

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**  
(A Component Unit of the State of California)

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**Diane J. Nanik, Fiscal Unit Manager**  
**California Infrastructure and Economic Development Bank**



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# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
<b>Letter of Transmittal</b>	3
<b>Organization Chart</b>	6
<b>Principal Officials</b>	7
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b>	8
<b>Management's Discussion and Analysis</b>	10
<b>Basic Financial Statements</b>	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Fund Net Position	19
Statement of Cash Flows	20
Notes to the Basic Financial Statements	21
<b>Required Supplementary Information</b>	
Schedule of IBank's Proportionate Share of the Net Pension Liability	44
Schedule of IBank's Contributions	45
<b>STATISTICAL SECTION</b>	
<b>Financial Trends</b>	
Schedule of Net Position	46
Schedule of Revenues, Expenses, and Changes in Fund Net Position	48
Infrastructure State Revolving Fund (ISRF) Program Ten Largest Borrowers	50
<b>Revenue Capacity</b>	
Schedule of ISRF and CLEEN Program Loans Receivable and Interest Rates	51
<b>Debt Capacity</b>	
Schedule of Statutory Debt Limit Capacity	53
Schedule of Outstanding ISRF Program Bonds and Related Debt Ratio	55
Schedule of Aggregate Pledged Resources Coverage for ISRF Program Bonds	57
<b>Demographics and Economic Information</b>	
California Demographic and Economic Indicators	58
California Employment by Industry	60
<b>Operating Information</b>	
Number of Employees by Identifiable Activity	61
Major Program Activity	62
<b>California Small Business Expansion Fund</b>	64



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## **INTRODUCTORY SECTION**



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November 2, 2017

To the Board of Directors:

I am pleased to submit for the fiscal year ended June 30, 2017 the Comprehensive Annual Financial Report (CAFR) of the California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California.

The CAFR includes the financial activities of the following IBank funds and related programs:

- California Infrastructure and Economic Development Bank Fund (CIEDB Fund)
  - Infrastructure State Revolving Fund (ISRF) Program
    - Including California Lending for Energy and Environmental Needs (CLEEN) Center Program
  - Bond Financing Program
- California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund)
- California Small Business Expansion Fund (Expansion Fund) in the Small Business Finance Center (SBFC)
  - California Small Business Loan Guarantee (SBLG) Program
  - Farm Loan Program
  - Jump Start Loan Program

The continuing disclosure agreements related to IBank's revenue bonds that provided funding for the ISRF Program (ISRF Program Bonds) require annual audited financial statements and this CAFR fulfills that requirement.

The net position of IBank was \$385,188,299 as of June 30, 2017, all of which was restricted. Net position decreased by \$5,198,900 over the previous fiscal year as a result of negative earnings from operating activities. This year the demand has steadily increased for IBank's low-cost financing to address the funding requirements of a wide spectrum of infrastructure, clean energy, water and environmental projects of local governmental entities throughout the State of California (State).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP has issued an unmodified ("clean") opinion on IBank's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of IBank**

IBank was created in 1994 pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act contained in the California Government Code section 63000 *et seq.* to finance public infrastructure and private development that promote economic revitalization and public improvements necessary to maintain and create employment within the State. IBank is a component unit of the State of California located within the Governor's Office of Business and Economic Development (GO-Biz) and is governed by a five-member Board of Directors, consisting of the Director of GO-Biz, the State Treasurer, the Secretary of Transportation, the Director of the Department of Finance and an appointee of the Governor.

IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies and certain tax-exempt non-profit organizations that are sponsored by public agencies, provide credit enhancements (including guarantees), acquire or lease facilities, and leverage State and Federal funds. IBank's current programs consist of the ISRF Program, including the CLEEN Center, which is a sub-program of the ISRF Program, the SBFC's Programs, including the SBLG Program, the Farm Loan Program, and the Jump Start Loan Program, and the Bond Financing Program. IBank issues tax-exempt and taxable revenue bonds under the Bond Financing Program, including direct revenue bonds for IBank, 501(c)(3) revenue bonds, industrial development revenue bonds, exempt facility revenue bonds, and public agency revenue bonds. The SBFC was created at IBank during the 2013-14 fiscal year and the Expansion Fund in the SBFC is included in the CAFR for the first time during the current 2016-17 fiscal year.

With the exception of certain limited funds for program support for the SBFC administration, which must be annually appropriated by the State Legislature, all IBank funds in the Expansion Fund are continuously appropriated without regard to fiscal years pursuant to Section 63089.51(a) of the California Government Code.

Continuous appropriation authority means that no further appropriations are necessary to expend funds held in either the CIEDB Fund, the Guarantee Trust Fund, or the Expansion Fund.

## **Economic Condition**

In a year over year comparison (August 2016 to August 2017), nonfarm payroll employment in California increased by 265,100 jobs (a 1.6 percent increase). The number of unemployed Californians was 972,000 in August up by 46,000 over the month, but down by 59,000 compared with August of last year. Nine of California's eleven industry sectors added a total of 269,000 jobs year over year. The largest job gains were in educational and health services, up 75,400 jobs (a 3.0 percent increase); construction, up 47,400 jobs (a 6.1 percent increase); and leisure and hospitality, up 39,500 jobs (a 2.1 percent increase). California is expected to generate a combined total of approximately 1.6 million job openings during the 2016-2018 projection period (April 2016 to June 2018), including new jobs and replacement needs. Finally, the 2017 Budget Act continues the Governor's commitment to bolster the state's Rainy Day Fund and pay down accumulated debts and liabilities to counter the potential fiscal impact of federal policy changes on California and the potential end of an economic expansion that has surpassed historical averages. While maintaining fiscal prudence, the Budget focuses state spending on the Governor's key priorities – investing in education, counteracting the effects of poverty, and improving the state's streets, roads and transportation infrastructure.



IBank experienced steady demand for the ISRF Program with 98 inquiries in fiscal year 2016-2017 for nearly \$573 million in infrastructure and economic development projects. Similarly, the CLEEN Center has experienced 74 inquiries in fiscal year 2016-17 regarding approximately \$519 million in clean energy, water and environmental projects. Together, the ISRF Program and CLEEN Center have responded to 172 inquiries for over one billion dollars of projects for State and local governmental entities during the fiscal year ended June 30, 2017. The number and amount of financing requested continue to demonstrate a steady demand for ISRF Program and CLEEN Center financings for infrastructure, economic expansion, clean energy, water, and environmental projects. We anticipate sustained demand for IBank's ISRF Program and CLEEN Center as the State's economy continues to grow and prospective borrowers are better positioned to finance public infrastructure, water, and private development projects through IBank's low-cost programs.

All required repayments were made by the borrowers on ISRF Program Loans during the fiscal year and continued timely repayment is expected.

All outstanding ISRF Revenue Bonds continue to have the top rating from each of the 'Big Three' Rating Agencies—Standard and Poor's Rating Services (S&P) ("AAA"), Fitch Ratings (Fitch) ("AAA"), and Moody's Investors Service (Moody's) ("Aaa"). These strong ratings reflect the ISRF Program's extremely strong financial risk score and very strong enterprise risk score. S&P, Fitch and Moody's cited pool diversity, sound program management, financial policies, and market position, among other factors, as support for the ratings.

### **Long-term Financial Planning**

IBank's priorities for the upcoming years include, but are not limited to, the following: providing funding to infrastructure, clean energy, water, environmental and economic development projects, creating sector-specific financing instruments and funds, developing public-private investment opportunities, and facilitating state-wide outreach to potential customers for all of IBank's programs. These priorities will provide access to more affordable funds for California infrastructure, clean energy, water, environmental, and economic development projects, while maintaining IBank's positive net position.

I wish to acknowledge all of the staff of the California Infrastructure and Economic Development Bank for their consistent dedication and contribution to the success of the organization and the State. In particular, I wish to acknowledge the Fiscal Unit staff for the preparation of this Comprehensive Annual Financial Report and the members of the IBank Executive Committee for their continued care and support in the management and guidance of IBank's programs.

Respectfully submitted,



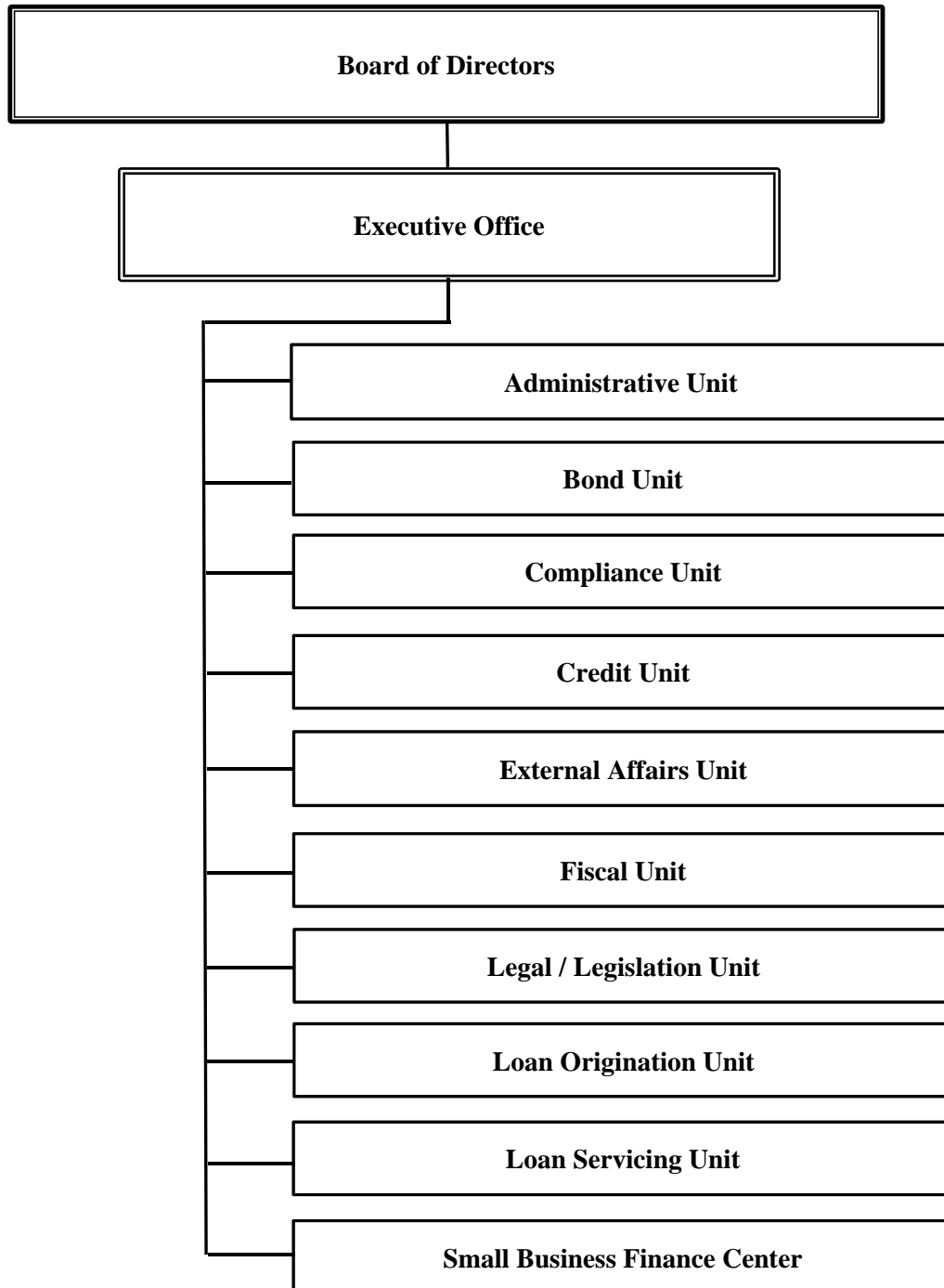
Teveia R. Barnes  
Executive Director

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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## ORGANIZATION CHART



**CALIFORNIA INFRASTRUCTURE  
AND ECONOMIC DEVELOPMENT BANK**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**PRINCIPAL OFFICIALS**

**IBank Board of Directors**

**Panorea Avdis, Director, Governor's Office of Business and Economic Development**

**John Chiang, State Treasurer**

**Brian P. Kelly, Secretary of the California State Transportation Agency**

**Michael Cohen, Director of the Department of Finance**

**Peter Luchetti, Governor's Appointee**

**IBank Executive Office and Management Staff**

**Teveia R. Barnes, Executive Director**

**Nancee Trombley, Chief Deputy Executive Director**

**Diane J. Nanik, Fiscal Unit Manager and Equal Employment Opportunity Officer**

**Diane Cummings, Deputy Director of Credit and Chief Credit Officer**

**William D. Pahland, Jr., General Counsel**

**Alice M. Scott, Deputy Director of External Affairs**

**Stefan R. Spich, Deputy Director of Legislative Affairs**

**Jeffrey L. Ingles, Deputy Director of Compliance and Chief Compliance and Risk Officer**

**Fariba A. Khoie, Bond Unit Manager**

**Thomas Dear, Loan Origination Manager**

**Margrit Lockett, Loan Servicing Manager**

**Emily R. Burgos, Small Business Finance Center Manager**

## **FINANCIAL SECTION**



## Independent Auditor's Report

To the Board of Directors of the  
California Infrastructure and Economic Development Bank  
Sacramento, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise IBank'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 an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IBank, as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of IBank's proportionate share of the net pension liability, and the schedule of IBank's contributions, 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 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 an opinion on the financial statements that collectively comprise IBank's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of IBank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IBank's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Sacramento, California  
November 2, 2017

# **CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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### **Introduction**

The following Management's Discussion and Analysis (MD&A) provides an overview to the financial statements of the California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California (State), a description of its activities, and an analysis of the financial position for the fiscal year ended June 30, 2017. IBank does not receive any State General Fund support. IBank continues to provide revenues sufficient to support all operating expenses.

The information presented in this section should be read in conjunction with the information in our letter of transmittal on pages 3-5 of this report and the financial statements and notes that follow this section.

### **IBank and Current Programs**

IBank's funds are the California Infrastructure and Economic Development Bank Fund (CIEB Fund), the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund) and the California Small Business Expansion Fund (Expansion Fund)

IBank is a State of California financing authority whose mission is to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong California economy, and improve the quality of life in California communities. IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, including guarantees, acquire or lease facilities, and leverage State and Federal funds. IBank's current operations are funded generally from fees, interest earnings, and Infrastructure State Revolving Fund Program loan repayments. IBank is a component unit of the State and the financial statements are included in the State's Comprehensive Annual Financial Report.

IBank's programs include the Infrastructure State Revolving Fund (ISRF) Program, which is a revolving loan program that provides financing to local government entities for eighteen categories of public infrastructure and economic expansion projects, and a variety of conduit revenue bond financing programs, including the Industrial Development Bond Program for manufacturing and processing companies, the 501(c)(3) Revenue Bond Program for nonprofit public benefit corporations, State School Fund Bond Program and the Public Agency Revenue Bond Program for governmental entities. Conduit bonds issued by IBank are a limited obligation of IBank payable solely from the revenues generated by the underlying borrower. On October 4, 2013, the Small Business Financial Assistance Act of 2013 (SBFC Act) created the Small Business Finance Center (SBFC) at IBank and transferred the Expansion Fund, which accounts for the activities of the California Small Business Loan Guarantee (SBLG) Program, and the Farm Loan Program. Except for certain amounts spent for program administration support that require an annual appropriation by the State Legislature for the SBLG program, the Expansion Fund is continuously appropriated without regard to the fiscal year and is available for expenditure for the SBFC related purposes as stated in the SBFC Act.

