



Single Audit Report

2019-20

Gavin Newsom, Governor

State of California



February 28, 2022

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

Single Audit Transmittal Letter

As the Governor's fiscal representative, I hereby submit the State of California's Single Audit Report for the fiscal year ended June 30, 2020. The report herein satisfies the requirements of the Single Audit Act and the provisions of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance").

The completion of the Single Audit Report is a coordinated effort among the California Department of Finance, California State Controller's Office, and the Independent Auditor. In recognition of the COVID-19 pandemic, the Office of Management and Budget issued memorandum M-21-20, *Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources*, extending the Single Audit filing date. This allowed the State of California to extend the Single Audit Report submission to the Federal Audit Clearinghouse to September 30, 2021.

With the assistance from the federal government in response to the COVID-19 pandemic, California has been providing resources to support state and local governments, responding to the public health crisis, encouraging recovery, and supporting vulnerable Californians. In the midst of the COVID-19 pandemic, California continues to navigate through its transition to the Financial Information System for California (FI\$Cal), California's statewide accounting, budgeting, cash management, and procurement system. FI\$Cal combines several separate processes into one statewide system, enhancing the transparency of statewide data, increasing efficiencies in processes, and strengthening internal controls. Extraordinary efforts have been undertaken by state entities to transition and implement the new system, although several entities experienced delays with closing their financial records for fiscal year 2019-20.

Unfortunately, the unprecedented impacts of the COVID-19 pandemic and the continuing FI\$Cal implementation challenges delayed the issuance of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020, and the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Report on Internal Control), which in turn, delayed the completion of California's Single Audit Report. The ACFR and Report on Internal Control were both issued on February 2, 2022.

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

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

Individual state entities separately responded to the Single Audit Report findings and recommendations. Accordingly, their viewpoints and corrective action plans are incorporated herein. The combined results of the Single Audit Report will be disseminated to all state entities, and Finance will remind them of their responsibility for implementing corrective actions.

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

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

Sincerely,

Original signed by:

KEELY MARTIN BOSLER
Director

Enclosure

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Part One

State of California Financial Report for
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Financial Section



Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Because of the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Unemployment Programs Fund.

Furthermore, we did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent one percent of the assets and deferred outflows, and less than one percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 86 percent of the assets and deferred outflows, and 57 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 95 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving, the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that

represent 83 percent of the assets and deferred outflows, and 45 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.

- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction Fund, the State Lottery Fund, and the Campus Foundations of the University of California, which represent 12 percent of the university's total assets and deferred outflows, and 5 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

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

Except for the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>OPINION UNIT</u>	<u>TYPE OF OPINION</u>
Governmental Activities.....	Unmodified
Business-Type Activities.....	Qualified
Aggregate Discretely Presented Component Units.....	Unmodified
General Fund	Unmodified
Federal Fund.....	Qualified
Transportation Fund	Unmodified
Environmental and Natural Resources Fund	Unmodified
Health Care Related Programs Fund	Unmodified
Electric Power Fund.....	Unmodified
Water Resources Fund	Unmodified
State Lottery Fund	Unmodified
Unemployment Programs Fund.....	Disclaimer
California State University Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Unemployment Programs Fund

The Employment Development Department had inadequate internal control over its accounting of money it received and spent related to unemployment benefits. As a result, the department was unable to provide complete and accurate accounting information supporting transfers from the Federal Fund to the Unemployment Programs Fund, and the amount of expenditures associated with the State's unemployment program and with federally-funded unemployment programs. The condition of the department's records did not permit us, nor was it practicable to extend other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that Due to Other Funds, Loans Payable and Distributions to Beneficiaries are free of material misstatement. As a result of this matter, we were unable to determine whether further audit adjustments to these accounts were necessary. The issues described above also contributed to material misstatements of \$1 billion in Unemployment and Disability Insurance Revenue and \$1.4 billion in Operating Transfers In that the department could not correct.

Disclaimer of Opinion on the Unemployment Programs Fund

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements for the Unemployment Programs Fund. Accordingly, we do not express an opinion on these financial statements.

