

(amounts in thousands)

	2008	2009 <sup>1</sup>	2010	2011
<b>Taxable Sales by Industry<sup>1</sup></b>				
Retail:				
Apparel.....	\$ 22,120,094			
General merchandise.....	56,425,472			
Specialty.....	27,380,740			
Food.....	21,504,308			
Restaurants and bars.....	52,051,404			
Household.....	17,199,187			
Building materials.....	26,647,007			
Automotive.....	106,555,420			
Other.....	27,434,795			
Business and personal service.....	22,045,958			
All other.....	152,289,155			
<b>Total taxable sales.....</b>	<b>\$ 531,653,540</b>			
Direct sales tax rate <sup>2</sup> .....		5.25%		
<b>Taxable Sales by Industry (Using NAICS Codes)<sup>1</sup></b>				
Retail and Food Services:				
Motor vehicle and parts dealers.....	\$ 44,488,198	\$ 47,355,568	\$ 53,303,501	
Furniture and home furnishings stores.....	8,481,020	8,742,984	9,280,688	
Electronics and appliance stores.....	13,384,338	13,749,019	14,297,402	
Building materials, garden equipment, and supplies.....	23,978,313	24,750,865	26,064,428	
Food and beverage.....	22,546,285	22,787,407	23,606,132	
Health and personal care stores.....	9,244,958	9,525,910	10,309,491	
Gasoline stations.....	39,077,835	45,226,491	55,210,076	
Clothing and clothing accessories stores.....	25,641,272	27,267,430	29,600,057	
Sporting goods, hobby, book, and music stores.....	10,294,172	10,365,480	10,602,711	
General merchandise stores.....	44,921,639	46,323,804	48,219,018	
Miscellaneous store retailers.....	16,385,169	16,569,690	17,187,402	
Nonstore retailers.....	2,849,864	2,830,615	3,081,188	
Food services and drinking places.....	49,921,543	51,282,453	54,755,944	
All other outlets.....	145,278,339	150,570,269	165,050,017	
<b>Total taxable sales.....</b>	<b>\$ 456,492,945</b>	<b>\$ 477,347,985</b>	<b>\$ 520,568,055</b>	
Direct sales tax rate <sup>2</sup> .....		7.25% <sup>3</sup>	7.25%	6.25% <sup>4</sup>

Source: California State Board of Equalization (BOE) and California Department of Tax and Fee Administration

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Rate change was effective on April 1, 2009.

<sup>4</sup> Rate change was effective on July 1, 2011.

<sup>5</sup> Updated based on more current information.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015<sup>5</sup></u>	<u>2016<sup>5</sup></u>	<u>2017</u>
\$	61,547,848	\$ 67,986,436	\$ 73,232,242	\$ 80,346,595	\$ 84,225,652	\$ 86,983,283
	9,937,187	10,645,523	11,408,837	12,169,888	12,790,041	13,035,519
	14,744,723	14,765,485	15,148,893	16,349,542	17,120,030	17,170,722
	27,438,083	29,680,053	31,299,110	33,601,538	35,238,333	37,504,338
	24,511,714	25,289,203	26,298,414	27,134,034	27,678,056	28,799,204
	10,787,801	11,294,049	11,640,870	12,364,559	13,163,569	13,668,611
	58,006,168	56,860,585	55,733,384	48,203,205	43,273,082	47,435,052
	32,357,516	34,918,036	36,822,241	38,438,074	39,698,156	40,206,357
	10,751,814	11,113,831	11,056,024	11,341,328	11,441,556	10,900,749
	49,996,451	51,431,094	52,013,855	48,371,010	48,255,569	49,352,728
	17,880,765	18,382,224	19,024,905	19,852,685	19,617,820	19,720,375
	4,375,432	7,296,839	8,292,788	9,531,606	11,717,407	13,600,147
	59,037,320	62,776,360	67,864,614	73,889,708	78,494,623	82,354,453
	177,014,427	184,399,899	195,985,698	202,290,022	206,365,477	211,755,043
<b>\$</b>	<b><u>558,387,249</u></b>	<b><u>586,839,617</u></b>	<b><u>615,821,875</u></b>	<b><u>633,883,794</u></b>	<b><u>649,079,371</u></b>	<b><u>672,486,581</u></b>
	6.25%	6.50%	6.50%	6.50%	6.50%	6.00%
						(concluded)

## Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2008 and 2016

### Personal Income Tax Filers and Liability by Income Level <sup>1</sup>

		2008			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability <sup>2</sup>	of Total
Under	\$ 50,000	9,290,000	62.8 %	\$ 1,496,521	3.6 %
50,000 to	99,999	3,212,195	21.7	5,320,210	12.8
100,000 to	149,999	1,201,298	8.1	5,302,549	12.7
150,000 to	199,999	491,523	3.3	3,992,510	9.6
200,000 to	299,999	330,664	2.2	4,532,627	10.8
300,000 to	399,999	110,417	0.7	2,494,343	6.0
400,000 to	499,999	51,888	0.4	1,652,743	4.0
500,000 to	599,999	29,717	0.2	1,210,439	2.9
600,000 to	699,999	17,343	0.1	857,937	2.1
700,000 to	799,999	13,150	0.1	770,004	1.8
800,000 to	899,999	8,659	0.1	573,667	1.4
900,000 to	999,999	6,963	0.1	523,996	1.3
1,000,000 to	1,999,999	26,331	0.2	2,996,315	7.2
2,000,000 to	2,999,999	6,882	0.0	1,463,676	3.5
3,000,000 to	3,999,999	2,906	0.0	899,907	2.1
4,000,000 to	4,999,999	1,624	0.0	663,001	1.6
\$ 5,000,000 and over		4,774	0.0	6,925,765	16.6
<b>Total</b>		<b>14,806,334</b>	<b>100.0 %</b>	<b>\$ 41,676,210</b>	<b>100.0 %</b>