On August 25, 2015, the IBank Board of Directors approved the criteria, priorities and guidelines to select and underwrite projects for financing under the California Lending for Energy and Environmental Needs (CLEEN) Center. IBank's CLEEN Center provides low-cost financing to eligible State and local governments, and public universities, schools, and hospitals. The approved eligible projects include commercially proven technologies that are expected to result in carbon reduction benefits, water conservation or other environmental benefits within the State, including energy efficiency, renewable energy, energy storage, alternative technologies, alternative fuels, transportation and water.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### Financial Highlights 2016-2017

- The Expansion Fund is included in the Comprehensive Annual Financial Report (CAFR) for the first time during the current 2016-17 fiscal year.
- The net position of IBank was \$385.2 million as of June 30, 2017, all of which was restricted. Net position decreased by \$5.2 million from the previous fiscal year.
- Total cash, cash equivalents, and investments increased during the fiscal year by \$81.5 million. An increase of \$107.1 million is related to the current fiscal year inclusion of the Expansion Fund in the CAFR, which is offset by a decrease of \$25.6 million that is primarily a result of loan disbursements and bond debt service payments exceeding loan repayments.
- Total loans receivable increased during the fiscal year by \$27.4 million primarily because new loans exceeded loan repayments during the fiscal year.
- The revenue bonds payable decreased by \$11.6 million due to payments of principal and amortization of bond premiums.
- The net pension liability as of June 30, 2017 was \$6.2 million.

### Overview of the Basic Financial Statements

The financial section of this annual financial report consists of this MD&A, the basic financial statements, and the notes to the basic financial statements. This MD&A is a discussion of many aspects of the IBank's operations and financial status and its information was compiled from IBank's basic financial statements and accompanying notes.

The basic financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles and include the following three statements:

- The *Statement of Net Position* presents information on the assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position is improving or deteriorating.
- The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information reflecting how the net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- The *Statement of Cash Flows* reports the cash flows from operating activities, noncapital financing activities and investing activities, and the resulting impacts to cash and cash equivalents for the fiscal year.



# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes can be found immediately following the basic financial statements.

### Statement of Net Position

The net position was \$385.2 million as of June 30, 2017, all of which was restricted. Net position decreased by \$5.2 million from the previous fiscal year directly as a result of operating expenses exceeding operating income by \$7.0 million, which is offset by investment earnings of \$1.8 million from nonoperating activities.

The following table presents a condensed, combined Statement of Net Position as of June 30, 2017 and 2016, and the dollar and percentage change from the prior year.

	2017*	2016	\$ Change	% Change
Cash, cash equivalents, and investments - restricted	\$ 490,991,716	\$ 409,467,388	\$ 81,524,328	19.9%
Loans receivable	335,510,902	308,116,217	27,394,685	8.9%
Other assets	<u>5,792,421</u>	<u>3,848,492</u>	<u>1,943,929</u>	50.5%
<b>Total Assets</b>	832,295,039	721,432,097	110,862,942	15.4%
<b>Total Deferred Outflows of Resources</b>	<u>6,003,913</u>	<u>4,718,162</u>	<u>1,285,751</u>	27.3%
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 838,298,952</u>	<u>\$ 726,150,259</u>	<u>\$ 112,148,693</u>	15.4%
Revenue bonds payable	\$ 361,018,026	\$ 372,570,634	\$ (11,552,608)	-3.1%
Net pension liability	6,241,230	3,945,940	2,295,290	58.2%
Other liabilities	10,290,489	5,789,170	4,501,319	77.8%
Undisbursed loan commitments	<u>75,529,338</u>	<u>63,432,168</u>	<u>12,097,170</u>	19.1%
<b>Total Liabilities</b>	453,079,083	445,737,912	7,341,171	1.6%
<b>Total Deferred Inflows of Resources</b>	31,570	86,138	(54,568)	-63.3%
<b>Net Position - Restricted - Expendable by Statute</b>	<u>385,188,299</u>	<u>280,326,209</u>	<u>104,862,090</u>	37.4%
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 838,298,952</u>	<u>\$ 726,150,259</u>	<u>\$ 112,148,693</u>	15.4%

\* Includes the Expansion Fund

### Assets

Total cash, cash equivalents, and investments increased during the fiscal year by \$81.5 million. An increase of \$107.1 million is related to the current fiscal year inclusion of the Expansion Fund in the CAFR, which is offset by a decrease of \$25.6 million that is primarily a result of loan disbursements and bond debt service payments exceeding loan repayments.

Loans receivable (both pledged, non-pledged, CLEEN and Farm Loan) totaled \$335.5 million as of June 30, 2017, which is an increase of \$27.4 million from the prior year. An increase of \$3.6 million is due to the inclusion of the Expansion Fund's Farm Loans Receivable. The remaining increase of \$23.8 million is primarily because new loans issued exceeded loan repayments during the fiscal year.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### Liabilities

Total liabilities were \$453.1 million as of June 30, 2017, an increase of 1.6% over the prior fiscal year. The largest liability is revenue bonds payable, which consists of three series of ISRF Program Bonds, one issued in February 2014, one issued in June 2015 and one issued in June 2016. Revenue bonds payable decreased by \$11.6 million due to the payments of principal and amortization of bond premiums. The net pension liability as of June 30, 2017 was \$6.2 million.

### Deferred Outflows of Resources, Pension Liability and Deferred Inflows of Resources

Deferred outflows of resources increased by \$1.3 million and the net pension liability increased by \$2.3 million mostly as a result of an increase in IBank's proportionate share of the net pension liability and lower actual earnings versus projected earnings on pension plan investments. The deferred inflows of resources are related to pensions.

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

The operating loss was \$7.0 million and the change in net position was a negative \$5.2 million for the fiscal year ended June 30, 2017. The following table presents the condensed, combined Statement of Revenues, Expenses, and Changes in Net Position for the 2016-2017 and 2015-2016 fiscal years.

	2017*	2016	\$ Change	% Change
<b>Total operating revenues</b>	\$ 14,533,159	\$ 10,939,461	3,593,698	32.9%
<b>Total operating expenses</b>	<u>21,528,094</u>	<u>11,649,452</u>	<u>9,878,642</u>	84.8%
<b>Operating income (loss)</b>	(6,994,935)	(709,991)	(6,284,944)	885.2%
<b>Total nonoperating revenue</b>	<u>1,796,035</u>	<u>744,360</u>	<u>1,051,675</u>	141.3%
<b>Change in net position</b>	(5,198,900)	34,369	(5,233,269)	-15226.7%
<b>Net position, beginning of year, restated*</b>	<u>390,387,199</u>	<u>280,291,840</u>	<u>110,095,359</u>	39.3%
<b>Net position, end of year</b>	<u>\$ 385,188,299</u>	<u>\$ 280,326,209</u>	<u>\$ 104,862,090</u>	37.4%

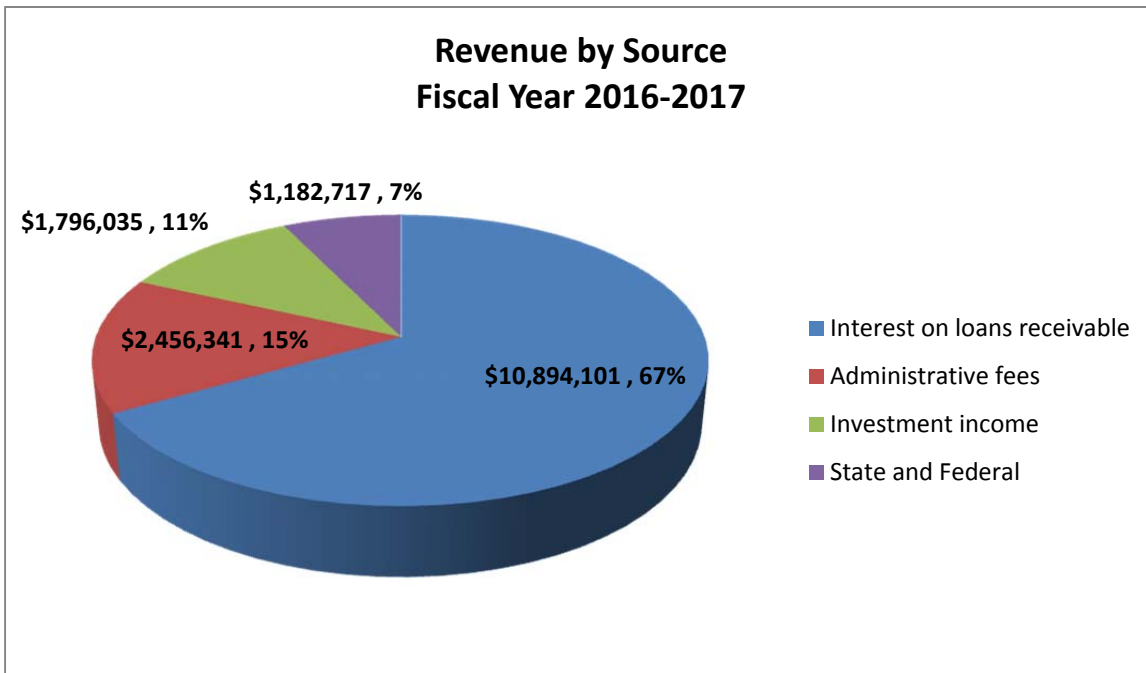
\* Includes the Expansion Fund

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### Revenues

The following chart presents operating and nonoperating revenues by source:



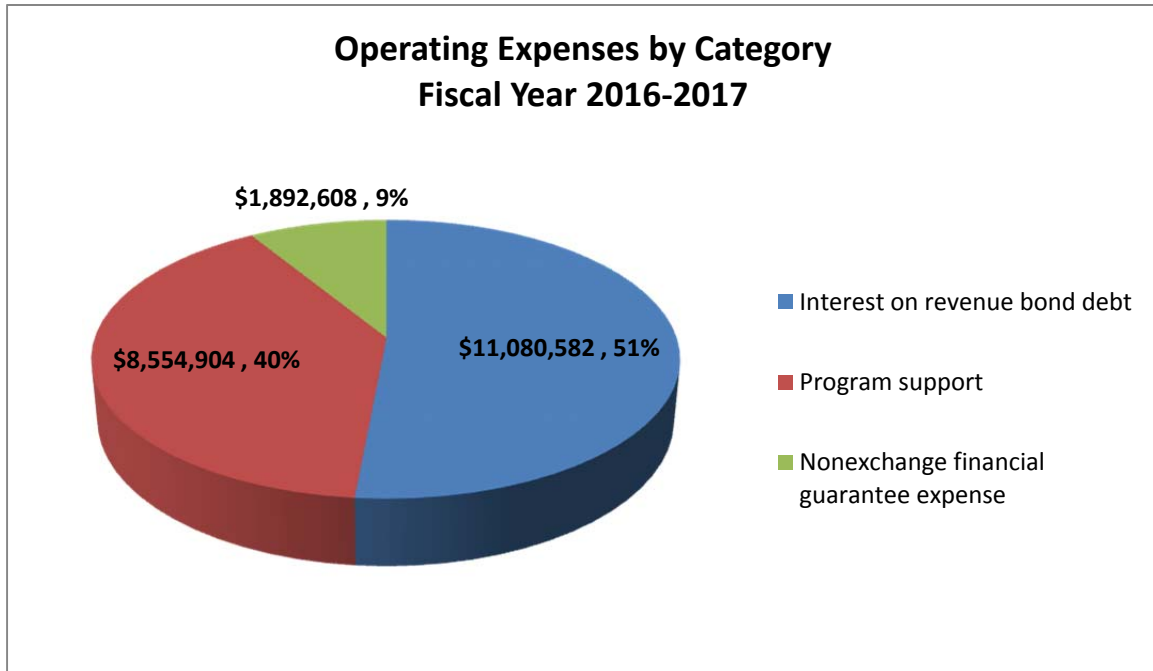
Total operating revenues were \$14.5 million during the fiscal year compared to \$10.9 million for the prior fiscal year, an increase of \$3.6 million, primarily due to the inclusion of \$1.4 million Expansion Fund operating revenues in the current fiscal year and a \$1.7 million increase in interest on loans receivable. An increase in current fiscal year investment earnings of \$0.6 million and \$0.5 million for inclusion of Expansion Fund investment earnings resulted in an increase in nonoperating revenue of \$1.1 million compared to the prior fiscal year.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### Operating Expenses

The following chart presents operating expenses by category:



Total operating expenses were \$21.5 million during the fiscal year compared to \$11.6 million for the prior fiscal year, an increase of \$9.9 million, primarily due to the inclusion of \$4.1 million Expansion Fund operating expenses in the current fiscal year and a \$3.7 million increase in interest on revenue bond debt. Interest on revenue bond debt increased as a result of a full year of interest expense on the 2016A ISRF Program Bonds in the current year that was not incurred in the prior year because the 2016A ISRF Program Bonds were issued in June 2016.

### Budgetary Information

With the exception of funds for program support, which must be annually appropriated by the State Legislature, all other funds are continuously appropriated without regard to fiscal year. Continuous appropriation authority means that no further appropriations are necessary to expend funds held in either the CIEDB Fund, the Guarantee Trust Fund or the Expansion Fund.

### Debt Administration

IBank administers the ISRF Program, a leveraged revolving loan program. Initial ISRF Program Loans were funded with previous State General Fund appropriations. IBank issued \$51.37 million in ISRF Program Revenue Bonds in March 2004, \$52.80 million in December 2005, \$48.37 million in September 2008, \$95.96 million in February 2014, \$90.1 million in June 2015 and \$141.6 million in June 2016 (collectively, ISRF Program Bonds) to provide additional funding for ISRF Program Loans. The 2014A

# **CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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ISRF Program Bonds were issued to refund the 2004 and 2005 ISRF Program Bonds and to refinance existing bond anticipation loans. The 2015A ISRF Program Bonds were issued to refund the 2008 ISRF Program Bonds and to refinance existing bond anticipation loans. The 2016A ISRF Program Bonds were issued to finance and refinance existing bond anticipation loans. The ISRF Program Bonds were sold without a credit enhancement, and in 2004 and 2005, were initially rated AA, Aa2, and AA by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively. Upon the issuance of the 2008 ISRF Program Bonds, Standard & Poor's and Fitch Ratings raised the ratings on the ISRF Program Bonds to AA+, citing proactive and strong program oversight and management, and thorough ongoing surveillance of existing Loans as key factors to the high credit ratings on the bonds. The 2014A and 2015A ISRF Program Bonds were assigned a rating of AAA, Aa1, and AAA by Standard & Poor's (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch), respectively. S&P and Fitch assigned a stable outlook to the 2014A and 2015A ISRF Program Bonds. Moody's assigned a stable outlook to the 2014A ISRF Program Bonds and a positive outlook to the 2015A ISRF Program Bonds. Moody's rated the 2016A ISRF Program Bonds Aaa. In addition, Moody's upgraded IBank's Series 2014A and Series 2015A Bonds to Aaa, from Aa1. Standard and Poor's Rating Services (S&P) and Fitch Ratings (Fitch) each rated the 2016A ISRF Program Bonds AAA and affirmed their respective AAA rating on the 2014A and 2015A ISRF Program Bonds. The credit rating agencies cited pool diversity, sound program management, financial policies, and market position, among other factors, as support for the ratings. All outstanding ISRF Program Bonds now have the top rating from Standard and Poor's Rating Services (AAA), Fitch Ratings (Fitch) (AAA), and Moody's Investors Service (Aaa). These strong ratings reflect the ISRF Program's extremely strong financial risk score and very strong enterprise risk score. In addition, these strong ratings reflect the ISRF Program's ability to withstand defaults by the ISRF Program's borrowers while the ISRF Program could continue to pay the ISRF Program's bondholders.