Basis for Qualified Opinions on Business-Type Activities and the Federal Fund

The issues we discuss in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph also affect the Business-Type Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Unemployment Programs Fund balances that represent 24 percent of Internal Balances, 100 percent of Loans Payable, and 100 percent of Unemployment Programs Expenses within Business-Type Activities. Similarly, there are material misstatements of \$1 billion in Unemployment Programs Revenues and \$1.4 billion in Transfers that the department could not correct.

The department's inadequate internal control also affected the financial statements of the Federal Fund, which the department uses to report activities related to federally-funded unemployment programs. For this reason, the department was unable to provide complete and accurate accounting information supporting revenue and benefit payments. In addition, the department used incomplete data to calculate adjustments related to potentially fraudulent unemployment claims. We were therefore unable to obtain sufficient appropriate evidence about these adjustments. Together, these issues affected department balances representing 30 percent of Due From Other Governments, 100 percent of Benefits Payable, 29 percent of Intergovernmental Revenues, and 33 percent of Health and Human Services Expenditures within the Federal Fund. As a result of these matters, we were unable to determine whether further audit adjustments to these accounts were necessary.

Qualified Opinions on Business-Type Activities and the Federal Fund

In our opinion, based on our audit and the reports of other auditors, except for the effect of the matters described in the *Basis for Qualified Opinions on Business-Type Activities and the Federal Fund* paragraphs, the financial statements of the Business-Type Activities and the Federal Fund of the State present fairly, in all material respects, their respective financial position, as of June 30, 2020, and their respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund except for the Federal Fund and Unemployment Programs Fund, and the aggregate remaining fund information of the State of California, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the financial statements for the fiscal year ended June 30, 2019, have been restated to correct a misstatement related to the Unemployment Programs Fund. This matter did not contribute to the modification of our opinion related to this fund.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

Original signed by:

MICHAEL S. TILDEN, CPA
Acting California State Auditor

Sacramento, California

January 26, 2022

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

In the wake of the economic disruption caused by the COVID-19 pandemic during the last quarter of the fiscal year, California continued its decade-long trend of revenue growth during the year ended June 30, 2020. General revenues, comprised primarily of taxes, showed only modest growth, increasing by \$5.2 billion (3.0%) for fiscal year 2019-20, compared to an increase of \$11.2 billion (6.9%) in fiscal year 2018-19. For the first nine months of the fiscal year, the administration maintained its strategy of paying down liabilities and building reserves. By the end of the fiscal year, the spending focus shifted to using reserves responsibly and securing additional funding sources to address the State's mounting emergency financial needs stemming from the pandemic. In total, expenses and transfers for the State's governmental activities increased by \$59.2 billion (20.4%), but still remained less than total revenues received, resulting in an \$9.4 billion increase in the governmental activities' net position, as restated. On the contrary, expenses for the State's business-type activities exceeded total revenues and transfers, resulting in a \$9.7 billion decrease in the business-type activities' net position, as restated, for fiscal year 2019-20.

Net Position – The primary government ended fiscal year 2019-20 with a net deficit position of \$54.8 billion, a decrease of \$338 million (0.6%) from the previous year, as restated. The total net deficit position is reduced by \$119.7 billion for net investment in capital assets and by \$54.4 billion for restricted net position, yielding a negative unrestricted net position of \$228.9 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 81.6%, or \$186.8 billion, of the negative \$228.9 billion unrestricted net position consists of unfunded, employee-related, long-term liabilities (net pension liability, net OPEB liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of \$65.0 billion to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

Fund Highlights

Governmental Funds – As of June 30, 2020, the primary government's governmental funds reported a combined ending fund balance of \$66.0 billion, which was an increase of \$11.0 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$17.3 billion, an increase of \$4.7 billion from the prior fiscal year unrestricted fund balance of \$12.6 billion. The nonspendable and restricted fund balances were \$2.1 billion and \$46.5 billion, respectively.