		2016			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability <sup>2</sup>	of Total
Under	\$ 50,000	9,755,887	58.8 %	\$ 1,509,985	2.1 %
50,000 to	99,999	3,574,318	21.5	6,119,052	8.6
100,000 to	149,999	1,475,266	8.9	7,080,004	9.9
150,000 to	199,999	709,610	4.3	6,096,817	8.5
200,000 to	299,999	558,698	3.5	8,039,777	11.2
300,000 to	399,999	206,208	1.2	4,803,103	6.7
400,000 to	499,999	97,256	0.6	3,194,024	4.5
500,000 to	599,999	54,109	0.3	2,295,071	3.2
600,000 to	699,999	34,244	0.2	1,788,836	2.5
700,000 to	799,999	23,558	0.1	1,477,134	2.1
800,000 to	899,999	15,838	0.1	1,171,183	1.6
900,000 to	999,999	12,188	0.1	1,032,658	1.4
1,000,000 to	1,999,999	43,638	0.3	5,788,099	8.1
2,000,000 to	2,999,999	10,873	0.1	2,842,154	4.0
3,000,000 to	3,999,999	4,736	0.0	1,824,089	2.5
4,000,000 to	4,999,999	2,656	0.0	1,356,961	1.9
\$ 5,000,000 and over		7,538	0.0	15,138,867	21.2
<b>Total</b>		<b>16,586,621</b>	<b>100.0 %</b>	<b>\$ 71,557,814</b>	<b>100.0 %</b>

Source: California Franchise Tax Board

<sup>1</sup> For California resident tax returns. Calendar year 2016 is the most recent year for which data is available.

<sup>2</sup> Amounts are in thousands.



## For Calendar Years 2008 and 2017

## Sales Tax Permits and Tax Liability by Industry

	2008 (Using Business Codes) <sup>1</sup>			
	Number of Permits <sup>2</sup>	Percent of Total	Tax Liability <sup>3</sup>	Percent of Total
Retail:				
Apparel.....	53,510	5.2 %	\$ 1,161,305	4.2 %
General merchandise.....	23,055	2.2	2,962,337	10.6
Specialty.....	75,430	7.3	1,437,489	5.2
Food .....	24,773	2.5	1,128,976	4.1
Restaurants and bars .....	91,554	8.8	2,732,699	9.8
Household .....	33,469	3.2	902,957	3.2
Building materials.....	12,130	1.2	1,398,968	5.0
Automotive .....	44,300	4.3	5,594,160	20.0
Other .....	140,042	13.5	1,440,327	5.2
Business and personal service.....	101,690	9.8	1,157,413	4.1
All other .....	434,722	42.0	7,995,181	28.6
<b>Total</b> .....	<b>1,034,675</b>	<b>100.0 %</b>	<b>\$ 27,911,812</b>	<b>100.0 %</b>

	2017 (Using NAICS Codes) <sup>1</sup>			
	Number of Permits	Percent of Total	Tax Liability	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers.....	35,046	3.1 %	\$ 5,218,997	13.0 %
Furniture and home furnishings stores.....	20,224	1.8	782,131	1.9
Electronics and appliance stores.....	24,229	2.0	1,030,243	2.6
Building materials, garden equipment, and supplies .....	18,306	1.6	2,250,260	5.6
Food and beverage .....	35,294	3.1	1,727,952	4.3
Health and personal care stores .....	44,701	3.9	820,117	2.0
Gasoline stations .....	10,093	0.9	2,846,103	7.1
Clothing and clothing accessories stores .....	107,777	9.4	2,412,381	6.0
Sporting goods, hobby, book, and music stores.....	35,454	3.1	654,045	1.6
General merchandise stores .....	26,105	2.3	2,961,164	7.3
Miscellaneous store retailers.....	184,116	15.9	1,183,223	2.9
Nonstore retailers.....	60,494	5.3	816,009	2.0
Food services and drinking places.....	114,010	9.9	4,941,267	12.2
All other outlets.....	432,898	37.7	12,705,303	31.5
<b>Total</b> .....	<b>1,148,747</b>	<b>100.0 %</b>	<b>\$ 40,349,195</b>	<b>100.0 %</b>

Source: California Board of Equalization (BOE) and California Department of Tax and Fee Administration

<sup>1</sup> 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.

<sup>2</sup> As of July 1.

<sup>3</sup> Calculated by multiplying the taxable sales by industry shown on pages 306 and 307 by the direct sales tax rate. Amounts are in thousands.