Existing ISRF Program Loans are either funded from previous State General Fund appropriations, interest earned on the ISRF Program Loans, the repayment of principal on ISRF Program loans receivable, investment earnings, administration fee revenue, or the proceeds of ISRF Program Bonds. The 2014A, 2015A and 2016A ISRF Program Bonds are each structured under an open-indenture model. All ISRF Program Bonds are limited obligations of IBank payable solely from and secured solely by pledged ISRF Program Loan repayments, reserves, and reserve account interest earnings. Note 4 of the Notes to the Financial Statements contains additional information about the outstanding ISRF Program Bonds.

IBank also issues conduit revenue bonds including Industrial Development Bonds for certain privately-owned manufacturing and processing businesses, 501(c)(3) Revenue Bonds for nonprofit entities, State School Fund Bonds for financially troubled public school districts, and Public Agency Revenue Bonds for other state and local governmental entities. During the fiscal year, IBank served as the issuer for \$766 million of conduit revenue bonds. Conduit bonds are a limited obligation of IBank payable solely from the pledged revenues of the conduit borrower. As such, except for administration fee revenue related to the conduit bond programs, conduit bond financial information is not reflected in IBank's financial statements.

# **CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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### **Requests for Information**

This financial report is designed to provide interested parties with a general overview of the finances of IBank. Questions concerning the information provided in this report or requests for additional information should be addressed to Teveia R. Barnes, Executive Director, California Infrastructure and Economic Development Bank, P.O. Box 2830, Sacramento, California 95812-2830.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## STATEMENT OF NET POSITION JUNE 30, 2017

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Expansion Fund	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and equivalents - restricted	\$ 336,750,999	\$ 24,948,357	\$ 7,561,103	\$ 369,260,459
Investments - restricted	6,308,063	-	38,390,697	44,698,760
Prepaid expenses	-	-	500,000	500,000
Pledged loans receivable - disbursed	13,413,236	-	-	13,413,236
Non-pledged loans receivable - disbursed	155,673	-	-	155,673
Interest and other receivables	4,503,708	57,330	731,383	5,292,421
Total current assets	<u>361,131,679</u>	<u>25,005,687</u>	<u>47,183,183</u>	<u>433,320,549</u>
<b>NON-CURRENT ASSETS</b>				
Investments - restricted	15,918,762	-	61,113,735	77,032,497
Pledged loans receivable - disbursed	240,696,682	-	-	240,696,682
Pledged loans receivable - undisbursed	71,479,338	-	-	71,479,338
CLEEN loans receivable - undisbursed	4,050,000	-	-	4,050,000
Non-pledged loans receivable - disbursed	2,113,572	-	-	2,113,572
Farm loans receivable	-	-	3,602,401	3,602,401
Total non-current assets	<u>334,258,354</u>	<u>-</u>	<u>64,716,136</u>	<u>398,974,490</u>
Total assets	<u>695,390,033</u>	<u>25,005,687</u>	<u>111,899,319</u>	<u>832,295,039</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	2,473,138	-	21,811	2,494,949
Loss on refunding debt	3,508,964	-	-	3,508,964
Total deferred outflows of resources	<u>5,982,102</u>	<u>-</u>	<u>21,811</u>	<u>6,003,913</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 701,372,135</u>	<u>\$ 25,005,687</u>	<u>\$ 111,921,130</u>	<u>\$ 838,298,952</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 614,869	\$ -	\$ 333,734	\$ 948,603
Compensated absences payable	7,596	-	-	7,596
Revenue bond interest payable	3,674,006	-	-	3,674,006
Revenue bonds payable	11,981,116	-	-	11,981,116
Nonexchange financial guarantees	-	-	3,683,424	3,683,424
Undisbursed loan commitments	61,817,679	-	-	61,817,679
Total current liabilities	<u>78,095,266</u>	<u>-</u>	<u>4,017,158</u>	<u>82,112,424</u>
<b>NON-CURRENT LIABILITIES</b>				
Compensated absences payable	366,860	-	-	366,860
Net other postemployment benefit obligation	1,610,000	-	-	1,610,000
Net pension liability	6,140,533	-	100,697	6,241,230
Undisbursed loan commitments	13,711,659	-	-	13,711,659
Revenue bonds payable	349,036,910	-	-	349,036,910
Total non-current liabilities	<u>370,865,962</u>	<u>-</u>	<u>100,697</u>	<u>370,966,659</u>
Total liabilities	<u>448,961,228</u>	<u>-</u>	<u>4,117,855</u>	<u>453,079,083</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	14,100	-	17,470	31,570
Total deferred inflows of resources	<u>14,100</u>	<u>-</u>	<u>17,470</u>	<u>31,570</u>
<b>NET POSITION</b>				
Restricted - Expendable:				
Statute	252,396,807	25,005,687	107,785,805	385,188,299
Total net position	<u>252,396,807</u>	<u>25,005,687</u>	<u>107,785,805</u>	<u>385,188,299</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 701,372,135</u>	<u>\$ 25,005,687</u>	<u>\$ 111,921,130</u>	<u>\$ 838,298,952</u>

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

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Expansion Fund	Total
<b>OPERATING REVENUES</b>				
Interest on loans receivable	\$ 10,838,952	\$ -	\$ 55,149	\$ 10,894,101
Federal revenue	-	-	321,717	321,717
State revenue	-	-	861,000	861,000
Administration fees and other income	<u>2,314,868</u>	<u>-</u>	<u>141,473</u>	<u>2,456,341</u>
Total operating revenues	<u>13,153,820</u>	<u>-</u>	<u>1,379,339</u>	<u>14,533,159</u>
<b>OPERATING EXPENSES</b>				
Interest on revenue bond debt	11,080,582	-	-	11,080,582
Nonexchange financial guarantee expense	-	-	1,892,608	1,892,608
Program support	<u>6,311,433</u>	<u>-</u>	<u>2,243,471</u>	<u>8,554,904</u>
Total operating expenses	<u>17,392,015</u>	<u>-</u>	<u>4,136,079</u>	<u>21,528,094</u>
<b>OPERATING LOSS</b>	<u>(4,238,195)</u>	<u>-</u>	<u>(2,756,740)</u>	<u>(6,994,935)</u>
<b>NONOPERATING REVENUE</b>				
Investment earnings	<u>1,130,100</u>	<u>184,380</u>	<u>481,555</u>	<u>1,796,035</u>
Total nonoperating revenue	<u>1,130,100</u>	<u>184,380</u>	<u>481,555</u>	<u>1,796,035</u>
Changes in net position	(3,108,095)	184,380	(2,275,185)	(5,198,900)
<b>NET POSITION, Beginning of year, restated</b>	<u>255,504,902</u>	<u>24,821,307</u>	<u>110,060,990</u>	<u>390,387,199</u>
<b>NET POSITION, End of year</b>	<u>\$ 252,396,807</u>	<u>\$ 25,005,687</u>	<u>\$ 107,785,805</u>	<u>\$ 385,188,299</u>



# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Expansion Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipt of interest on loans receivable	\$ 10,838,952	\$ -	\$ 45,981	\$ 10,884,933
Receipt of administration fees	2,314,868	-	-	2,314,868
Receipt of federal and state support	-	-	1,182,717	1,182,717
Receipt of recovered guarantee payments	-	-	141,473	141,473
Receipt of principal on loans receivable	38,744,455	-	298,439	39,042,894
Payment of loan guarantees	-	-	(1,754,395)	(1,754,395)
Payment of outstanding loan commitments	(50,439,569)	-	(859,160)	(51,298,729)
Payment of program support	(6,887,295)	-	(2,945,483)	(9,832,778)
Net cash used by operating activities	<u>(5,428,589)</u>	<u>-</u>	<u>(3,890,428)</u>	<u>(9,319,017)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payment of principal on revenue bond debt	(7,440,000)	-	-	(7,440,000)
Payment of interest on revenue bond debt	(13,274,552)	-	-	(13,274,552)
Net cash used by noncapital financing activities	<u>(20,714,552)</u>	<u>-</u>	<u>-</u>	<u>(20,714,552)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	-	-	105,104,471	105,104,471
Purchase of investments	(9,695,000)	-	(104,977,709)	(114,672,709)
Receipt of interest on investments	670,524	160,529	2,703,664	3,534,717
Net cash provided (used) by investing activities	<u>(9,024,476)</u>	<u>160,529</u>	<u>2,830,426</u>	<u>(6,033,521)</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	(35,167,617)	160,529	(1,060,002)	(36,067,090)
<b>CASH AND EQUIVALENTS, Beginning of year, restated</b>	<u>371,918,616</u>	<u>24,787,828</u>	<u>8,621,105</u>	<u>405,327,549</u>
<b>CASH AND EQUIVALENTS, End of year</b>	<u>\$ 336,750,999</u>	<u>\$ 24,948,357</u>	<u>\$ 7,561,103</u>	<u>\$ 369,260,459</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>				
Operating loss	\$ (4,238,195)	\$ -	\$ (2,756,740)	\$ (6,994,935)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Interest on revenue bond debt	11,080,582	-	-	11,080,582
Changes in assets and liabilities:				
Prepaid expenses	-	-	(500,000)	(500,000)
Loans receivable	(23,792,284)	-	(560,721)	(24,353,005)
Interest on loans receivable	-	-	(9,168)	(9,168)
Accounts payable	(1,382,882)	-	(197,766)	(1,580,648)
Nonexchange financial guarantee liability	-	-	138,213	138,213
Compensated absences payable	89,206	-	-	89,206
Net other postemployment benefit obligation	238,000	-	-	238,000
Net pension liability and related deferred inflows/outflows	479,814	-	(4,246)	475,568
Undisbursed loan commitments	12,097,170	-	-	12,097,170
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (5,428,589)</u>	<u>\$ -</u>	<u>\$ (3,890,428)</u>	<u>\$ (9,319,017)</u>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>				
Unrealized losses on investments	\$ 229,119	\$ -	\$ 1,645,483	\$ 1,874,602
Amortization of revenue bond premiums	4,112,608	-	-	4,112,608
Amortization of deferred outflow on refunding of debt	378,801	-	-	378,801

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



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# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 1. THE FINANCIAL REPORTING ENTITY

The California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California (State), is a public instrumentality of the State, organized and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code commencing with Section 63000 (Act). IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, including guarantees, acquire or lease facilities, and leverage State and Federal funds. The mission of IBank is to finance public infrastructure, clean energy, environmental and economic development projects that promote a healthy climate for job creation and retention, contribute to a strong California economy, and a healthy environment, and improve the quality of life in California communities. IBank is governed by a five-member Board of Directors (Board) consisting of the Director of the Governor's Office of Business and Economic Development, who serves as the chair, the Director of the Department of Finance, the State Treasurer, the Secretary of the State Transportation Agency, and an appointee of the Governor.

IBank has reviewed criteria to determine whether other entities with activities that benefit the IBank should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

IBank operates in a similar manner as private sector businesses and is classified as an enterprise fund. The accounts of IBank are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balance accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund net position, revenue and expenses. IBank's funds are organized as follows:

The **California Infrastructure and Economic Development Bank Fund (CIEDB Fund)** - The CIEDB Fund is continuously appropriated, without regard to fiscal year, and is available for expenditure for the program related purposes stated in the Act.

The ***Infrastructure State Revolving Fund (ISRF) Program*** provides financing to State and local government entities for a wide variety of infrastructure projects throughout the State. Eligible ISRF Program borrowers include any State or local governmental entities, and any departments, agencies, commissions, cities, counties, special districts, assessment districts, joint powers authorities, enhanced infrastructure special districts, and sub-divisions thereof, and nonprofit public benefit organizations formed on behalf of or sponsored by any such governmental entity. IBank issues revenue bonds (ISRF Program Bonds) to provide additional funding for the ISRF Program. The ISRF Program Bond indentures require an independent audit of the ISRF Programs. IBank also serves as a conduit issuer of tax-exempt and taxable revenue bonds, loans, and commercial paper for private manufacturing, nonprofit and other governmental entities (Bond Financing Program). Legislation requires an audit of IBank's activities under the Bond Financing Program.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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The *California Lending for Energy and Environmental Needs (CLEEN) Center* is a sub-program of the ISRF Program and provides low-cost financing to eligible State and local governments, public universities, schools, and hospitals. The approved eligible projects include commercially proven technologies that are expected to result in carbon reduction benefits, water conservation or other environmental benefits within the State, including energy efficiency, renewable energy, energy storage, alternative technologies, alternative fuels, transportation and water.

The **California Infrastructure Guarantee Trust Fund** is continuously appropriated to IBank without regard to fiscal year for the purpose of insuring all or a portion of the accounts and subaccounts within the Guarantee Trust Fund, any contracts or obligations of IBank or a sponsor, as that term is defined in the Act, and all or a part of any series of bonds issued by IBank, by a special purpose trust or by a sponsor, and is available for expenditure for the Guarantee Trust Fund related purposes stated in the Act.

The **California Small Business Expansion Fund (Expansion Fund) in the Small Business Finance Center (SBFC)** helps businesses create and retain jobs, and encourages investment in low- to moderate-income communities. Effective October 4, 2013, the Small Business Financial Assistance Act of 2013 (SBFC Act) created the SBFC at IBank and transferred the Expansion Fund, which accounts for the activities of the California Small Business Loan Guarantee (SBLG) Program, the Farm Loan Program, the Jump Start Program, the Surety Bonds Program, and the Secondary Market Program to IBank. The Surety Bonds and Secondary Market Programs are currently inactive. With the exception of certain amounts spent for program administration support that require an annual appropriation by the State Legislature for the SBLG program, the Expansion Fund is continuously appropriated without regard to fiscal year and is available for expenditure for the program related purposes stated in the SBFC Act.

The *California Small Business Loan Guarantee (SBLG) Program* was established in the State in 1968 to provide access to capital and create jobs and opportunities for small businesses primarily owned by minorities, women, and disabled persons. The term loans and lines of credit are made by financial institutions, typically banks, credit unions and federally chartered community development financial institutions. Eight non-profit financial development corporations (FDC) contract with IBank to administer the collection guarantees issued under the SBLG Program. The SBLG Program enables participating small businesses to secure financing for their business plans, including expanding operations, purchasing new equipment and accessing working capital. The collection guarantee from IBank serves as a credit enhancement and an incentive for financial institutions to make term loans and lines of credit to small businesses that otherwise may not be able to obtain such financing.