Proprietary Funds – As of June 30, 2020, the primary government’s proprietary funds reported a combined ending net deficit position of \$12.4 billion, a decrease of \$9.6 billion from the prior fiscal year, as restated. The total net position is reduced by \$3.4 billion for net investment in capital assets, expendable restrictions of \$7.9 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$23.7 billion.

Noncurrent Assets and Liabilities

As of June 30, 2020, the primary government’s noncurrent assets totaled \$177.8 billion, of which \$153.2 billion is related to capital assets. State highway infrastructure assets of \$79.6 billion represent the largest portion of the State’s capital assets.

The primary government’s noncurrent liabilities totaled \$304.7 billion, which consists of \$186.8 billion in unfunded employee-related future obligations, \$75.3 billion in general obligation bonds, \$28.1 billion in revenue bonds, and \$14.5 billion in other noncurrent liabilities. During fiscal year 2019-20, the primary government’s noncurrent liabilities increased by \$11.3 billion (3.8%) over the previously reported noncurrent liabilities. The net increase in noncurrent liabilities includes an increase of \$6.3 billion in net OPEB liability, an increase of \$2.2 billion in loans payable, and an increase of \$2.1 billion in net pension liability.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Discretely Presented Component Units Financial Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Financial Statements and Schedules

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

Government-wide Financial Analysis

Net Position

The primary government's combined net deficit position (governmental and business-type activities) decreased by \$338 million (0.6%), from a negative \$54.5 billion, as restated, to a negative \$54.8 billion at June 30, 2020.

The primary government's \$119.7 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

The primary government's net deficit position includes another \$54.4 billion, which represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. The internally-imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2020, the primary government's combined unrestricted net deficit position was \$228.9 billion—\$208.0 billion for governmental activities and \$20.9 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation occurs, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2020, the primary government recognized \$186.8 billion (81.6% of the \$228.9 billion unrestricted net deficit) in unfunded employee-

related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized \$65.0 billion in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as net investment in capital assets. Instead, the bonded debt is reported as a noncurrent liability that increases the State’s unrestricted net deficit position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

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

Table 1

Net Position – Primary Government – Two-year Comparison

June 30, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 160,907	\$ 121,013	\$ 26,712	\$ 31,812	\$ 187,619	\$ 152,825
Capital assets	138,808	134,898	14,407	13,377	153,215	148,275
Total assets	299,715	255,911	41,119	45,189	340,834	301,100
DEFERRED OUTFLOWS OF RESOURCES						
	30,222	24,865	3,543	3,001	33,765	27,866
Total assets and deferred outflows of resources	\$ 329,937	\$ 280,776	\$ 44,662	\$ 48,190	\$ 374,599	\$ 328,966
LIABILITIES						
Noncurrent liabilities	\$ 260,464	\$ 253,581	\$ 44,192	\$ 39,824	\$ 304,656	\$ 293,405
Other liabilities	97,103	64,452	6,546	5,016	103,649	69,468
Total liabilities	357,567	318,033	50,738	44,840	408,305	362,873
DEFERRED INFLOWS OF RESOURCES						
	16,895	17,468	4,242	4,588	21,137	22,056
Total liabilities and deferred inflows of resources	374,462	335,501	54,980	49,428	429,442	384,929
NET POSITION						
Net investment in capital assets	116,773	112,280	2,907	2,534	119,680	114,814
Restricted	46,671	41,372	7,724	12,947	54,395	54,319
Unrestricted	(207,969)	(208,377)	(20,949)	(16,719)	(228,918)	(225,096)
Total net position (deficit)	(44,525)	(54,725)	(10,318)	(1,238)	(54,843)	(55,963)
Total liabilities, deferred inflows of resources, and net position	\$ 329,937	\$ 280,776	\$ 44,662	\$ 48,190	\$ 374,599	\$ 328,966