## Schedule of Personal Income Tax Rates

For Calendar Years 2008-2017

Married Filing Jointly and Surviving Spouse				
	2008	2009	2010	2011
Tax Rate <sup>1</sup>	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,336	Up to \$14,120	Up to \$14,248	Up to \$14,632
2.0	14,337 – 33,988	14,121 – 33,478	14,249 – 33,780	14,633 – 34,692
4.0	33,989 – 53,642	33,479 – 52,838	33,781 – 53,314	34,693 – 54,754
6.0	53,643 – 74,466	52,839 – 73,350	53,315 – 74,010	54,755 – 76,008
8.0	74,467 – 94,110	73,351 – 92,698	74,011 – 93,532	76,009 – 96,058
9.3	94,111 – 1,000,000	92,699 – 1,000,000	93,533 – 1,000,000	96,059 – 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				
	2008	2009	2010	2011
Tax Rate <sup>1</sup>	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,168	Up to \$7,060	Up to \$7,124	Up to \$7,316
2.0	7,169 – 16,994	7,061 – 16,739	7,125 – 16,890	7,317 – 17,346
4.0	16,995 – 26,821	16,740 – 26,419	16,891 – 26,657	17,347 – 27,377
6.0	26,822 – 37,233	26,420 – 36,675	26,658 – 37,005	27,378 – 38,004
8.0	37,234 – 47,055	36,676 – 46,349	37,006 – 46,766	38,005 – 48,029
9.3	47,056 – 1,000,000	46,350 – 1,000,000	46,767 – 1,000,000	48,030 – 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				
	2008	2009	2010	2011
Tax Rate <sup>1</sup>	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,345	Up to \$14,130	Up to \$14,257	Up to \$14,642
2.0	14,346 – 33,989	14,131 – 33,479	14,258 – 33,780	14,643 – 34,692
4.0	33,990 – 43,814	33,480 – 43,157	33,781 – 43,545	34,693 – 44,721
6.0	43,815 – 54,225	43,158 – 53,412	43,546 – 53,893	44,722 – 55,348
8.0	54,226 – 64,050	53,413 – 63,089	53,894 – 63,657	55,349 – 65,376
9.3	64,051 – 1,000,000	63,090 – 1,000,000	63,658 – 1,000,000	65,377 – 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)

<sup>1</sup> 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)

	2008	2009	2010	2011
Personal income tax revenue <sup>1</sup> .....	\$ 55,197,062	\$ 45,482,726	\$ 43,884,798	\$ 51,691,153
Adjusted gross income <sup>2</sup> .....	\$ 972,420,100	\$ 881,160,200	\$ 939,888,500	\$ 980,167,100
Average effective rate <sup>3</sup> .....	5.7%	5.2%	4.7%	5.3%

<sup>1</sup> Personal income tax revenue is reported on a fiscal year basis.

<sup>2</sup> Source: California Franchise Tax Board. Fiscal year 2017 information reflects returns processed as of December 2018.

<sup>3</sup> The average effective rate equals personal income tax revenue divided by adjusted gross income.

**Married Filing Jointly and Surviving Spouse**

2012	2013	2014	2015	2016	2017
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$14,910	Up to \$15,164	Up to \$15,498	Up to \$15,700	Up to \$16,030	Up to \$16,446
14,911 – 35,352	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990
35,353 – 55,794	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538
55,795 – 77,452	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422
77,453 – 97,884	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960
97,885 – 500,000	99,549 – 508,500	101,739 – 519,688	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476
500,001 – 600,000	508,501 – 610,200	519,689 – 623,624	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768
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	661,769 – 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	1,000,001 – 1,102,946
—	\$1,017,001 and over	\$1,039,375 and over	\$1,052,887 and over	\$1,074,997 and over	\$1,102,946 and over

**Single and Married Filing Separately**

2012	2013	2014	2015	2016	2017
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$7,455	Up to \$7,582	Up to \$7,749	Up to \$7,850	Up to \$8,015	Up to \$8,223
7,456 – 17,676	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495
17,677 – 27,897	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769
27,898 – 38,726	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773	29,990 – 41,629	30,770 – 42,711
38,727 – 48,942	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980
48,943 – 250,000	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738
250,001 – 300,000	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884
300,001 – 500,000	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473
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	551,474 – 1,000,000
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

**Head of Household**

2012	2013	2014	2015	2016	2017
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$14,920	Up to \$15,174	Up to \$15,508	Up to \$15,710	Up to \$16,040	Up to \$16,457
14,921 – 35,351	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991
35,352 – 45,571	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264
45,572 – 56,400	46,347 – 57,359	47,367 – 58,621	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206
56,401 – 66,618	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477
66,619 – 340,000	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002
340,001 – 408,000	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003
408,001 – 680,000	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003
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	750,004 – 1,000,000
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

2012	2013	2014	2015	2016	2017
\$ 54,442,733	\$ 66,220,132	\$ 67,584,256	\$ 76,879,115	\$ 78,510,777	\$ 84,253,851
\$ 1,087,823,400	\$ 1,091,080,300	\$ 1,216,002,700	\$ 1,265,341,200	\$ 1,318,362,700	\$ 1,430,332,000
5.0%	6.1%	5.6%	6.1%	6.0%	5.9%

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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)

	2009	2010	2011	2012
<b>Governmental activities</b>				
General obligation bonds <sup>1</sup> .....	\$ 68,653,507	\$ 77,745,789	\$ 79,469,085	\$ 81,060,111
Revenue bonds <sup>2</sup> .....	7,767,855	7,611,939	7,511,092	7,421,198
Certificates of participation and commercial paper <sup>3</sup> .....	1,407,908	1,342,119	1,335,340	46,098
Capital lease obligations <sup>4</sup> .....	4,456,039	4,967,290	4,882,233	5,176,341
<b>Total governmental activities</b> .....	<b>82,285,309</b>	<b>91,667,137</b>	<b>93,197,750</b>	<b>93,703,748</b>
<b>Business-type activities</b>				
General obligation bonds <sup>1</sup> .....	1,702,377	1,477,663	1,218,639	1,118,634
Revenue bonds <sup>2</sup> .....	23,053,114	24,538,094	23,290,315	24,790,918
Commercial paper .....	51,307	64,518	139,974	67,325
Capital lease obligations .....	—	—	791,489	817,687
<b>Total business-type activities</b> .....	<b>24,806,798</b>	<b>26,080,275</b>	<b>25,440,417</b>	<b>26,794,564</b>
<b>Total primary government</b> .....	<b>\$ 107,092,107</b>	<b>\$ 117,747,412</b>	<b>\$ 118,638,167</b>	<b>\$ 120,498,312</b>
Debt as a percentage of personal income <sup>5,7</sup> .....	6.7%	7.6%	7.3%	6.9%
Amount of debt per capita <sup>6,7</sup> .....	\$ 2,926	\$ 3,186	\$ 3,178	\$ 3,199

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

<sup>1</sup> 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.