In 2011, the State of California was approved for an allocation of \$168 million in federal funds from the U.S. Treasury under the State Small Business Credit Initiative (SSBCI), a component of President Obama's Small Business Jobs Act of 2010. The allocation was divided equally between two State agencies, with the SBLG Program receiving four disbursements (tranches) since inception. The SSBCI funds have unique federal requirements. Consequently, the SSBCI funded collection guarantees are administered by IBank separately as a subset of the SBLG Program. Thus, since 2011, the SBLG Program has consisted of two subsets: the state-funded portion of the SBLG program and the federal SSBCI-funded portion.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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The *Farm Loan Program* supports direct loans by IBank to small farms through participating FDCs. The term loans and lines of credit provide capital for farms that are primarily engaged in producing crops, livestock products, or aquatic organisms through the utilization and management of land, water, labor, capital, and basic materials including seed, feed, fertilizer, and fuel. The farm loans are 90% guaranteed by the U.S. Department of Agriculture, Farm Service Agency. Two FDCs are currently participating in the Farm Loan Program.

The *Jump Start Loan Program* is a micro-loan and financial literacy/technical assistance program exclusively for low-wealth entrepreneurs in low-wealth communities. By targeting only low-wealth communities, IBank's goal is to make more small business micro-loans available to low-wealth entrepreneurs, including low-wealth businesses owned by women, minorities, veterans, persons with disabilities, and persons previously incarcerated. Five FDCs are currently participating in the Jump Start Loan Program.

### B. ACCOUNTING PRINCIPLES

The accompanying financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

IBank distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing financial services in connection with principal ongoing operations. The primary operating revenue reported is financing income, representing interest on loans provided to borrowers. Also recognized in operating revenue are the fees charged to ISRF Program borrowers, conduit Bond Financing Program borrowers, Expansion Fund guarantee recoveries, and Expansion Fund federal and state revenue. Operating expenses primarily include interest expense on the ISRF Program Bonds, Expansion Fund nonexchange financial guarantee expenses and program support expenses. Investment income is reported as non-operating revenue.

### C. CASH AND EQUIVALENTS AND INVESTMENTS

IBank considers all short-term investments with an original maturity of three months or less to be cash equivalents. In addition, the investment in the State's Surplus Money Investment Fund (SMIF), an internal investment pool, is considered to be highly liquid and cash equivalents. All investment income, including changes in the fair value of investments, is recognized as revenue in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for deposits and investment risks are specified relating to the following risks: interest rate, credit, custodial credit, concentrations of credit and foreign currency. In addition, other disclosures are specified including, but not limited to, the use of certain methods to present deposits and investments, highly sensitive investments and credit quality at year-end.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Certificates of deposit are recorded at cost. It is the intent of IBank to hold these certificates of deposit until maturity. IBank holds investments that are measured at fair value on a recurring basis. IBank categorizes its 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 assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### D. LOANS RECEIVABLE

*ISRF Loans* - IBank enters into loan agreements, installment sale agreements and lease agreements (Loans) to finance public infrastructure and economic development projects and projects for non-profit organizations sponsored by governmental entities pursuant to the ISRF Program. A majority of the Loans are pledged to the 2014A ISRF Program Bonds, 2015A ISRF Program Bonds and the 2016A ISRF Program Bonds (Series Pledged Loans). Loans receivable includes pledged and non-pledged Loans. Pledged and non-pledged Loans receivable consists of two components – the disbursed and the undisbursed amount of Loans. The disbursed amount of pledged Loans receivable includes amounts drawn by the borrower for reimbursement or payment of project costs. The undisbursed amount of pledged Loans receivable includes the balance available to be drawn by the borrowers and draws submitted for payment but unpaid at year-end, and is offset by a liability for outstanding undisbursed loan commitments. Prior to the issuance of the ISRF Program Bonds, Loans were funded solely by General Fund appropriations received from the State, Loan repayments, fee revenue, and investment income. Since the issuance of the ISRF Program Bonds, Loans have been funded from the proceeds of the ISRF Program Bonds and/or from proceeds of Loan repayments, fee revenue and investment income.

The current portion of loan commitments is an estimate and is generally based upon projections provided by borrowers. These estimates are subject to change due to unforeseen weather conditions, construction delays related to change orders, delayed material shipment, subcontractor performance problems and other factors that cannot be reasonably predicted. There is no provision for uncollectible accounts as all Loans are current and expected at this time to be repaid according to the scheduled terms.

*Farm Loans* - IBank provides funding for direct loans to small farms through participating FDCs in the Farm Loan Program under the Expansion Fund. The Farm Loans receivables include the disbursed amount of the Farm Loans, Loan repayments, investment income and payments under the 90% guarantee from the U.S. Department of Agriculture, Farm Service Agency. The disbursed amount of the Farm Loans receivable includes amounts drawn by the borrower for reimbursement or payment of farm costs. Farm loans are funded from the accounts dedicated to the Farm Loan Program under the Expansion Fund. There is no provision for uncollectible accounts as all Farm Loans are current and expected at this time to be repaid according to the scheduled terms.

*Jump Start Loans* - No Jump Start Loans were issued or disbursed during the 2016-17 fiscal year. No Jump Start Loans were outstanding as of June 30, 2017.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### E. ISSUANCE COSTS

Costs associated with the issuance of each series of the ISRF Program Bonds included bond counsel and disclosure counsel fees, trustee fees, rating agency fees, underwriting costs, financial advisor fees and other miscellaneous expenses. The ISRF Program bond issuance costs are recognized as an expense when incurred.

### F. REVENUE BONDS PAYABLE

Revenue bonds payable are stated at their unpaid balance plus any remaining unamortized premiums. Bond premiums are amortized using the effective-interest method over the terms of the respective ISRF Program Bonds. The ISRF Program Bonds are subject to mandatory and optional redemption prior to their stated maturity. The ISRF Program Bonds are not obligations of the State, and the taxing power of the State is not pledged for their payments. The obligation of IBank to make such payments is a limited obligation, payable solely from the ISRF Program Bonds collateral pledged by IBank.

### G. LOAN AND CONDUIT BOND FEES

IBank charges an origination fee and an annual servicing fee to ISRF Program borrowers. The origination fee is due upon execution of the Loan agreement and is collected no later than the date of the borrower's first disbursement. Loan origination fees are recognized as revenue when due. The annual servicing fee is recognized as revenue when earned. IBank also charges application, bond issuance and annual fees to conduit Bond Financing Program borrowers. Conduit bond fees are recognized as revenue when earned.

### H. COMPENSATED ABSENCES PAYABLE

Compensated absences payable represents employees' earned but unused vacation, annual leave, and other similar leave program balances which are eligible for payment upon separation from state service. Unused sick-leave balances are not included as they are converted to additional service credit used in the calculation of postemployment benefits. Compensated absences payable is a long-term obligation because leave earned in the current period is considered to be used before any unused leave from prior years (LIFO) and it is anticipated that employees will not generally use more leave than the amount earned in the current period.

### I. NONEXCHANGE FINANCIAL GUARANTEE LIABILITY

A nonexchange financial guarantee is a financial guarantee for obligations without receiving equal or approximately equal value in exchange (a nonexchange transaction). The nonexchange financial guarantee liability represents amounts that will more likely than not be required for the guarantees based on consideration of the likelihood of default of individual loan violations of agreements and initiation of the process of financial reorganization.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### J. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The loss on refunding debt resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of IBank's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between IBank's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 7 for further details related to these pension deferred outflows and inflows.

### K. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IBank's portion of the California Public Employees' Retirement System (CalPERS) Miscellaneous Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### L. CLASSIFICATION OF NET POSITION

Restricted net position represents amounts restricted due to external restrictions imposed by creditors, laws or regulations of the government, and restrictions imposed by law through constitutional provisions or enabling legislation. The net position reported by IBank is restricted by statute for programs established by IBank and for programs administered pursuant to the Act.

### M. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.



# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### N. RESTATEMENT

Prior to the 2016-17 fiscal year, IBank did not have the infrastructure in place to report the activity of the Expansion Fund in accordance with U.S. generally accepted accounting principles. IBank's comprehensive annual financial reports prior to 2016-17 fiscal year acknowledged the exclusion of the Expansion Fund and indicated that the Expansion Fund was included and subject to audit of the State of California's financials statements. The Expansion Fund is included in the financial statements for the first time during the current 2016-17 fiscal year. As a result, for the fiscal year ended June 30, 2017, the beginning net position of IBank increased by \$110,060,990 and the beginning cash and equivalents balance increased by \$8,621,105.

### 3. CASH AND EQUIVALENTS AND INVESTMENTS

IBank follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of the interest rate, credit, custodial credit, concentration of credit and foreign currency risks to the extent that they exist at the date of the Statement of Net Position. Additional disclosure detail required by GASB Statement No. 40 for cash deposits, investments, and derivatives within the State's centralized treasury system can be found in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, which is the latest available.

Due to the specified nature of the activities reported in IBank as established in the Act and the SBFC Act, all cash, cash equivalents, and investments are considered restricted at June 30, 2017, since these funds cannot be spent for any purpose other than as established in the Act and SBFC Act.

Investments are made pursuant to an investment policy initially adopted by the Board in March 2006. IBank's current investment policy contains a requirement for the Board to review the investment policy on an annual basis. The investment policy was last reviewed and approved by the Board on September 6, 2017. The Investment Policy provides guidelines for the prudent investment while maximizing efficiency and financial return in conformance with all applicable State statutes governing the investment of public funds, with the foremost objectives being safety and liquidity.

Pursuant to the Investment Policy, IBank may, from time to time, direct the State Treasurer (Treasurer) to invest monies in the CIEDB Fund and Guarantee Trust Fund held within the State's centralized treasury system that are not required for its current needs, in any eligible securities specified in Government Code Section 16430 as IBank shall designate. IBank may direct the Treasurer to invest monies in the Guarantee Trust Fund in certain repurchase agreements, investment agreements and subordinated securities as specified in Government Code Section 63062(a). IBank may direct the Treasurer to deposit monies in interest-bearing accounts in qualified public depositories as established by State law, including any bank in the State or in any savings and loan association in the State. IBank may alternatively require the transfer of monies to SMIF for investment.

Government Code Sections 63052(e), 63062(b) and 5922(d) provide that bond proceeds and monies set aside and pledged to the repayment of bonds may be invested in securities or obligations described in the indenture for those bonds. Monies in each of the accounts with respect to the 2014A ISRF Program Bonds, 2015A ISRF Program Bonds and 2016A ISRF Program Bonds issued under the Indenture, dated as of February 1, 2014, between IBank and US Bank National Association, as trustee, (ISRF Trustee) as supplemented and amended by the First Supplemental Indenture dated as of February 1, 2014 between IBank and the ISRF Trustee, the Second Supplemental Indenture dated as of June 1, 2015 between IBank and the ISRF Trustee and the Third Supplemental Indenture dated as of June 1, 2016 between

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

IBank and the ISRF Trustee (Indenture) are held by the ISRF Trustee and shall be invested and reinvested by the ISRF Trustee in permitted investments, as that term is defined in the Indenture. The permitted investments mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed.

Government Code Sections 63089.5 provides for the continued existence in the State Treasury of the Expansion Fund and also provides that all of the funds in the Expansion Fund may be paid out to a financial institution that will establish a trust fund and act as trustee of the funds. Monies in each account with respect to the Expansion Fund under the SBFC have been paid out to and are held by Fiduciary Trust International, as trustee (SBFC Trustee), and are invested and reinvested by the SBFC Trustee in permitted investments pursuant to the Investment Policy.

### Investments Authorized by the California Government Code and the Investment Policy

The following table identifies the investment types that are authorized by Government Code sections 16430, 5922(d), 63052(d) and (e), and 63062(a) and (b) or the Investment Policy, where more restrictive. The table below also identifies certain provisions of the California Government Code, or the Investment Policy, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds and other monies held by the Trustees that are governed by the provisions of the Indenture, but rather the general provisions of the California Government Code or the Investment Policy.

#### Authorized Investments

<u>Authorized Investment Type</u>	<u>Maximum Maturity<sup>1</sup></u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Credit Rating<sup>3</sup></u>
U.S. Treasury Securities	5 Years	N/A <sup>2</sup>	N/A	N/A
Federal Agency Securities	5 Years	N/A	40%	N/A
State of California Securities	5 Years	30%	30%	N/A
Local Agency Securities	5 Years	30%	5%	N/A
Commercial Paper	180 Days	30%	5%	A1/P1/F1
Bankers Acceptances	180 Days	40%	5%	N/A
Negotiable Certificates of Deposit	5 Years	30%	5%	N/A
Non-Negotiable Certificates of Deposit	5 Years	N/A	N/A	N/A
U.S. SBA or U.S. FHA Securities	5 Years	N/A	40%	N/A
Export-Import Bank Securities	5 Years	10%	N/A	N/A
Guaranteed Student Loan Program Securities	5 Years	10%	N/A	N/A
Development Bank Securities	5 Years	30%	5%	N/A
Corporate Debt Securities	5 Years	30%	5%	A

<sup>1</sup> Where the Investment Policy does not specify a maximum remaining maturity at the time of the investment, no investment shall be made in any security, other than a collateral security underlying a repurchase agreement or collateral for an investment agreement, which at the time of the investment has a term remaining to maturity in excess of five years.

<sup>2</sup> N/A means neither the Government Code nor the Investment Policy sets a limit.

<sup>3</sup> A rating by any nationally recognized rating agency will meet this requirement. The nationally recognized rating agencies include Standard & Poor's (S&P), Moody's Investors Services (Moody's), and Fitch Ratings (Fitch) (collectively, Rating Agencies).

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### Investments Authorized by the ISRF Program Bond Series Indentures or the Indenture

Investment of debt proceeds and Loan repayments that are held by the Trustees are governed by the provisions of the Indenture. Such investments are referenced in the Investment Policy, which references Government Code sections 63052(e) and 5922(d).

### Authorized Investments

<u>Authorized Investment Type</u>	<u>Maximum Maturity<sup>1</sup></u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Credit Rating<sup>3</sup></u>
U.S. Treasury Securities	5 Years	N/A <sup>2</sup>	N/A	N/A
Federal Agency Securities	5 Years	N/A	30%	N/A
Commercial Paper	180 Days	30%	10%	A-2/P-2/F2
Bankers Acceptances	180 Days	N/A	N/A	A-3/P-3/F3
Negotiable Certificates of Deposit	5 Years	N/A	N/A	A
U.S. SBA or U.S. FHA Securities	5 Years	N/A	N/A	N/A
Export-Import Bank Securities	5 Years	N/A	N/A	N/A
Guaranteed Student Loan Program Securities	5 Years	N/A	N/A	N/A
Development Bank Securities	5 Years	N/A	N/A	N/A
Corporate Debt Securities	5 Years	N/A	N/A	A
Surplus Money Investment Fund	N/A	N/A	N/A	N/A
Repurchase Agreements	5 Years	N/A	N/A	A
Guaranteed Investment Contract	5 Years	N/A	N/A	AA
Collateralized Forward Purchase Agreements	5 Years	N/A	N/A	A
Money Market Funds	N/A	N/A	N/A	Am

<sup>1</sup> The Investment Policy authorizes investing bond reserve funds and bond revenue funds beyond five years if prudent in the opinion of the Executive Director.

<sup>2</sup> N/A means neither the Government Code nor the Investment Policy sets a limit.

<sup>3</sup> As rated by each of S&P, Moody's and Fitch.