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

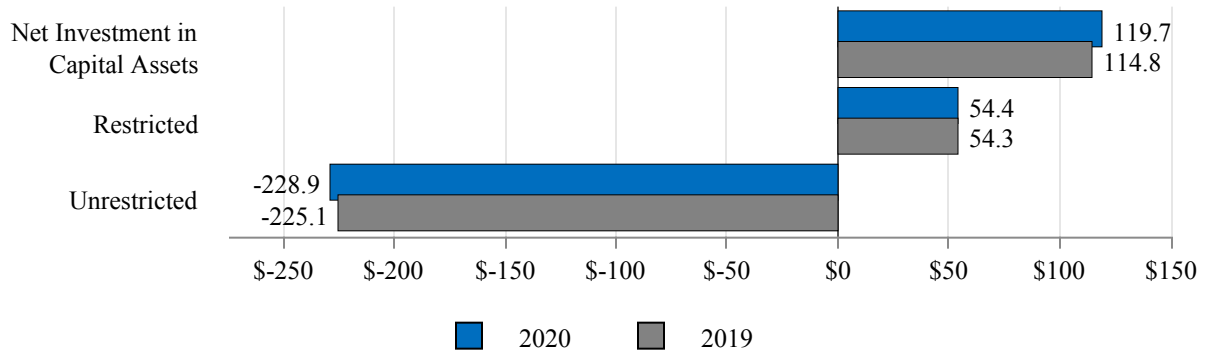
Chart 1 presents a two-year comparison of the State's net position.

Chart 1

Net Position – Primary Government – Two-year Comparison

June 30, 2020 and 2019

(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled \$387.0 billion for the fiscal year ended June 30, 2020. Of this amount, \$207.3 billion (53.6%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving \$179.7 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of \$179.4 billion were slightly less than the unfunded expenses. As a result, the total net position, as restated, decreased by \$338 million, or 0.6%.

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

Table 2

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

Years ended June 30, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues:						
Charges for services.....	\$ 33,922	\$ 34,663	\$ 24,966	\$ 27,415	\$ 58,888	\$ 62,078
Operating grants and contributions	143,671	94,502	2,593	2,125	146,264	96,627
Capital grants and contributions	2,108	1,561	—	—	2,108	1,561
General Revenues:						
Taxes	178,051	173,011	—	—	178,051	173,011
Investment and interest	690	707	—	—	690	707
Miscellaneous	614	447	—	—	614	447
Total revenues	359,056	304,891	27,559	29,540	386,615	334,431
EXPENSES						
Program Expenses:						
General government	23,489	17,901	—	—	23,489	17,901
Education	75,804	75,644	—	—	75,804	75,644
Health and human services	192,576	144,937	—	—	192,576	144,937
Natural resources and environmental protection	10,111	9,774	—	—	10,111	9,774
Business, consumer services, and housing	2,604	2,133	—	—	2,604	2,133
Transportation	18,425	17,022	—	—	18,425	17,022
Corrections and rehabilitation	16,862	15,153	—	—	16,862	15,153
Interest on long-term debt	3,841	3,996	—	—	3,841	3,996
Electric Power	—	—	905	913	905	913
Water Resources	—	—	1,184	1,200	1,184	1,200
State Lottery	—	—	6,665	7,436	6,665	7,436
Unemployment Programs	—	—	23,622	13,229	23,622	13,229
California State University	—	—	10,593	9,779	10,593	9,779
Other enterprise programs	—	—	272	233	272	233
Total expenses	343,712	286,560	43,241	32,790	386,953	319,350
Excess (deficiency) before transfers	15,344	18,331	(15,682)	(3,250)	(338)	15,081
Gain on early extinguishment of debt	—	—	—	—	—	—
Transfers	(5,963)	(3,931)	5,963	3,931	—	—
Change in net position	9,381	14,400	(9,719)	681	(338)	15,081
Net position (deficit), beginning	(53,906) *	(69,125) *	(598) *	(1,919) *	(54,504)	(71,044)
Net position (deficit), ending	\$ (44,525)	\$ (54,725)	\$ (10,317)	\$ (1,238)	\$ (54,842)	\$ (55,963)

*Restated

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

Governmental Activities

During fiscal year 2019-20, governmental activities' expenses and transfers totaled \$349.7 billion. Program revenues totaling \$179.7 billion, including \$145.8 billion in federal grants and contributions, funded 51.4% of expenses and transfers, leaving \$170.0 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities (\$179.4 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of \$44.5 billion as of June 30, 2020, an improvement of \$9.4 billion (17.4%) over the prior year's restated net deficit position of \$53.9 billion.