<sup>2</sup> Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

<sup>3</sup> All certificates of participation were retired in fiscal year 2016.

<sup>4</sup> 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.

<sup>5</sup> Ratio calculated using personal income data shown on pages 324 and 325 for the prior calendar year.

<sup>6</sup> Amount calculated using population data shown on pages 324 and 325 for the prior calendar year.

<sup>7</sup> Some prior years were updated based on more current information.

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 82,346,211	\$ 83,276,347	\$ 80,509,802	\$ 79,043,295	\$ 79,503,871	\$ 79,663,028
7,735,053	18,917,443	18,409,971	17,210,499	16,879,900	16,364,255
538,593	598,094	493,770	771,215	1,158,080	859,695
5,319,487	260,088	274,760	370,182	416,468	481,261
<b>95,939,344</b>	<b>103,051,972</b>	<b>99,688,303</b>	<b>97,395,191</b>	<b>97,958,319</b>	<b>97,368,239</b>
887,053	674,394	650,133	794,369	703,754	694,100
25,558,129	12,991,827	12,670,619	13,928,374	14,955,858	14,319,372
77,560	204,647	237,186	47,416	147,765	749,877
909,871	1,250,274	1,210,409	389,385	353,453	309,928
<b>27,432,613</b>	<b>15,121,142</b>	<b>14,768,347</b>	<b>15,159,544</b>	<b>16,160,830</b>	<b>16,073,277</b>
<b>\$ 123,371,957</b>	<b>\$ 118,173,114</b>	<b>\$ 114,456,650</b>	<b>\$ 112,554,735</b>	<b>\$ 114,119,149</b>	<b>\$ 113,441,516</b>
6.7%	6.3%	5.7%	5.2%	5.1%	4.8%
\$ 3,245	\$ 3,082	\$ 2,957	\$ 2,884	\$ 2,904	\$ 2,869

## Schedule of Ratios of General Bonded Debt Outstanding

### For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Net general bonded debt</b>				
General obligation bonds <sup>1</sup> .....	\$ 61,724,439	\$ 71,284,447	\$ 73,516,674	\$ 75,791,795
Economic Recovery bonds .....	8,631,445	7,939,005	7,171,050	6,386,950
Less: restricted debt service fund .....	894	113,172	143,777	330,297
Net Economic Recovery bonds <sup>2</sup> .....	<u>8,630,551</u>	<u>7,825,833</u>	<u>7,027,273</u>	<u>6,056,653</u>
<b>Net general bonded debt</b> .....	<u>\$ 70,354,990</u>	<u>\$ 79,110,280</u>	<u>\$ 80,543,947</u>	<u>\$ 81,848,448</u>
Net general bonded debt as a percentage of personal income <sup>3,5</sup> .....	4.4%	5.1%	4.9%	4.7%
Amount of net general bonded debt per capita <sup>4,5</sup> .....	\$ 1,922	\$ 2,140	\$ 2,158	\$ 2,173

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Ratio calculated using personal income data shown on pages 324 and 325 for the prior calendar year.

<sup>4</sup> Amount calculated using population data shown on pages 324 and 325 for the prior calendar year.

<sup>5</sup> Some prior years were updated based on more current information.



<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 78,001,049	\$ 79,368,794	\$ 80,215,650	\$ 79,837,664	\$ 79,503,871	\$ 80,357,128
5,232,215	4,581,745	944,285	—	—	—
278,425	318,171	818,321	—	—	—
<b>4,953,790</b>	<b>4,263,574</b>	<b>125,964</b>	—	—	—
<b>\$ 82,954,839</b>	<b>\$ 83,632,368</b>	<b>\$ 80,341,614</b>	<b>\$ 79,837,664</b>	<b>\$ 79,503,871</b>	<b>\$ 80,357,128</b>
4.5%	4.4%	4.0%	3.7%	3.5%	3.4%
\$ 2,182	\$ 2,181	\$ 2,076	\$ 2,045	\$ 2,023	\$ 2,032

## Schedule of General Obligation Bonds Outstanding

June 30, 2018

(amounts in thousands)

### Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection.....	\$ 1,955,675
California Library Construction and Renovation.....	228,940
California Park and Recreational Facilities.....	8,525
California Parklands.....	1,720
California Safe Drinking Water.....	40,960
California Stem Cell Research and Cures.....	1,262,700
California Wildlife, Coastal, and Park Land Conservation.....	81,610
Children's Hospital.....	1,280,435
Class Size Reduction Public Education Facilities.....	4,610,950
Clean Air and Transportation Improvement.....	560,110
Clean Water.....	6,415
Clean Water and Water Conservation.....	3,150
Clean Water and Water Reclamation.....	14,605
Community Parklands.....	1,775
County Correctional Facility Capital Expenditure.....	9,655
County Correctional Facility Capital Expenditure and Youth Facility.....	45,105
Disaster Preparedness and Flood Prevention.....	2,591,070
Earthquake Safety and Public Buildings Rehabilitation.....	39,025
Fish and Wildlife Habitat Enhancement.....	4,120
Higher Education Facilities.....	266,340
Highway Safety, Traffic Reduction, Air Quality, and Port Security.....	16,653,215
Housing Emergency Shelter.....	1,560,605
Housing and Homeless.....	1,025
Kindergarten-University Public Education Facilities.....	28,458,975
New Prison Construction.....	15,585
Passenger Rail and Clean Air.....	13,600
Public Education Facilities.....	1,080,505
Safe, Clean, Reliable Water Supply.....	437,710
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection.....	1,221,070
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection.....	3,129,355
Safe Neighborhood Parks.....	1,259,015
Safe, Reliable High-Speed Passenger Train.....	2,684,455
School Building and Earthquake.....	10,640
School Facilities.....	710,570
Seismic Retrofit.....	927,010
State, Urban, and Coastal Park.....	2,795
Veterans' Homes.....	32,725
Veterans Housing and Homeless Prevention.....	7,240
Voting Modernization.....	60
Water Conservation.....	15,435
Water Conservation and Water Quality.....	20,535
Water Quality, Supply, and Infrastructure.....	445,345
Water Security, Clean Drinking Water, Coastal and Beach Protection.....	2,460,135
<b>Total governmental activity.....</b>	<b>74,160,490</b>
<b>Business-type activity</b>	
California Water Resources Development.....	54,065
Veterans' Farm and Home Building.....	634,585
<b>Total business-type activity.....</b>	<b>688,650</b>
<b>Total outstanding general obligation bonds.....</b>	<b>74,849,140</b>
Unamortized bond premiums/discounts.....	5,507,988
<b>Total general obligation bonds payable.....</b>	<b>\$ 80,357,128</b>

Source: California State Treasurer's Office

## Schedule of Pledged Revenue Coverage

### For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage
					Principal	Interest	Total	
Housing Loans	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
	2018	52,480	25,943	26,537	8,290	10,380	18,670	1.42
Water Resources	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
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
Water Pollution Control	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
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37

(continued)

Source: California State Controller's Office

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Debt service requirements include principal and interest of revenue bonds.

<sup>4</sup> All revenue bonds have been redeemed.

<sup>5</sup> In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

<sup>6</sup> Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

## Schedule of Pledged Revenue Coverage (continued)

### For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage
					Principal	Interest	Total	
Electric Power	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
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
Public Buildings Construction	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
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
High Technology Education <sup>4</sup>	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 <sup>5</sup>	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)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)

	June 30	Gross Revenue <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			
					Principal	Interest	Total	Coverage
Building Authorities	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
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
Golden State Tobacco Securitization Corporation	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
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
Grant Anticipation Revenue Vehicles <sup>6</sup>	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
	2018	11,393	—	11,393	9,830	1,563	11,393	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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Population (in thousands) <sup>1</sup></b>				
California .....	36,604	36,961	37,328	37,673
% Change .....	1.0%	1.0%	1.0%	0.9%
United States .....	304,094	306,772	309,338	311,644
% Change .....	1.0%	0.9%	0.8%	0.7%
<b>Total personal income (in millions) <sup>1</sup></b>				
California .....	\$ 1,606,765	\$ 1,554,230	\$ 1,627,839	\$ 1,738,413
% Change .....	1.5%	-3.3%	4.7%	6.8%
United States .....	\$ 12,438,527	\$ 12,051,307	\$ 12,541,995	\$ 13,315,478
% Change .....	3.6%	-3.1%	4.1%	6.2%
<b>Per capita personal income <sup>1,2</sup></b>				
California .....	\$ 43,895	\$ 42,050	\$ 43,609	\$ 46,145
% Change .....	0.5%	-4.2%	3.7%	5.8%
United States .....	\$ 40,904	\$ 39,284	\$ 40,545	\$ 42,727
% Change .....	2.7%	-4.0%	3.2%	5.4%
<b>Labor force and employment (in thousands)</b>				
California				
Civilian labor force .....	18,203	18,208	18,316	18,385
Employed .....	16,890	16,145	16,052	16,227
Unemployed .....	1,313	2,064	2,265	2,158
Unemployment rate .....	7.2%	11.3%	12.4%	11.7%
United States employment rate .....	5.8%	9.3%	9.6%	8.9%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of January 2019.

<sup>1</sup> Some prior years were updated based on more current information.

<sup>2</sup> Calculated by dividing total personal income by population.



2012	2013	2014	2015	2016	2017
38,019	38,347	38,701	39,032	39,296	39,537
0.9%	0.9%	0.9%	0.9%	0.7%	0.6%
313,993	316,235	318,623	321,040	323,406	325,719
0.8%	0.7%	0.8%	0.8%	0.7%	0.7%
\$ 1,853,467	\$ 1,885,672	\$ 2,021,640	\$ 2,173,300	\$ 2,259,414	\$ 2,364,129
6.6%	1.7%	7.2%	7.5%	4.0%	4.6%
\$ 13,998,383	\$ 14,175,503	\$ 14,983,140	\$ 15,711,634	\$ 16,115,630	\$ 16,820,250
5.1%	1.3%	5.7%	4.9%	2.6%	4.4%
\$ 48,751	\$ 49,173	\$ 52,237	\$ 55,679	\$ 57,497	\$ 59,796
5.6%	0.9%	6.2%	6.6%	3.3%	4.0%
\$ 44,582	\$ 44,826	\$ 47,025	\$ 48,940	\$ 49,831	\$ 51,640
4.3%	0.5%	4.9%	4.1%	1.8%	3.6%
18,511	18,573	18,941	18,996	19,099	19,319
16,740	17,044	17,600	17,894	18,141	18,515
1,771	1,530	1,341	1,102	957	804
9.6%	8.2%	7.1%	5.8%	5.0%	4.2%
8.1%	7.4%	6.2%	5.3%	4.9%	4.4%