IBank has invested excess cash held within the State's centralized treasury system in SMIF. All of the resources in SMIF are invested through the Pooled Money Investment Account (PMIA). The PMIA investment program is overseen by the Pooled Money Investment Board and is administered by the Treasurer.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Cash and cash equivalents at June 30, 2017 were as follows:

SMIF	\$ 58,989,524
Cash and Cash Equivalents with Financial Institutions	
Money Market Funds	245,253,342
Deposits	60,209,593
U.S. Treasury Securities	<u>4,808,000</u>
Total Cash and Cash Equivalents	<u>\$ 369,260,459</u>

Investments at June 30, 2017 were as follows:

Corporate Debt Securities	\$ 43,818,647
Local Agency Securities	52,725,737
U.S. Treasury Securities	16,636,776
U.S. SBA or U.S. FHA Securities	62,514
Federal Agency Securities	2,179,520
Non-Negotiable Certificate of Deposit	<u>6,308,063</u>
Total Investments	<u>\$ 121,731,257</u>

### Fair Value Measurement

GASB Statement 72 requires the IBank to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The certificate of deposit is not negotiable and, therefore, not subject to fair value measurement as the redemption terms do not consider market rates. SMIF, being an investment pool, is subject to the fair value measurement; however, it is not subject to the fair value hierarchy. The remaining investments are classified as Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

### Deposit and Investment Risk Disclosures

**Interest Rate Risk.** Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by weighted average to maturity, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with a shorter duration. As of June 30, 2017, the weighted average maturity of the investments contained in SMIF is approximately 194 days. SMIF is considered to be highly liquid and a cash equivalent.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Information about the sensitivity of the fair values of investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity as of June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Corporate Debt Securities	\$ 43,818,647	\$ 10,953,107	\$ 14,333,062	\$ 18,532,478	\$ -
Local Agency Securities	52,725,737	18,556,320	19,333,903	12,102,171	2,733,343
U.S. Treasury Securities	21,444,776	11,511,015	379,771	9,553,990	-
U.S. SBA or U.S. FHA Securities	62,514	-	-	-	62,514
Federal Agency Securities	2,179,520	2,178,255	-	-	1,265
Non-Negotiable Certificate of Deposit	6,308,063	6,308,063	-	-	-
Money Market Funds	<u>245,253,342</u>	<u>245,253,342</u>	-	-	-
Total	<u>\$ 371,792,599</u>	<u>\$ 294,760,102</u>	<u>\$ 34,046,736</u>	<u>\$ 40,188,639</u>	<u>\$ 2,797,122</u>

**Credit Risk.** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. SMIF and the certificate of deposit do not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each of the remaining investment types as of June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>	
		<u>AAA to AA</u>	<u>AA- to A-</u>
Corporate Debt Securities	\$ 43,818,647	\$ 11,365,370	\$ 32,453,277
Local Agency Securities	52,725,737	34,098,626	18,627,111
U.S. Treasury Securities	21,444,776	21,444,776	-
U.S. SBA or U.S. FHA Securities	62,514	62,514	-
Federal Agency Securities	2,179,520	2,179,520	-
Money Market Funds	<u>245,253,342</u>	<u>245,253,342</u>	-
Total	<u>\$ 365,484,536</u>	<u>\$ 314,404,148</u>	<u>\$ 51,080,388</u>

**Custodial Credit Risk.** Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, IBank will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2017, IBank reported \$60,209,593 in deposit accounts, \$500,000 of which was covered by federal deposit insurance. The remainder cash on deposit was uncollateralized.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, IBank will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2017, the investments were not subject to custodial credit risk.

#### 4. REVENUE BONDS PAYABLE

On February 6, 2014, IBank issued \$95,960,000 in ISRF Program Bonds. A portion of the proceeds, \$82,184,703, was used to advance refund \$78,440,000 of outstanding 2004 and 2005 ISRF Program Bonds. These proceeds were deposited in an irrevocable trust with an escrow agent to pay the future debt service on the refunded bonds. As a result, the 2004 and 2005 ISRF Program Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The remaining proceeds were used to fund ISRF Program Loans that were made in anticipation of the issuance of the 2014 ISRF Program Bonds.

The reacquisition price (amount placed in escrow to repay the 2004 and 2005 ISRF Program Bonds) exceeded the net carrying amount of those bonds by \$896,045. This loss on the bond refunding is reported as a deferred outflow of resources on the Statement of Net Position and will be amortized over the remaining life of the refunded bonds. As of June 30, 2017 the balance of the loss on bond refunding was \$607,634.

On June 17, 2015, IBank issued \$90,070,000 in ISRF Program Bonds. A portion of the proceeds, \$39,285,137, was used to advance refund \$35,435,000 of outstanding 2008 ISRF Program Bonds. These proceeds were deposited in an irrevocable trust with an escrow agent to pay the future debt service on the refunded bonds. As a result, the 2008 ISRF Program Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The remaining proceeds were used to fund ISRF Program Loans that were made in anticipation of the issuance of the 2015 ISRF Program Bonds.

The reacquisition price (amount placed in escrow to repay the 2008 ISRF Program Bonds) exceeded the net carrying amount of those bonds by \$3,587,748. This loss on the bond refunding is reported as a deferred outflow of resources on the Statement of Net Position and will be amortized over the remaining life of the refunded bonds. As of June 30, 2017 the balance of the loss on bond refunding was \$2,901,330.

On June 14, 2016, IBank issued \$141,600,000 in ISRF Program Bonds to provide funds for the ISRF Program Loans.

At June 30, 2017, the outstanding balance of the defeased 2008 ISRF Program Bonds was \$31,385,000. The bonds will be redeemed on their October 1, 2018 call date.

The principal and interest payments received during the fiscal year from the Series-Pledged Loans are paid to the ISRF Trustees in amounts and at times sufficient to make the semi-annual debt service payments on the ISRF Program Bonds as they become due through 2046. The total principal and interest remaining to be paid on the ISRF Program Bonds is \$511,567,601. For the year ended June 30, 2017, Series Pledged Loan repayments and reserve account earnings were \$49,332,492. The debt service payments on ISRF Program Bonds for the fiscal year was \$20,714,552, resulting in a bond debt coverage ratio for the fiscal year of 2.38 times.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a summary of bonds payable at June 30, 2017:

Infrastructure State Revolving Fund Revenue Bonds, Series 2014A, issued \$95,960,000 bearing 2.00% to 5.00% interest payable semi-annually, final maturity October 1, 2043 (2014 ISRF Program Bonds)	\$ 86,175,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2015A, issued \$90,070,000 bearing 1.00% to 5.00% interest payable semi-annually, final maturity October 1, 2043 (2015A ISRF Program Bonds)	83,780,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2016A, issued \$141,600,000 bearing 2.00% to 5.00% interest payable semi-annually, final maturity October 1, 2036 (2016A ISRF Program Bonds)	141,600,000
Plus: Unamortized Net Premium	<u>49,463,026</u>
Net ISRF Program Bonds Payable	<u>\$ 361,018,026</u>

The following is a schedule of the debt service requirements for the 2014 ISRF Program Bonds as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 3,705,000	\$ 4,180,294	\$ 7,885,294
2019	3,860,000	4,009,693	7,869,693
2020	4,065,000	3,811,569	7,876,569
2021	4,275,000	3,603,069	7,878,069
2022	4,470,000	3,384,444	7,854,444
2023-2027	22,460,000	13,614,469	36,074,469
2028-2032	25,940,000	7,453,031	33,393,031
2033-2037	12,645,000 <sup>1</sup>	2,466,109	15,111,109
2038-2042	4,375,000 <sup>2</sup>	456,825	4,831,825
2043-2044	<u>380,000<sup>3</sup></u>	<u>12,113</u>	<u>392,113</u>
<b>Total</b>	<b><u>\$ 86,175,000</u></b>	<b><u>\$ 42,991,616</u></b>	<b><u>\$ 129,166,616</u></b>

<sup>1</sup> Principal payments in the amount of \$1,810,000 will be made from sinking fund payments for the 2039 term bond.

<sup>2</sup> Principal payments in the amount of \$3,380,000 and \$995,000 will be made from sinking fund payments for the 2039 and 2043 term bonds, respectively.

<sup>3</sup> Principal payments in the amount of \$380,000 will be made from sinking fund payments for the 2043 term bonds.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a schedule of the debt service requirements for the 2015A ISRF Program Bonds as of June 30, 2017:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2018	\$ 4,095,000	\$ 3,940,881	\$ 8,035,881
2019	4,245,000	3,774,081	8,019,081
2020	4,425,000	3,578,556	8,003,556
2021	4,655,000	3,351,556	8,006,556
2022	4,750,000	3,116,431	7,866,431
2023-2027	22,030,000	12,086,156	34,116,156
2028-2032	19,095,000	7,112,031	26,207,031
2033-2037	13,920,000	2,935,941	16,855,941
2038-2042	5,315,000 <sup>4</sup>	821,625	6,136,625
2043-2044	1,250,000 <sup>5</sup>	61,752	1,311,752
<b>Total</b>	<b>\$ 83,780,000</b>	<b>\$ 40,779,010</b>	<b>\$ 124,559,010</b>

<sup>4</sup> Principal payments in the amount of \$4,665,000 and \$650,000 will be made from sinking fund payments for the 2040 and 2043 term bonds, respectively.

<sup>5</sup> Principal payments in the amount of \$1,250,000 will be made from sinking fund payments for the 2043 term bonds.

The following is a schedule of the debt service requirements for the 2016A ISRF Program Bonds as of June 30, 2017:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2018	\$ 565,000	\$ 6,413,200	\$ 6,978,200
2019	2,290,000	6,373,200	8,663,200
2020	2,365,000	6,291,550	8,656,550
2021	2,460,000	6,182,750	8,642,750
2022	2,465,000	6,084,275	8,549,275
2023-2027	14,685,000	28,594,575	43,279,575
2028-2032	19,825,000	24,406,875	44,231,875
2033-2037	29,845,000	18,408,550	48,253,550
2038-2042	35,890,000 <sup>6</sup>	10,906,000	46,796,000
2043-2046	31,210,000 <sup>7</sup>	2,581,000	33,791,000
<b>Total</b>	<b>\$ 141,600,000</b>	<b>\$ 116,241,975</b>	<b>\$ 257,841,975</b>

<sup>6</sup> Principal payments in the amount of \$35,890,000 will be made from sinking fund payments for the 2041 term bonds.

<sup>7</sup> Principal payments in the amount of \$31,210,000 will be made from sinking fund payments for the 2045 term bonds.



# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### 5. LONG-TERM OBLIGATIONS

The changes in long-term obligations for the fiscal year ended June 30, 2017 were as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u> <u>June 30, 2017</u>
Revenue Bonds Payable:					
2014A ISRF Program Bonds	\$ 89,805,000	\$ -	\$ 3,630,000	\$ 86,175,000	\$ 3,705,000
2015A ISRF Program Bonds	87,590,000	-	3,810,000	83,780,000	4,095,000
2016A ISRF Program Bonds	141,600,000	-	-	141,600,000	565,000
Unamortized Net Premium	<u>53,575,634</u>	<u>-</u>	<u>4,112,608</u>	<u>49,463,026</u>	<u>3,616,116</u>
Total Revenue Bonds Payable	372,570,634	-	11,552,608	361,018,026	11,981,116
Compensated Absences Payable	<u>285,250</u>	<u>270,916</u>	<u>181,710</u>	<u>374,456</u>	<u>7,596</u>
<b>Total</b>	<b><u>\$ 372,855,884</u></b>	<b><u>\$ 270,916</u></b>	<b><u>\$11,734,318</u></b>	<b><u>\$361,392,482</u></b>	<b><u>\$ 11,988,712</u></b>

### 6. CONDUIT BOND INFORMATION AND DEBT OBLIGATIONS

IBank has served as the conduit bond issuer for many private, nonprofit and governmental entities. Conduit bonds are a limited obligation of IBank payable solely from the pledged revenues of the conduit borrower. As such, the balance of outstanding conduit bonds is not reflected in the financial statements due to the conduit bond borrower's repayment pledges for those bonds.

Conduit Bond information <sup>1</sup>:

• Fees earned from 7/1/16 thru 6/30/17:	
○ Application Fees	\$ 13,500
○ Issuance Fees	\$ 466,368
○ Annual Fees	\$ 66,125
• Conduit Bond Support Operating Expenses	\$ 1,180,588 <sup>2</sup>
• Amount of conduit bonds authorized but unsold as of 6/30/17	\$ 325,425,000
• Amount of conduit bond debt issued from 7/1/16-6/30/17	\$ 766,418,000
• Amount of conduit bonds outstanding as of 6/30/17	\$ 5.1 Billion <sup>3</sup>
• Number of conduit bonds transactions outstanding as of 6/30/17	156

<sup>1</sup> This information is provided pursuant to Government Code section 5872(a).

<sup>2</sup> Conduit Bond Support Operating Expenses include expenses such as salaries and benefits, administrative services, rent, utilities, travel, training, equipment and external services.

<sup>3</sup> Includes bonds issued by the former California Economic Development Financing Authority, which were assumed by IBank pursuant to Chapter 4, Statutes of 1998, bonds issued by the California Consumer Power and Conservation Financing Authority, which were assumed by IBank pursuant to Resolution 04-37 adopted by the IBank Board on September 28, 2004.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 7. RETIREMENT PLAN

#### Plan Description

All of the employees of IBank participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's (State) Comprehensive Annual Financial Report as a fiduciary component unit. CalPERS administers the Public Employees' Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit retirement plan. Departments and agencies within the State, including IBank, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. Since all State agencies and certain related organizations, including IBank, are considered collectively to be a single employer for plan purposes, the actuarial present value of vested and non-vested accumulated plan benefits attributable to the IBank employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined State contribution requirements are the same as those used to compute the State pension benefit obligation as defined by CalPERS. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute.

#### Benefits Provided

The benefits for the Plan are based on members' years of service, age, final compensation, and 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 or ten years of credited service.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

*First Tier:*

	<b><u>Prior to January 15, 2011</u></b>	<b><u>January 15, 2011 to December 31, 2012</u></b>	<b><u>On or after January 1, 2013</u></b>
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.1 to 2.5%	1.092 to 2.418%	1.0 to 2.5%

*Second Tier:*

	<b><u>Prior to January 1, 2013</u></b>	<b><u>On or after January 1, 2013</u></b>
Hire date		
Benefit formula	1.25% @ 65	1.25% @ 67
Benefit vesting schedule	10 years service	10 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	0.5 to 1.25%	0.65 to 1.25%

### Contributions

Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1<sup>st</sup> following notice of a change in the rate. The total plan contributions are determined through the 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. IBank is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2016 (the measurement date), the employer's contribution rate is approximately 25.2% of annual payroll.

These rates reflect Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the plan were \$598,686 for the fiscal year ended June 30, 2017.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, IBank reported net pension liabilities for their proportionate share of the net pension liability of \$6,241,230.

IBank's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. IBank's proportion of the net pension liability was based on the State Controller's Office (SCO) projection for IBank. The SCO identified a total of 29 entities that are reported in the State's CAFR which are proprietary funds (enterprise and internal service) and fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations, that have State employees with pensionable compensation (covered payroll). The SCO calculated and provided these funds/organizations with their allocated pensionable compensation percentages by plan. IBank's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2015 was 0.01885% and 0.01397%, respectively.