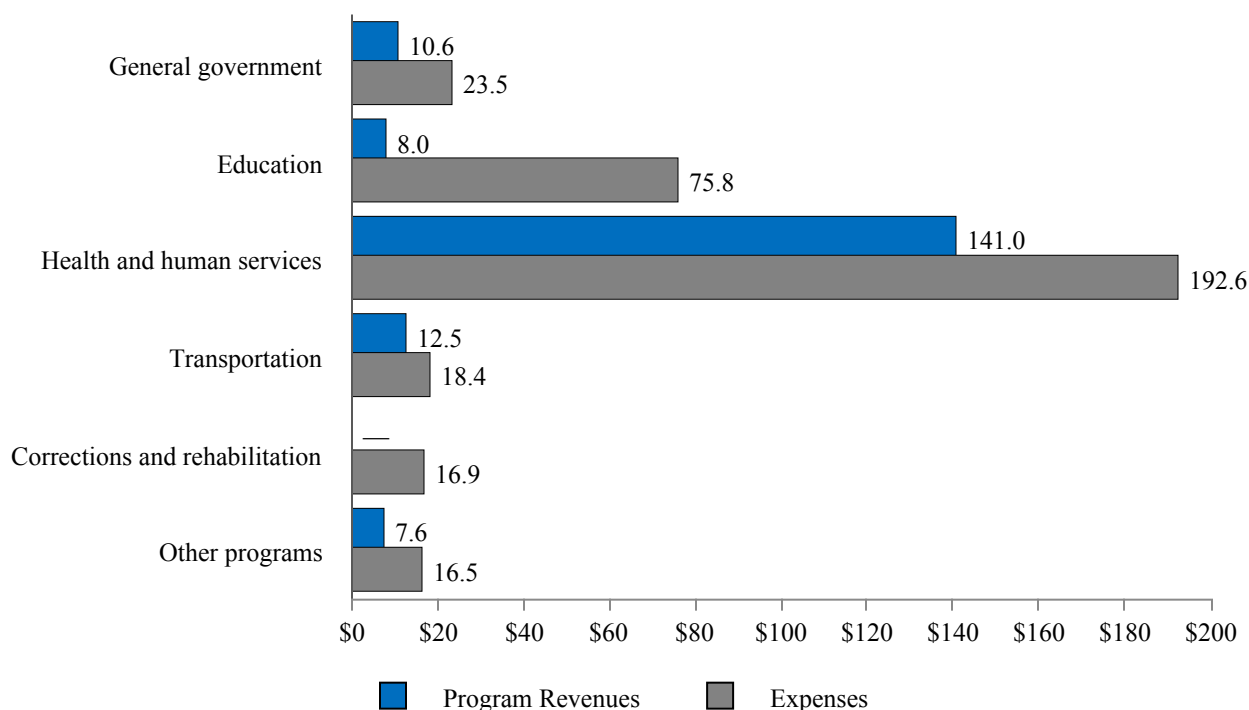
Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities

Year ended June 30, 2020

(amounts in billions)



For the fiscal year ended June 30, 2020, total governmental activities' revenue was \$359.1 billion, an increase of 17.8% over the prior year. General revenues increased by \$5.2 billion (3.0%), to \$179.4 billion, and program revenues increased by \$49.0 billion (37.5%), to \$179.7 billion. The rise in program revenues is due to an increase in federal grants and contributions for health and human services. Personal income taxes increased by \$7.7 billion over the prior year, representing a 7.6% increase compared to the fiscal year 2018-19 increase of 6.6%. The surprisingly stable growth in personal income tax revenues can be attributed to minimal job loss among higher-wage earners during the onset of the COVID-19 pandemic, as well as a strong recovery of the stock market at the close of the year from the initial economic shock caused by the pandemic. The Road Repair and Accountability Act of 2017

(Senate Bill 1) yielded moderate growth as motor vehicle excise tax revenues increased by \$244 million (3.2%) in the second year after enactment. Corporation taxes decreased by \$1.4 billion (9.9%) from the prior year.