## Schedule of Employment by Industry

For Calendar Years 2008 and 2017

Industry	2008		2017	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Services.....	6,369,800	40.4 %	7,714,200	44.6 %
Government				
Federal.....	248,300	1.6	248,100	1.4
Military.....	54,700	0.3	60,800	0.4
State and Local.....	2,270,600	14.4	2,305,400	13.3
Retail trade.....	1,639,700	10.4	1,693,600	9.8
Manufacturing.....	1,432,700	9.1	1,311,900	7.6
Information, finance, and insurance .....	1,042,700	6.6	1,076,100	6.2
Construction and utilities.....	846,700	5.4	867,500	5.0
Wholesale trade .....	703,900	4.5	723,000	4.2
Transportation and warehousing.....	446,100	2.8	567,600	3.3
Farming.....	389,300	2.5	427,600	2.5
Real estate.....	275,900	1.8	283,100	1.6
Natural resources and mining .....	26,600	0.2	22,000	0.1
<b>Total .....</b>	<b>15,747,000</b>	<b>100.0 %</b>	<b>17,300,900</b>	<b>100.0 %</b>

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	Education	Health	Natural	State and	Business,	Corrections	Total
	Government		and Human	Resources	Consumer	Transportation,	and	
			Services	and	Services	and Housing	Rehabilitation	
				Environmental				
				Protection				
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	Education	Health	Natural	Business,	Transportation <sup>1</sup>	Corrections	Total
	Government <sup>1</sup>		and Human	Resources	Consumer		and	
			Services	and	Services,		Rehabilitation	
				Environmental	and Housing <sup>1</sup>			
				Protection				
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
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520

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.

<sup>1</sup> 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

	2009	2010	2011	2012
<b>General Government</b>				
<b>State Lottery</b>				
Total revenue <sup>1</sup> .....	\$ 2,955	\$ 3,041	\$ 3,439	\$ 4,371
Allocation to Education Fund <sup>1</sup> .....	\$ 1,028	\$ 1,072	\$ 1,103	\$ 1,300
<b>Judicial Council of California</b>				
<b>Supreme Court <sup>2,9</sup></b>				
Cases filed.....	9,485	9,759	10,328	9,232
Cases disposed .....	9,674	9,528	10,186	9,713
<b>Courts of Appeal <sup>9</sup></b>				
<b>Notices of appeal filed <sup>3</sup></b>				
Civil.....	5,958	6,122	6,258	6,505
Criminal.....	6,819	6,857	6,877	6,387
Juvenile.....	2,858	2,759	2,106	2,830
<b>Trial Courts <sup>9</sup></b>				
<b>Total civil cases <sup>4</sup></b>				
Filings.....	1,729,796	1,648,074	1,572,623	1,458,898
Dispositions.....	1,537,400	1,530,314	1,591,033	1,436,658
<b>Department of Food and Agriculture</b>				
Milk production (million lbs.) <sup>5,9</sup> .....	39,512	40,385	41,462	41,801
Farm land (thousand acres) <sup>5,9</sup> .....	25,500	25,500	25,600	25,600
<b>Education</b>				
<b>Public Colleges and Universities</b>				
<b>Fall enrollment <sup>9</sup></b>				
Community Colleges .....	1,822,835	1,747,231	1,655,073	1,582,302
California State University .....	433,054	412,372	426,534	436,560
University of California .....	231,853	234,464	236,691	238,617
<b>K-12 Schools</b>				
<b>Fall enrollment</b>				
Public .....	6,252,011	6,190,425	6,217,002	6,220,993
Private.....	536,393	531,111	515,143	497,019

Sources: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; and Franchise Tax Board.

Note: This schedule presents data available as of January 2019.

<sup>1</sup> Dollars in millions.

<sup>2</sup> Includes death penalty cases, habeas related to automatic appeals, petitions for review, original proceedings, and State Bar matters.

<sup>3</sup> Includes only one notice of appeal per case.

<sup>4</sup> Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.

<sup>5</sup> Data based on calendar year.

<sup>6</sup> Total nonfarm and farm.

<sup>7</sup> Data compiled from a 10% sample of California licensed drivers.

<sup>8</sup> 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.

<sup>9</sup> Some prior years were updated based on more current information.

<sup>10</sup> The amount for fiscal year 2018 is projected.