For the fiscal year ended June 30, 2017, IBank recognized pension expense of \$1,074,255. At June 30, 2017, IBank reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 63,692	\$ (14,331)
Changes in proportion	1,143,106	(17,239)
Net differences between projected and actual investment earnings of pension plan investments	689,465	-
IBank's contributions subsequent to measurement date	<u>598,686</u>	<u>-</u>
Total	<u>\$ 2,494,949</u>	<u>\$ (31,570)</u>

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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The \$598,686 reported as 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 fiscal year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	
2018	\$ 540,183
2019	525,845
2020	618,358
2021	180,307

**Actuarial Assumptions**

For the measurement period ended June 30, 2016 (the measurement date), the Total Pension Liability (TPL) was determined by rolling forward the June 30, 2015 TPL. The June 30, 2016 TPL was based on the following actuarial method and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Change of Assumptions**

There were no changes of assumptions

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### Discount Rate

The discount rate used to measure the TPL was 7.65% for the Plan. 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 be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term 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-term 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.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 – 10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

<sup>(a)</sup> An expected inflation of 2.5% was used for this period.

<sup>(b)</sup> An expected inflation of 3.0% was used for this period.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Sensitivity of IBank’s Proportionate Share Net Pension Liability to Changes in the Discount Rate**

The following presents IBank’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what IBank’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<b>Discount Rate – 1% (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>Discount Rate + 1% (8.65%)</b>
IBank’s Proportionate Share of Plan’s Net Pension Liability	\$ 8,496,722	\$ 6,241,230	\$ 4,347,706

**8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The State also provides postemployment health care and dental benefits to its employees and their spouses and dependents, when applicable, through a substantive single-employer defined benefit plan to which the State contributes as an employer (State’s Substantive Plan). 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. Employer and retiree contributions are established and may be amended by the Legislature. The employer contribution for health premiums maintains the average 100/90 percent contribution formula established in the Government Code. Under this formula, the State averages the premiums of the four largest health benefit plans in order to calculate the maximum amount the State will contribute toward the retiree’s health benefits. The State also contributes 90 percent of this average for the health benefits of each of the retiree’s dependents. Employees vest for this benefit after serving 10 years with the State. With 10 years of service credit, employees are entitled to 50 percent of the State’s full contribution. This rate increases by 5% per year and with 20 years of service, the employee is entitled to the full 100/90 formula. IBank participates in the State’s Substantive Plan on a cost sharing basis. IBank recognizes the costs of providing health and dental insurance to annuitants based on the required contribution, which is actuarially determined, and funded on a pay-as-you-go basis. The State Controller’s Office obtains an annual actuarial valuation of the State’s Substantive Plan which can be found on its website at [www.sco.ca.gov](http://www.sco.ca.gov).

A portion of the State’s postemployment benefit costs have been allocated to the CIEDB Fund as follows:

Annual required contribution	\$ 364,000
Interest on net OPEB obligation	70,000
Adjustment to annual required contribution	<u>(65,000)</u>
Annual OPEB cost (expense)	369,000
Contributions made	<u>(131,000)</u>
Increase in net OPEB obligation	238,000
Net OPEB obligation – beginning of year	<u>1,372,000</u>
Net OPEB obligation – end of year	<u>\$ 1,610,000</u>

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years, allocated to the CIEDB Fund, were as follows:

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/15	\$ 111,000	39%	\$ 1,287,000
6/30/16	\$ 131,000	35%	\$ 1,372,000
6/30/17	\$ 369,000	36%	\$ 1,610,000

Additional disclosure detail required by GASB Statement No. 45, regarding other postemployment benefits is presented in the State's Comprehensive Annual Financial Report for the year ended June 30, 2016, which is the latest available on the State Controller's Office website at [www.sco.ca.gov](http://www.sco.ca.gov).

**9. NONEXCHANGE FINANCIAL GUARANTEES**

Nonexchange financial guarantees are executed in accordance with the Directives and Requirements that were adopted as of September 27, 2016 pursuant to the SBFC Act of 2013 (California Government Code 63088, and California Corporations Code Sections 1400 and following) (Law) to amend and restate the Directives and Requirements adopted by the IBank Board on May 24, 2016. As of June 30, 2017, IBank has guaranteed a specified percentage of outstanding loans in the amount of \$306 million. All of the guarantees under the SBLG Program are collection guarantees. Notwithstanding the maturity of the loans, the guarantees cannot extend beyond seven years. In the event that the borrower defaults on the term loan or line of credit for more than 60 days or files for bankruptcy, the lender may make a claim on IBank and, if the lender has satisfied the conditions of the guarantee, IBank is required to make the specified guarantee percentage payment of the loan. IBank considered individual loans risk of default and qualitative factors in determining the guarantee liability.

The activity related to the liability recognized for nonexchange financial guarantees at June 30, 2017 is as follows:

Liability balance - – beginning of year July 1, 2016	\$ 3,545,211
Increase in estimates for previously reported liabilities	90,961
Increase for additional liabilities	2,660,559
Guarantee payments made	(1,754,396)
Decrease in estimates for previously reported liabilities	(858,911)
Liability balance - end of year June 30, 2017	\$ 3,683,424

IBank does not expect to recover any of these amounts in future years.



# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 10. COMMITMENTS

#### Guarantee Trust Fund

In June 2003, the Board approved a preliminary loan guarantee commitment for the Imperial Irrigation District (IID). The preliminary loan guarantee commitment established a conditional obligation to guarantee a future issuance of revenue bonds by IID (IID Bonds) for the purpose of financing a water supply project (IID Guarantee). During the 2003-2004 fiscal year, IBank transferred \$20 million from the CIEDB Fund to the Guarantee Trust Fund in conjunction with the preliminary loan guarantee commitment for the IID. In October 2010, the State Legislature enacted Senate Bill 856 (SB 856) that directed IBank to deposit a specified amount required for the IID Guarantee in a reserve account within the Guarantee Trust Fund. SB 856 further directed that this IID Guarantee amount be held for the benefit of bondholders of potential IID Bonds. At June 30, 2017, the required IID Guarantee amount was on deposit in a reserve account within the Guarantee Trust Fund, and no IID Guarantee or IID Bonds have been issued.

#### IRSF Fund

As of June 30, 2017 the Board had conditionally approved two IRSF loans totaling approximately \$6.87 million that did not yet have fully executed loan documentation. When IBank and the borrower execute the required loan documentation, IBank will be obligated to fund the Loan.

### 11. CONTINGENCIES

One borrower with a Loan pledged to the common pool of loans supporting the 2014 and 2015 IRSF Bonds declared a fiscal emergency on July 18, 2012, and filed a Chapter 9 bankruptcy petition on August 1, 2012. On August 28, 2013, the federal bankruptcy court judge ruled that the borrower was eligible for Chapter 9 bankruptcy protection. On May 29, 2015 the borrower filed a plan of adjustment with the bankruptcy court reflecting an intent to continue routine debt service payments to IBank. IBank filed a proof claim in bankruptcy court on June 17, 2015. The borrower's initial plan of adjustment was amended several times, culminating with its *Third Amended Plan for the Adjustment of Debts of the City of San Bernardino, California (July 29, 2016), as Modified* (the "Final Plan"). As was the case with each previous plan of adjustment, the borrower's Final Plan reflected its intent to continue routine debt service payments to IBank on all outstanding loans. On February 7, 2017, the Bankruptcy Court entered its order confirming the Final Plan. Pursuant to Article XIII of the Final Plan, the borrower has determined that all conditions to the effectiveness of the Final Plan have been satisfied or waived and that June 15, 2017 is the effective date of the Plan. Starting on the effective date, the borrower commenced distributions and other actions pursuant to the Final Plan. As of the beginning of the fiscal year, the borrower had four loans outstanding, three of which were prepaid in full on November 16, 2016 as follows: (1) Loan No. CIEDB-02-027 in the original principal amount of \$10,000,000 was prepaid in full on November 16, 2016 with a payment of \$4,050,161, (2) Loan No. CIEDB BC05-76 in the original principal amount of \$10,000,000 was prepaid in full on November 16, 2016 with a payment of \$6,160,345, and (3) Loan No. CIEDB 12-100 in the original principal amount of \$10,000,000 was prepaid in full on November 16, 2016 with a payment of \$9,040,061. The borrower made all scheduled debt service payments on its one remaining loan with IBank, which has a balance of \$658,888 on June 30, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF IBANK'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
As of June 30, 2017  
Last 10 Years\***

Measurement Period	<u>2016</u>	<u>2015</u>	<u>2014</u>
IBank's proportion of the net pension liability	0.01885%	0.01397%	0.01269%
IBank's proportionate share of the net pension liability	\$ 6,241,230	\$ 3,945,940	\$ 3,200,240
IBank's covered-employee payroll	\$ 2,109,056	\$ 1,486,735	\$ 1,249,884
IBank's proportionate share of the net pension liability as a percentage of their covered-employee payroll	33.79%	37.68%	39.06%
Plan fiduciary net position as a percentage of the total pension liability	66.81%	70.68%	73.05%

**Notes to Schedule:**

**Change of benefit terms.** For the measurement date ended June 30, 2016, 2015 and 2014, there were no changes to the benefit terms.

**Changes in assumptions.** For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement date ended June 30, 2016 and 2014, there were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown. The Expansion Fund is included in the financial statements for the first time during fiscal year 2017. As a result, the Expansion fund is excluded from the measurement periods prior to the measurement period ended June 30, 2016.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SCHEDULE OF IBANK'S CONTRIBUTIONS  
As of June 30, 2017  
Last 10 Years\***

<b>Fiscal Year</b>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 598,686	\$ 472,733	\$ 356,434
Contributions in relation to the contractually required contribution	<u>598,686</u>	<u>472,733</u>	<u>356,434</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
IBank's covered-employee payroll	\$ 2,105,825	\$ 2,075,028	\$ 1,486,735
Contributions as a percentage of covered-employee payroll	28.43%	22.78%	23.97%

**Notes to Schedule:**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown. The Expansion Fund is included in the financial statements for the first time during fiscal year 2017. As a result, the Expansion fund is excluded from the fiscal years prior to fiscal year ended June 30, 2017.

## **STATISTICAL SECTION**



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# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## STATISTICAL SECTION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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This part of the comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements and note disclosures as it relates to the financial health.

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the financial performance has changed over time.	
Schedule of Net Position	46
Schedule of Revenues, Expenses, and Changes in Fund Net Position	48
Infrastructure State Revolving Fund (ISRF) Program Ten Largest Borrowers	50
<b>Revenue Capacity</b>	
This schedule contains information to help the reader assess the most significant revenue source.	
Schedule of ISRF and CLEEN Program Loans Receivable and Interest Rates	51
<b>Debt Capacity</b>	
These schedules contain information to help the reader assess the current level of outstanding debt and capacity to issue additional debt in the future.	
Schedule of Statutory Debt Limit Capacity	53
Schedule of Outstanding ISRF Program Bonds and Related Debt Ratio	55
Schedule of Aggregate Pledged Resources Coverage for ISRF Program Bonds	57
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the financial activities take place.	
California Demographic and Economic Indicators	58
California Employment by Industry	60
<b>Operating Information</b>	
These schedules contain data to help the reader understand how the information in the financial report relates to the programs provided and the activities performed.	
Number of Employees by Identifiable Activity	61
Major Program Activity	62
<b>California Small Business Expansion Fund</b>	64

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF NET POSITION <sup>1</sup> FOR THE PAST TEN FISCAL YEARS

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 108,852,319	\$ 125,709,510	\$ 113,447,173	\$ 103,701,676	\$ 99,283,799
Program loans receivable	305,749,937	311,504,489	331,209,650	320,958,196	323,333,231
Other assets	5,371,504	5,583,167	5,938,389	5,493,189	5,401,190
Total assets	<u>419,973,760</u>	<u>442,797,166</u>	<u>450,595,212</u>	<u>430,153,061</u>	<u>428,018,220</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources related to pensions <sup>4</sup>	-	-	-	-	-
Loss on refunding debt <sup>2</sup>	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 419,973,760</u>	<u>\$ 442,797,166</u>	<u>\$ 450,595,212</u>	<u>\$ 430,153,061</u>	<u>\$ 428,018,220</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>					
<b>LIABILITIES</b>					
Revenue bonds payable	\$ 100,432,424	\$ 145,839,491	\$ 140,710,150	\$ 135,189,315	\$ 129,526,688
Undisbursed loan commitments	57,012,908	28,404,385	37,639,398	18,955,223	19,307,372
Net pension liability <sup>4</sup>	-	-	-	-	-
Other liabilities <sup>3</sup>	4,080,853	5,164,622	5,434,308	5,272,741	5,415,247
Total liabilities	<u>161,526,185</u>	<u>179,408,498</u>	<u>183,783,856</u>	<u>159,417,279</u>	<u>154,249,307</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources related to pensions <sup>4</sup>	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted - Expendable by statute	<u>258,447,575</u>	<u>263,388,668</u>	<u>266,811,356</u>	<u>270,735,782</u>	<u>273,768,913</u>
Total net position	<u>258,447,575</u>	<u>263,388,668</u>	<u>266,811,356</u>	<u>270,735,782</u>	<u>273,768,913</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 419,973,760</u>	<u>\$ 442,797,166</u>	<u>\$ 450,595,212</u>	<u>\$ 430,153,061</u>	<u>\$ 428,018,220</u>

<sup>1</sup> This schedule is condensed from its original format. Prior to fiscal year 2016-17, this schedule combined the California Infrastructure and Economic Development Bank Funds and the California Infrastructure Guarantee Trust Fund. Beginning in fiscal year 2016-17, the Expansion Fund is also combined.

<sup>2</sup> In fiscal year 2013-14 and 2015-16, Series 2014A and Series 2015A ISRF Program Bonds were issued in part to refund the Series 2004, Series 2005 and Series 2008 ISRF Program Bonds. These advance refundings resulted in a loss that is amortized over the life of the refunded bonds.

<sup>3</sup> Beginning in fiscal year 2012-13, bond issuance costs were recognized as expense when incurred, loan origination fees were recognized as revenue when due, and beginning of the year net position was restated to include prior year unamortized balances.

<sup>4</sup> deferred outflows of resources, deferred inflows of resources, and pension expenses, decreasing beginning of the year net position.



# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF NET POSITION <sup>1</sup>

### FOR THE PAST TEN FISCAL YEARS

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
					<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>
					<b>ASSETS</b>
\$ 93,685,407	\$ 143,080,564	\$ 214,344,782	\$ 409,467,388	\$ 490,991,716	Cash, cash equivalents, and investments
314,813,422	291,868,218	310,513,224	308,116,217	335,510,902	Program loans receivable
4,371,482	3,747,020	3,765,003	3,848,492	5,792,421	Other assets
<u>412,870,311</u>	<u>438,695,802</u>	<u>528,623,009</u>	<u>721,432,097</u>	<u>832,295,039</u>	Total assets
					<b>DEFERRED OUTFLOWS OF RESOURCES</b>
-	-	356,434	830,397	2,494,949	Deferred outflows of resources related to pensions <sup>4</sup>
-	864,910	4,362,447	3,887,765	3,508,964	Loss on refunding debt <sup>2</sup>
-	864,910	4,718,881	4,718,162	6,003,913	Total deferred outflows of resources
<u>\$ 412,870,311</u>	<u>\$ 439,560,712</u>	<u>\$ 533,341,890</u>	<u>\$ 726,150,259</u>	<u>\$ 838,298,952</u>	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>
					<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>
					<b>LIABILITIES</b>
\$ 123,683,680	\$ 146,507,706	\$ 208,290,797	\$ 372,570,634	\$ 361,018,026	Revenue bonds payable
7,880,252	6,562,703	37,666,191	63,432,168	75,529,338	Undisbursed loan commitments
-	-	3,200,240	3,945,940	6,241,230	Net pension liability <sup>4</sup>
2,787,755	4,794,542	3,296,412	5,789,170	10,290,489	Other liabilities <sup>3</sup>
<u>134,351,687</u>	<u>157,864,951</u>	<u>252,453,640</u>	<u>445,737,912</u>	<u>453,079,083</u>	Total liabilities
					<b>DEFERRED INFLOWS OF RESOURCES</b>
-	-	596,410	86,138	31,570	Deferred inflows of resources related to pensions <sup>4</sup>
-	-	596,410	86,138	31,570	Total deferred inflows of resources
<u>278,518,624</u>	<u>281,695,761</u>	<u>280,291,840</u>	<u>280,326,209</u>	<u>385,188,299</u>	<b>NET POSITION</b>
278,518,624	281,695,761	280,291,840	280,326,209	385,188,299	Restricted - Expendable by statute
<u>278,518,624</u>	<u>281,695,761</u>	<u>280,291,840</u>	<u>280,326,209</u>	<u>385,188,299</u>	Total net position
<u>\$ 412,870,311</u>	<u>\$ 439,560,712</u>	<u>\$ 533,341,890</u>	<u>\$ 726,150,259</u>	<u>\$ 838,298,952</u>	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION <sup>1</sup>

### FOR THE PAST TEN FISCAL YEARS

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>OPERATING REVENUES</b>					
Interest on loans receivable	\$ 9,530,573	\$ 10,192,579	\$ 10,694,987	\$ 10,442,066	\$ 10,419,722
Investment income <sup>2</sup>	3,789,063	-	-	-	-
Other income	<u>1,721,640</u>	<u>1,956,453</u>	<u>1,830,283</u>	<u>1,535,375</u>	<u>1,826,084</u>
Total operating revenues	<u>15,041,276</u>	<u>12,149,032</u>	<u>12,525,270</u>	<u>11,977,441</u>	<u>12,245,806</u>
<b>OPERATING EXPENSES</b>					
Interest on bond debt	4,204,219	5,452,702	5,846,017	5,708,393	5,552,600
Amortization of bond issuance costs <sup>3</sup>	86,010	99,690	99,620	152,327	110,719
Program support and other expenses	<u>2,752,827</u>	<u>3,620,774</u>	<u>3,545,456</u>	<u>2,673,325</u>	<u>3,968,784</u>
Total operating expenses	<u>7,043,056</u>	<u>9,173,166</u>	<u>9,491,093</u>	<u>8,534,045</u>	<u>9,632,103</u>
<b>OPERATING INCOME (LOSS)</b>	<u>7,998,220</u>	<u>2,975,866</u>	<u>3,034,177</u>	<u>3,443,396</u>	<u>2,613,703</u>
<b>NONOPERATING REVENUE</b>					
Investment earnings <sup>2</sup>	-	1,965,227	388,511	481,030	419,428
Total nonoperating revenue	<u>-</u>	<u>1,965,227</u>	<u>388,511</u>	<u>481,030</u>	<u>419,428</u>
Changes in net position	7,998,220	4,941,093	3,422,688	3,924,426	3,033,131
<b>NET POSITION, Beginning of year <sup>4</sup></b>	<u>250,449,355</u>	<u>258,447,575</u>	<u>263,388,668</u>	<u>266,811,356</u>	<u>270,735,782</u>
<b>NET POSITION, End of year</b>	<u>\$ 258,447,575</u>	<u>\$ 263,388,668</u>	<u>\$ 266,811,356</u>	<u>\$ 270,735,782</u>	<u>\$ 273,768,913</u>

<sup>1</sup> This schedule is condensed from its original format. Prior to fiscal year 2016-17, this schedule combined the California Infrastructure and Economic Development Bank Funds and the California Infrastructure Guarantee Trust Fund. Beginning in fiscal year 2016-17, the Expansion Fund is also combined.

<sup>2</sup> Beginning in fiscal year 2008-09, investment income was classified as nonoperating revenue.

<sup>3</sup> Beginning in fiscal year 2012-13, bond issuance costs were recognized as expense when incurred, loan origination fees were recognized as revenue when due, and beginning of the year net position was restated to include prior year unamortized balances.

<sup>4</sup> Restated in fiscal years 2012-13, 2014-15 and 2016-17.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION <sup>1</sup>

### FOR THE PAST TEN FISCAL YEARS

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
					<b>OPERATING REVENUES</b>
\$ 10,270,967	\$ 10,421,447	\$ 9,206,557	\$ 9,170,753	\$ 10,894,101	Interest on loans receivable
-	-	-	-	-	Investment income <sup>2</sup>
<u>1,428,048</u>	<u>1,726,297</u>	<u>1,552,859</u>	<u>1,768,708</u>	<u>3,639,058</u>	Other income
<u>11,699,015</u>	<u>12,147,744</u>	<u>10,759,416</u>	<u>10,939,461</u>	<u>14,533,159</u>	Total operating revenues
					<b>OPERATING EXPENSES</b>
5,379,682	5,031,074	4,632,101	7,422,037	11,080,582	Interest on bond debt
-	-	-	-	-	Amortization of bond issuance costs <sup>3</sup>
<u>3,058,486</u>	<u>4,158,113</u>	<u>4,206,661</u>	<u>4,227,415</u>	<u>10,447,512</u>	Program support and other expenses
<u>8,438,168</u>	<u>9,189,187</u>	<u>8,838,762</u>	<u>11,649,452</u>	<u>21,528,094</u>	Total operating expenses
<u>3,260,847</u>	<u>2,958,557</u>	<u>1,920,654</u>	<u>(709,991)</u>	<u>(6,994,935)</u>	<b>OPERATING INCOME (LOSS)</b>
					<b>NONOPERATING REVENUE</b>
<u>212,302</u>	<u>218,580</u>	<u>241,235</u>	<u>744,360</u>	<u>1,796,035</u>	Investment earnings <sup>2</sup>
<u>212,302</u>	<u>218,580</u>	<u>241,235</u>	<u>744,360</u>	<u>1,796,035</u>	Total nonoperating revenue
3,473,149	3,177,137	2,161,889	34,369	(5,198,900)	Changes in net position
<u>275,045,475</u>	<u>278,518,624</u>	<u>278,129,951</u>	<u>280,291,840</u>	<u>390,387,199</u>	<b>NET POSITION, Beginning of year <sup>4</sup></b>
<u>\$ 278,518,624</u>	<u>\$ 281,695,761</u>	<u>\$ 280,291,840</u>	<u>\$ 280,326,209</u>	<u>\$ 385,188,299</u>	<b>NET POSITION, End of year</b>

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM TEN LARGEST BORROWERS

AS OF JUNE 30, 2017 AND JUNE 30, 2008

	June 30, 2017			June 30, 2008		
	ISRF Program Loans Receivable <sup>1</sup>	Rank	Percentage of Total ISRF Program Loans Receivable	ISRF Program Loans Receivable <sup>1</sup>	Rank	Percentage of Total ISRF Program Loans Receivable
City of Santa Cruz	36,494,488	1	11.13%			
City of San Diego	25,500,000	2	7.78%			
City of Del Mar	19,553,297	3	5.96%			
City of San Luis Obispo	12,941,562	4	3.95%			
Fresno Metropolitan Flood Control District	12,508,768	5	3.82%	17,752,572	3	5.81%
Coastside County Water District	11,607,781	6	3.54%			
City of Pittsburg	10,939,215	7	3.34%			
City of Porterville	10,827,057	8	3.30%			
North Tahoe Fire Protection District	8,738,795	9	2.67%			
City of Davis	8,508,807	10	2.60%			
Orange County School of the Arts <sup>3</sup>				18,217,900	1	5.96%
City of Hawthorne				18,212,904	2	5.96%
City of San Bernardino				13,025,803	4	4.26%
City of Madera				10,000,000	5	3.27%
City of San Bernardino Municipal Water Department				10,000,000	6	3.27%
City of Bakersfield				10,000,000	7	3.27%
City of El Segundo				9,774,339	8	3.20%
Stockton Port District				9,261,809	9	3.03%
County of Sacramento Redevelopment Agency Successor Agency <sup>2</sup>				9,091,951	10	2.97%
Total of ten largest ISRF Program borrowers	157,619,770		48.08%	125,337,277		40.99%
All other ISRF Program borrowers	170,238,731		51.92%	180,412,660		59.01%
Total ISRF Program Loans receivable	\$ 327,858,501		100.00%	\$ 305,749,937		100.00%

<sup>1</sup> These amounts represent the total ISRF Program Loans receivable from each borrower and may include one or more Loans and may involve more than one type of revenue stream pledged to repay the Loans.

<sup>2</sup> Effective February 1, 2012, California redevelopment agencies were dissolved and other governmental entities became successor agencies. A successor agency assumed the obligations of the former redevelopment agency, including Loans.

<sup>3</sup> Formerly Orange County High School of the Arts. The loan was paid in full during fiscal year 2013/14.



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# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF ISRF AND CLEEN PROGRAM LOANS RECEIVABLE AND INTEREST RATES

### FOR THE PAST TEN FISCAL YEARS

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Total ISRF Program Loans receivable	\$305,749,937	\$311,504,489	\$331,209,650	\$320,958,196	\$323,333,231
Weighted-average interest rate on total ISRF Program Loans receivable <sup>1</sup>	3.23%	3.24%	3.28%	3.29%	3.26%
Number of new ISRF Program Loans <sup>2</sup>	10	3	6	1	3
Range of interest rate on new ISRF Program Loans	2.71 - 3.17%	3.25 - 4.07%	3.27 - 4.00%	3.24%	2.61 - 3.37%
Range of loan term on new ISRF Program Loans	15 - 30 years	25 - 30 years	20 - 30 years	30 years	20 - 30 years
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Total CLEEN Program Loans receivable					
Weighted-average interest rate on total CLEEN Program Loans receivable <sup>1</sup>					
Number of new CLEEN Program Loans <sup>2</sup>					
Range of interest rate on new CLEEN Program Loans					
Range of loan term on new CLEEN Program Loans					

<sup>1</sup> The weighted-average interest rate on Program Loans receivable is calculated by multiplying each loan's outstanding balance by its interest rate, then dividing the sum of those individual amounts by the respective Program Loans receivable balance at June 30.

<sup>2</sup> Determined based upon the effective date of the Loan agreement.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**SCHEDULE OF ISRF AND CLEEN PROGRAM  
LOANS RECEIVABLE AND INTEREST RATES**

**FOR THE PAST TEN FISCAL YEARS**

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
\$314,813,422	\$291,868,218	\$310,513,224	\$305,116,217	\$327,858,501	Total ISRF Program Loans receivable
3.25%	3.18%	3.17%	3.13%	3.17%	Weighted-average interest rate on total ISRF Program Loans receivable <sup>1</sup>
1	3	5	4	5	Number of new ISRF Program Loans <sup>2</sup>
2.29%	2.26 - 2.77%	1.73 - 3.51%	2.17- 3.84%	3.24-3.59%	Range of interest rate on new ISRF Program Loans
30 years	20 - 30 years	10 - 30 years	20 - 30 years	20 - 30 years	Range of loan term on new ISRF Program Loans
<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
			\$3,000,000	\$4,050,000	Total CLEEN Program Loans receivable
			2.32%	2.42%	Weighted-average interest rate on total CLEEN Program Loans receivable <sup>1</sup>
			1	1	Number of new CLEEN Program Loans <sup>2</sup>
			2.32%	2.70%	Range of interest rate on new CLEEN Program Loans
			20 years	30 years	Range of loan term on new CLEEN Program Loans

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF STATUTORY DEBT LIMIT CAPACITY <sup>1</sup> FOR THE PAST TEN FISCAL YEARS

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
IBank's legal limit on public development facility debt	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion
Total amount outstanding on bonds issued to finance public development facilities <sup>2</sup>	\$ 100,432,424	\$ 145,839,491	\$ 140,710,150	\$ 135,189,315	\$ 129,526,688
Remaining capacity for public development facility debt	\$4.90 billion	\$4.85 billion	\$4.86 billion	\$4.86 billion	\$4.87 billion
IBank's legal limit on rate reduction bonds	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion
Total amount outstanding on rate reduction bonds <sup>3</sup>	\$ 1,661,939	\$ -	\$ -	\$ -	\$ -
Remaining capacity for rate reduction bonds	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion

<sup>1</sup> Pursuant to California Government Code section 63071(b) and pertains only to bonds issued to finance public development facilities and for rate reduction bonds. There is no statutory debt limit on conduit revenue bonds issued for economic development facilities.

<sup>2</sup> The amount outstanding represents the ISRF Program Bonds shown in the Schedule of Outstanding ISRF Program Bonds and related Debt Ratio.

<sup>3</sup> Rate reduction bonds are conduit revenue bonds.



**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**SCHEDULE OF STATUTORY DEBT LIMIT CAPACITY <sup>1</sup>**

**FOR THE PAST TEN FISCAL YEARS**

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	IBank's legal limit on public development facility debt
\$ 123,683,680	\$ 146,507,706	\$ 208,290,797	\$ 372,570,634	\$ 361,018,026	Total amount outstanding on bonds issued to finance public development facilities <sup>2</sup>
\$4.88 billion	\$4.85 billion	\$4.79 billion	\$4.63 billion	\$4.64 billion	Remaining capacity for public development facility debt
\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	IBank's legal limit on rate reduction bonds
\$ -	\$ -	\$ -	\$ -	\$ -	Total amount outstanding on rate reduction bonds <sup>3</sup>
\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	Remaining capacity for rate reduction bonds

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**SCHEDULE OF OUTSTANDING ISRF PROGRAM BONDS AND RELATED DEBT RATIO  
FOR THE PAST TEN FISCAL YEARS**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Series 2004 ISRF Program Bonds <sup>1</sup>	\$ 47,615,000	\$ 46,275,000	\$ 44,910,000	\$ 43,515,000	\$ 42,055,000
Series 2005 ISRF Program Bonds <sup>1</sup>	49,530,000	48,030,000	46,470,000	44,835,000	43,140,000
Series 2008 ISRF Program Bonds <sup>2</sup>	-	48,375,000	46,605,000	44,500,000	42,330,000
Series 2014A ISRF Program Bonds	-	-	-	-	-
Series 2015A ISRF Program Bonds	-	-	-	-	-
Series 2016A ISRF Program Bonds	-	-	-	-	-
Unamortized Net Premium	<u>3,287,424</u>	<u>3,159,491</u>	<u>2,725,150</u>	<u>2,339,315</u>	<u>2,001,688</u>
 Total ISRF Program Bonds outstanding	 <u>\$ 100,432,424</u>	 <u>\$ 145,839,491</u>	 <u>\$ 140,710,150</u>	 <u>\$ 135,189,315</u>	 <u>\$ 129,526,688</u>
 Series-pledged ISRF Program Loans receivable <sup>3</sup>	 \$ 143,622,194	 \$ 211,216,003	 \$ 203,348,112	 \$ 195,160,107	 \$ 185,227,425
 Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable	 0.70	 0.69	 0.69	 0.69	 0.70

<sup>1</sup> The Series 2014A ISRF Program Bonds issued in fiscal year 2013-14 refunded the Series 2004 and Series 2005 ISRF Program Bonds.