N/A = Not Available

2013		2014		2015		2016		2017		2018	
\$	4,446	\$	5,035	\$	5,525	\$	6,276	\$	6,233	\$	6,966
\$	1,262	\$	1,328	\$	1,364	\$	1,563	\$	1,499	\$	1,665
	8,029		7,907		7,860		8,079		7,317		N/A
	8,481		7,765		7,546		7,947		7,262		N/A
	6,052		5,983		6,062		5,935		5,975		N/A
	6,004		6,373		7,113		6,714		5,593		N/A
	2,713		2,857		3,036		3,025		3,029		N/A
	1,358,481		1,264,983		1,145,937		1,145,242		1,198,883		N/A
	1,327,078		1,216,185		1,118,443		1,028,086		1,108,773		N/A
	41,256		42,339		40,897		40,469		39,798		N/A
	25,500		25,500		25,400		25,400		25,300		N/A
	1,582,453		1,578,780		1,593,896		1,591,280		1,595,225		N/A
	446,530		460,200		474,571		478,638		484,297		N/A
	244,126		252,263		257,438		270,112		278,996		286,271
	6,226,989		6,236,672		6,235,520		6,226,737		6,228,235		6,220,413
	516,119		511,286		503,295		500,543		490,966		488,854

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## Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2009	2010	2011	2012
<b>Health and Human Services</b>				
<b>Department of Public Health</b>				
Vital statistics				
Live births <sup>5,9,10</sup> .....	526,774	509,979	502,023	503,788
<b>Department of Social Services</b>				
Calfresh programs households (avg. per month) .....	1,067,358	1,340,857	1,576,042	1,757,387
<b>Employment Development Department</b>				
Number of employed <sup>5,6,9</sup> .....	14,326,300	14,476,400	14,614,600	15,240,400
<b>Resources</b>				
<b>Department of Fish and Wildlife</b>				
Sport fishing licenses sold <sup>5,9</sup> .....	2,838,776	2,410,008	2,483,680	2,580,762
Hunting licenses sold <sup>5,9</sup> .....	1,679,864	1,677,864	1,863,202	1,988,422
<b>California Energy Commission</b>				
Electrical energy generation plus net imports (gigawatt hours) <sup>9</sup> .....	298,483	291,224	293,898	302,486
<b>Business, Consumer Services, and Housing</b>				
<b>Franchise Tax Board</b>				
Personal Income Tax <sup>5,9</sup>				
Number of tax returns filed .....	14,638,204	14,814,427	15,042,359	15,152,800
Taxable income <sup>1</sup> .....	\$ 729,658	\$ 794,758	\$ 838,347	\$ 948,523
Total tax liability <sup>1</sup> .....	\$ 38,870	\$ 44,472	\$ 43,921	\$ 58,652
Corporation Tax <sup>5,9</sup>				
Number of tax returns filed .....	727,675	738,224	754,315	784,086
Income reported for taxation <sup>1</sup> .....	\$ 55,367	\$ 96,965	\$ 93,456	\$ 96,772
Total tax liability <sup>1</sup> .....	\$ 7,858	\$ 8,604	\$ 7,808	\$ 6,921
<b>Transportation</b>				
<b>California Highway Patrol</b>				
Total number of DUI arrests <sup>5,9</sup> .....	95,135	89,814	86,901	79,993
<b>Department of Motor Vehicles</b>				
Motor vehicle registration <sup>5,9</sup> .....	31,799,398	31,987,821	31,802,483	31,946,422
License issued by age <sup>5,7,9</sup>				
Under age 18 .....	229,545	218,997	227,069	224,809
Between 18-80 .....	22,910,011	23,001,119	23,150,222	23,462,971
Over age 80 .....	560,491	579,397	579,207	602,508
<b>Department of Transportation</b>				
Highway center-line miles – rural <sup>5,8,9</sup> .....	10,808	10,785	10,780	10,784
Highway center-line miles – urban <sup>5,8,9</sup> .....	4,384	4,375	4,353	4,363
<b>Correctional Programs</b>				
<b>Department of Corrections and Rehabilitation</b>				
Division of Adult Institutions				
Institution population at December 31 each year ...	167,922	162,200	147,181	132,768
Division of Juvenile Justice				
Institution population at June 30 each year .....	1,589	1,474	1,263	922



<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
494,392	502,973	491,789	488,490	485,901	482,467
1,898,283	2,004,016	2,102,031	2,130,583	2,032,818	1,979,526
16,109,200	16,062,300	16,474,800	16,904,100	17,240,200	N/A
2,539,244	2,490,383	2,484,124	2,507,149	2,501,394	2,493,140
2,032,788	1,979,809	2,130,872	2,142,312	2,142,121	2,047,639
296,464	297,344	296,124	290,775	292,031	N/A
15,487,100	15,877,000	16,257,600	16,547,100	16,868,000	N/A
\$ 949,655	\$ 1,064,347	\$ 1,107,474	\$ 1,154,906	\$ 1,254,483	N/A
\$ 55,679	\$ 66,583	\$ 68,498	\$ 71,348	\$ 79,927	N/A
801,045	828,080	865,593	900,358	N/A	N/A
\$ 101,913	\$ 122,976	\$ 140,534	\$ 129,452	N/A	N/A
\$ 7,166	\$ 8,593	\$ 9,235	\$ 9,276	N/A	N/A
76,860	73,425	65,016	60,202	58,195	60,336
32,903,847	33,550,486	34,346,325	35,310,563	35,391,347	N/A
221,385	223,024	221,250	225,569	219,572	N/A
23,824,697	24,195,705	25,089,910	25,639,270	26,078,773	N/A
597,350	595,739	603,691	619,807	659,530	N/A
10,315	10,312	10,407	10,259	10,259	N/A
4,789	4,787	4,685	4,833	4,833	N/A
134,333	134,431	127,815	129,415	130,263	127,709
712	675	681	690	638	629 (concluded)

## Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2009	2010	2011	2012
<b>General Government</b>				
<b>Department of Food and Agriculture</b>				
Vehicles and mobile equipment.....	803	746	809	804
Square footage of structures (in thousands) .....	466	466	466	466
<b>Department of Justice</b>				
Vehicles and mobile equipment.....	870	816	677	531
<b>Department of Military</b>				
Vehicles and mobile equipment.....	182	208	249	233
Square footage of structures (in thousands) .....	3,383	3,154	3,530	3,511
<b>Department of Veterans Affairs</b>				
Veterans homes.....	5	6	6	6
Vehicles and mobile equipment.....	120	113	132	143
Square footage of structures (in thousands) .....	1,683	1,600	2,086	2,086
<b>Education</b>				
<b>California State University<sup>1</sup></b>				
Vehicles and mobile equipment.....	4,015	4,338	4,415	4,326
Campuses .....	23	23	23	23
Square footage of structures (in thousands) .....	66,686	69,049	71,287	73,785
<b>Health and Human Services</b>				
<b>Department of Developmental Services</b>				
Vehicles and mobile equipment.....	701	569	818	789
Developmental centers .....	7	5	5	5
Square footage of structures (in thousands) .....	5,187	5,185	5,294	5,294
<b>Department of State Hospitals<sup>2</sup></b>				
Vehicles and mobile equipment.....	658	665	709	718
State hospitals.....	5	5	5	5
Square footage of structures (in thousands) .....	6,348	6,331	6,331	6,336

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of February 2019.

<sup>1</sup> Some prior years were updated based on more current information provided by California State University.

<sup>2</sup> In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

2013	2014	2015	2016	2017	2018
792	747	747	752	677	823
455	455	455	455	462	384
527	520	520	484	511	509
211	211	211	217	218	261
3,623	4,019	3,977	3,965	3,954	3,770
8	8	8	8	8	8
267	285	285	235	280	292
2,488	2,543	2,541	2,541	2,552	2,552
4,467	4,555	4,619	4,945	4,838	5,216
23	23	23	23	23	23
73,866	73,316	73,988	75,292	75,786	76,227
632	424	571	640	559	616
4	4	3	3	3	3
5,279	5,308	4,699	3,664	3,664	3,595
699	886	752	678	674	728
7	7	7	8	5	5
6,457	6,460	6,445	6,445	5,944	5,944

(continued)

## Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2009	2010	2011	2012
<b>Resources</b>				
<b>Department of Fish and Wildlife</b>				
Vehicles and mobile equipment.....	3,640	2,630	3,180	3,012
Square footage of structures (in thousands) .....	1,269	1,301	1,313	1,317
<b>Department of Forestry and Fire Protection</b>				
Vehicles and mobile equipment.....	3,067	2,598	2,804	2,810
Square footage of structures (in thousands) .....	3,851	3,947	3,943	3,935
<b>Department of Parks and Recreation</b>				
Vehicles and mobile equipment.....	3,220	3,102	3,715	4,200
State Parks .....	278	278	279	280
Acres of state park land (in thousands) .....	1,331	1,365	1,334	1,333
Square footage of structures (in thousands) .....	6,350	6,350	6,433	6,623
<b>State Lands Commission</b>				
Vehicles and mobile equipment.....	57	47	50	42
Acres of land (in thousands).....	4,491	4,491	4,491	4,491
<b>Business, Consumer Services, and Housing</b>				
<b>Department of Consumer Affairs</b>				
Vehicles and mobile equipment.....	718	574	578	574
<b>Department of General Services</b>				
Vehicles and mobile equipment.....	6,736	5,761	5,670	4,991
Square footage of structures (in thousands) .....	18,084	18,394	18,602	19,180
<b>Transportation</b>				
<b>California Highway Patrol</b>				
Vehicles and mobile equipment.....	5,914	5,422	5,337	5,013
Square footage of structures (in thousands) .....	1,118	1,135	1,135	1,149
<b>Department of Motor Vehicles</b>				
Vehicles and mobile equipment.....	417	366	366	366
Square footage of structures (in thousands) .....	1,855	1,855	1,842	1,842
<b>Department of Transportation</b>				
Vehicles and mobile equipment.....	13,346	11,302	12,759	12,690
Square footage of structures (in thousands) .....	6,434	6,444	6,519	8,131
<b>Correctional Programs</b>				
<b>Department of Corrections and Rehabilitation</b>				
Vehicles and mobile equipment.....	7,778	5,787	5,985	5,952
Prisons and juvenile facilities.....	39	39	39	39
Square footage of structures (in thousands) .....	40,852	41,228	41,399	41,399

2013	2014	2015	2016	2017	2018
2,896	2,954	2,954	3,104	3,126	2,970
1,317	1,311	1,311	1,297	1,322	1,322
2,845	2,748	2,748	3,151	3,073	3,115
3,641	3,632	3,664	3,666	3,677	3,640
3,311	3,489	3,489	3,538	3,542	3,804
280	279	280	280	280	280
1,590	1,590	1,605	1,605	1,617	1,619
6,598	6,751	6,761	6,790	7,363	7,360
42	41	41	41	43	48
4,489	4,489	4,482	4,480	4,480	4,480
518	554	554	588	596	600
5,226	5,053	5,053	4,697	4,476	4,465
19,098	19,367	19,448	19,311	19,487	19,565
5,341	5,170	5,170	5,167	5,336	4,912
1,149	1,166	1,169	1,211	1,191	1,182
294	295	295	287	276	283
1,842	1,845	1,786	1,780	1,777	1,785
11,767	11,596	11,596	11,776	11,585	11,494
8,170	7,960	7,965	7,968	7,960	7,933
5,156	5,137	5,968	5,291	8,079	7,571
37	37	39	39	40	39
40,606	40,726	40,590	40,485	42,198	42,209
					(concluded)

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California State Controller

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