<sup>2</sup> The Series 2015A ISRF Program Bonds issued in fiscal year 2014-15 refunded the Series 2008 Program Bonds.

<sup>3</sup> Excludes non-pledged loans.

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**SCHEDULE OF OUTSTANDING ISRF PROGRAM BONDS AND RELATED DEBT RATIO  
FOR THE PAST TEN FISCAL YEARS**

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
\$ 40,525,000	\$ -	\$ -	\$ -	\$ -	Series 2004 ISRF Program Bonds <sup>1</sup>
41,360,000	-	-	-	-	Series 2005 ISRF Program Bonds <sup>1</sup>
40,095,000	37,795,000	-	-	-	Series 2008 ISRF Program Bonds <sup>2</sup>
-	95,960,000	93,320,000	89,805,000	86,175,000	Series 2014A ISRF Program Bonds
-	-	90,070,000	87,590,000	83,780,000	Series 2015A ISRF Program Bonds
-	-	-	141,600,000	141,600,000	Series 2016A ISRF Program Bonds
<u>1,703,680</u>	<u>12,752,706</u>	<u>24,900,797</u>	<u>53,575,634</u>	<u>49,463,026</u>	Unamortized Net Premium
<u>\$ 123,683,680</u>	<u>\$ 146,507,706</u>	<u>\$ 208,290,797</u>	<u>\$ 372,570,634</u>	<u>\$ 361,018,026</u>	Total ISRF Program Bonds outstanding
\$ 189,272,085	\$ 254,251,622	\$ 305,562,752	\$ 302,696,519	\$ 325,589,256	Series-pledged ISRF Program Loans receivable <sup>3</sup>
0.65	0.58	0.68	1.23	1.11	Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## SCHEDULE OF AGGREGATE PLEDGED RESOURCES COVERAGE FOR ISRF PROGRAM BONDS <sup>1</sup>

### FOR THE PAST TEN FISCAL YEARS

Fiscal Year	Series-pledged ISRF Program Loan Repayments <sup>2</sup>	Reserve Account Earnings <sup>3</sup>	Total Amount Available for Debt Service <sup>4</sup>	ISRF Program Bonds Debt Service			Debt Service Coverage Ratio
				Principal	Interest	Total	
2007-08	9,595,561	346,128	9,941,689	2,745,000	4,600,174	7,345,174	1.35
2008-09	9,591,891	335,755	9,927,646	2,840,000	4,516,674	7,356,674	1.35
2009-10	14,515,584	38,140	14,553,724	4,695,000	6,430,871	11,125,871	1.31
2010-11	14,863,784	3,005	14,866,789	5,135,000	6,242,953	11,377,953	1.31
2011-12	14,964,643	44,480	15,009,123	5,325,000	6,044,653	11,369,653	1.32
2012-13	14,716,041	70,085	14,786,126	5,545,000	5,838,753	11,383,753	1.30
2013-14	14,588,257	228,364	14,816,621	5,745,000	5,624,003	11,369,003	1.30
2014-15	25,441,134	67,309	25,508,443	5,000,000	6,841,797	11,841,797	2.15
2015-16	42,476,585	334,764	42,811,349	5,995,000	7,723,181	13,718,181	3.12
2016-17	49,271,490	61,002	49,332,492	7,440,000	13,274,552	20,714,552	2.38

<sup>1</sup> Schedule reflects the aggregate of the ISRF Program Bond series outstanding at the end of each fiscal year.

<sup>2</sup> Includes interest and principal paid on Series-Pledged Loans

<sup>3</sup> Investment income includes only that amount received on funds pledged to ISRF Program Bonds debt service.

<sup>4</sup> Includes unscheduled full repayment of a Series-Pledged Loan.



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# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## CALIFORNIA DEMOGRAPHIC AND ECONOMIC INDICATORS FOR THE PAST TEN CALENDAR YEARS

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	2007	2008	2009	2010	2011
State population (in thousands)	36,553	36,856	37,077	37,309	37,570
Personal income (in millions)	\$ 1,564,441	\$ 1,596,282	\$ 1,536,430	\$ 1,579,148	\$ 1,683,204
Per capita personal income <sup>1</sup>	\$ 42,799	\$ 43,311	\$ 41,439	\$ 42,326	\$ 44,802
Labor force and employment					
(in thousands)					
Civilian labor force	17,921	18,207	18,220	18,336	18,418
Employed	16,961	16,894	16,155	16,068	16,250
Unemployed	960	1,314	2,065	2,268	2,168
Unemployment rate	5.4%	7.2%	11.3%	12.4%	11.8%

Sources: Population as of December 2016 - Demographic Research Unit, California Department of Finance

Personal income as of March 28, 2017 - Bureau of Economic Analysis, United States Department of Commerce

Labor force and employment as of August 28, 2017- Labor Market Information Division,  
California Employment Development Department

<sup>1</sup> Calculated by dividing total personal income by population.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## CALIFORNIA DEMOGRAPHIC AND ECONOMIC INDICATORS FOR THE PAST TEN CALENDAR YEARS

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
37,872	38,205	38,499	39,071	39,354	State population (in thousands)
\$ 1,768,039	\$ 1,817,010	\$ 1,944,369	\$ 2,061,337	\$ 2,197,492	Personal income (in millions)
\$ 46,685	\$ 47,559	\$ 50,504	\$ 52,759	\$ 55,839	Per capita personal income <sup>1</sup>
					Labor force and employment (in thousands)
18,519	18,597	18,811	18,982	19,103	Civilian labor force
16,590	16,933	17,397	17,799	18,065	Employed
1,929	1,664	1,414	1,183	1,038	Unemployed
10.4%	8.9%	7.5%	6.2%	5.4%	Unemployment rate

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**CALIFORNIA EMPLOYMENT BY INDUSTRY**

**FOR CALENDAR YEARS 2016 AND 2007**

<b>INDUSTRY</b>	<b>2016</b>		<b>2007</b>	
	<b>Employees</b>	<b>Percentage of Total State Employment</b>	<b>Employees</b>	<b>Percentage of Total State Employment</b>
Farming	426,700	2.524%	383,700	2.421%
Mining and logging	24,500	0.145%	26,700	0.168%
Construction	774,100	4.579%	892,600	5.632%
Manufacturing	1,305,600	7.724%	1,469,100	9.270%
Trade, transportation & utilities	2,990,200	17.689%	2,912,900	18.380%
Information	523,100	3.095%	471,400	2.974%
Financial activities	822,900	4.868%	896,200	5.655%
Professional & business services	2,530,800	14.972%	2,265,100	14.292%
Educational & health services	2,537,400	15.011%	1,963,700	12.391%
Leisure and hospitality	1,897,300	11.224%	1,560,100	9.844%
Other services	556,900	3.294%	512,200	3.232%
Government				
Federal	247,200	1.462%	247,000	1.559%
State	520,100	3.077%	486,600	3.070%
Local	1,747,300	10.337%	1,761,000	11.112%
<b>TOTALS</b>	<b>16,904,100</b>	<b>100.000%</b>	<b>15,848,300</b>	<b>100.000%</b>

Source: Labor Market Information Division, California Employment Development Department  
*Industry Employment and Labor Force - by Annual Average as of June 21, 2017*



**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY <sup>1</sup>  
FOR THE PAST TEN FISCAL YEARS**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14<sup>2</sup></u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Executive/ Administration/ Legal <sup>4</sup>	5	7	7	7	7	7	9	5	4	4
Bond Programs <sup>5</sup>	4	4	4	4	4	4	3	4	4	4
Compliance <sup>3</sup>								2	2	1
External Affairs <sup>3</sup>								2	2	2
Fiscal <sup>3</sup>								3	3	4
Legal/Legislation <sup>3</sup>								3	3	2
Loan Programs <sup>5</sup>	11	14	14	13	13	12	11	6	6	9
Small Business Finance Center <sup>3</sup>								2	3	4
Total Employees	<u>20</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>24</u>	<u>23</u>	<u>23</u>	<u>27</u>	<u>27</u>	<u>30</u>

<sup>1</sup> Data represents filled permanent, full-time positions.

<sup>2</sup> Beginning for FY 2013-14, IBank had two employees that were assigned to the Small Business Loan Guarantee Program, the activities of which were not included in this report prior to FY 2016-17.

<sup>3</sup> Beginning FY 2014-15, employee activity categories were broken out further to specifically identify Compliance, External Affairs, Fiscal, Legal/Legislation and Small Business Finance Center.

<sup>4</sup> Legal will be included in the title until FY 2013-14.

<sup>5</sup> Beginning FY 2014-15, activity category title Conduit Financing Programs was changed to Bond Programs and Infrastructure State Revolving Fund Program and Support was changed to Loan Programs.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MAJOR PROGRAM ACTIVITY FOR THE PAST TEN FISCAL YEARS

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Infrastructure State Revolving Fund (ISRF) Program:</b>					
Preliminary Applications: <sup>1</sup>					
Number of applications received	11	10	14	9	2
Financing amount requested	\$ 32,074,224	\$ 60,980,525	\$ 29,597,760	\$ 49,887,500	\$ 5,470,231
Financing Applications:					
Number of applications received	7	4	4	2	1
Financing amount requested	\$ 26,450,000	\$ 14,297,000	\$ 6,020,000	\$ 7,737,500	\$ 10,000,000
Approved Loans:					
Number of loans approved	8	6	3	2	2
Financing amount approved	\$ 29,751,600	\$ 22,847,500	\$ 17,000,000	\$ 3,500,000	\$ 16,756,500
Loan Disbursements:					
Number of transactions	67	62	39	44	38
Total amount disbursed	\$ 30,764,260	\$ 43,879,185	\$ 21,146,788	\$ 19,861,726	\$ 16,151,949
Number of outstanding loans	76	79	85	86	88
<b>CLEEN:</b>					
Financing Applications:					
Number of applications received	-	-	-	-	-
Financing amount requested	-	-	-	-	-
Approved Loans:					
Number of loans approved	-	-	-	-	-
Financing amount approved	-	-	-	-	-
Number of outstanding loans	-	-	-	-	-
<b>Conduit Financing Programs:</b>					
Preliminary Applications: <sup>2</sup>					
Number of applications received	3	2	2	2	-
Financing amount requested	\$ 21,335,000	\$ 20,000,000	\$ 9,850,000	\$ 11,500,000	-
Financing Applications:					
Number of applications received	18	13	13	13	6
Financing amount requested	\$1,559,380,000	\$1,722,550,000	\$ 814,310,000	\$ 695,065,000	\$ 753,925,000
Bonds Sold:					
Number of bonds sold	20	17	17	10	9
Financing amount sold	\$1,030,136,886	\$1,248,990,000	\$ 985,885,000	\$ 203,300,000	\$ 851,100,000

<sup>1</sup> Beginning in fiscal year 2013-14, the ISRF Program no longer required Preliminary Applications.

<sup>2</sup> Industrial development conduit revenue bonds are the only Conduit Bond Financing Program applicants that submit a Preliminary Application. All other Conduit Bond Financing Program applicants submit only a Financing Application.

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

## MAJOR PROGRAM ACTIVITY FOR THE PAST TEN FISCAL YEARS

2012-13	2013-14	2014-15	2015-16	2016-17	
					<b>Infrastructure State Revolving Fund Program:</b>
					Preliminary Applications: <sup>1</sup>
8	-	-	-	-	Number of applications received
\$ 27,908,700	-	-	-	-	Financing amount requested
					Financing Applications:
6	7	7	8	5	Number of applications received
\$ 18,722,500	\$ 48,243,460	\$ 63,575,501	\$ 82,138,379	\$ 42,677,200	Financing amount requested
					Approved Loans:
3	3	7	7	2	Number of loans approved
\$ 12,122,500	\$ 12,050,000	\$ 56,356,772	\$ 86,569,301	\$ 6,020,200	Financing amount approved
					Loan Disbursements:
27	14	16	13	27	Number of transactions
\$ 18,927,120	\$ 6,540,050	\$ 4,263,908	\$ 7,854,117	\$ 50,439,569	Total amount disbursed
88	90	94	91	90	Number of outstanding loans
					<b>CLEEN:</b>
					Financing Applications:
-	-	-	1	2	Number of applications received
-	-	-	\$ 7,769,350	\$ 4,070,000	Financing amount requested
					Approved Loans:
-	-	-	1	2	Number of loans approved
-	-	-	\$ 7,692,425	\$ 3,920,000	Financing amount approved
-	-	-	1	2	Number of outstanding loans
					<b>Conduit Financing Programs:</b>
					Preliminary Applications: <sup>2</sup>
-	1	3	1	1	Number of applications received
-	\$ 5,950,000	\$ 16,351,499	\$ 3,810,000	\$ 8,000,000	Financing amount requested
					Financing Applications:
7	10	14	14	9	Number of applications received
\$ 719,080,000	\$ 481,250,000	\$ 429,181,499	\$ 1,344,600,000	\$ 957,403,000	Financing amount requested
					Bonds Sold:
5	11	10	17	16	Number of bonds sold
\$ 328,780,000	\$ 735,423,063	\$ 270,300,000	\$ 916,542,000	\$ 766,418,000	Financing amount sold

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK**

**CALIFORNIA SMALL BUSINESS EXPANSION FUND<sup>1</sup>  
Dollars in Millions (rounded)**

**FOR THE PAST THREE FISCAL YEARS**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17<sup>2</sup></u>
California Small Business Expansion Fund:				
Guaranteed Loans in SSBCI Program				
Number of loans guarantees	176	252	291	
Loan guarantee amount	\$ 72.2	\$ 92.8	\$ 100.5	
Supporting Small Business loans		\$ 130.1	\$ 143.2	
Overall capital into small business community	\$ 105.3	\$ 211.6	\$ 244.0	
Number of jobs created or retained	7,235	11,781	11,236	
Default Rate	0.12%	0.02%	0.03%	
Guaranteed Loans in State-Funded Program				
Number of loans guarantees	169	124	78	
Loan guarantee amount	\$ 23.0	\$ 21.1	\$ 27.4	
Supporting Small Business loans		\$ 37.4	\$ 44.4	
Overall capital into small business community		\$ 197.4	\$ 69.0	
Number of jobs created or retained	2,823	2,813	2,132	
Default Rate	5.48%	0.34%	0.09%	
Farm Loans				
Number of loans			6	
Amount of loans			\$ 1.3	
Total outstanding balance in trust fund			\$ 5.5	
Number of jobs created or retained			84	
Number of defaults			0	

<sup>1</sup>The SBFC was created at IBank during the 2013-14 fiscal year.

<sup>2</sup>2016-17 fiscal year data not available at the time of publishing CAFR.

Farm Loan data not published in 2013-14 and 2014-15 fiscal years.

All figures as reported in respective Annual Activity Reports.

This Comprehensive Annual Financial Report was prepared by the California Infrastructure and Economic Development Bank's Fiscal Unit.

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This report is also available on IBank's website at [www.ibank.ca.gov](http://www.ibank.ca.gov).



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