Overall expenses for governmental activities increased by \$57.2 billion (19.9%) over the prior year. The largest increase in expenditures, \$47.6 billion (32.9%), occurred in health and human services programs. The majority of the increase is attributable to the Department of Health Care Services, which administers the California Medical Assistance (Medi-Cal) program.

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

Chart 3

Expenses by Program

Year ended June 30, 2020

(as a percent)

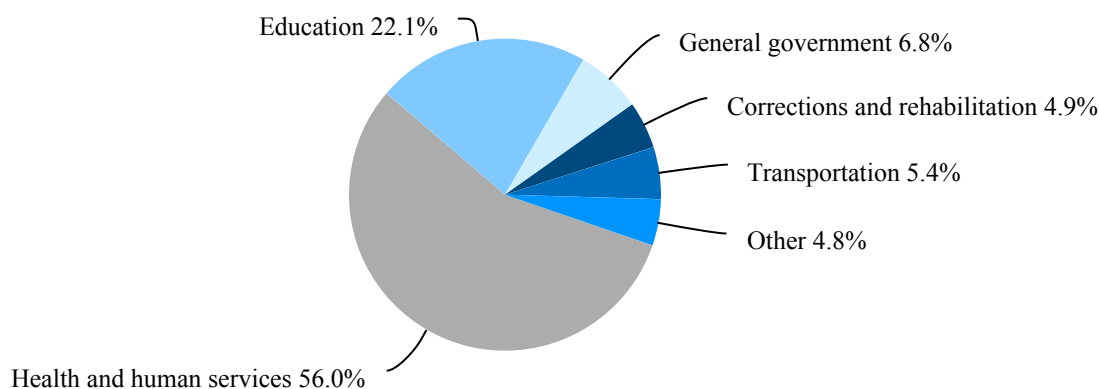


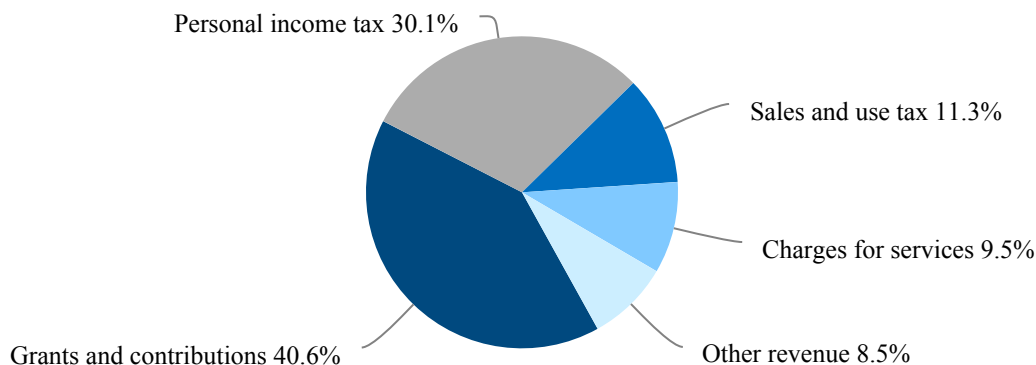
Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source

Year ended June 30, 2020

(as a percent)



Business-type Activities

As of June 30, 2020, business-type activities' expenses totaled \$43.2 billion. Program revenues of \$27.5 billion, primarily generated from charges for services, and \$6.0 billion in transfers, were not sufficient to cover these expenses. As a result, the business-type activities' total net deficit position declined to \$9.7 billion below the prior year's restated net deficit position of \$598 million, to a net deficit of \$10.3 billion at June 30, 2020.

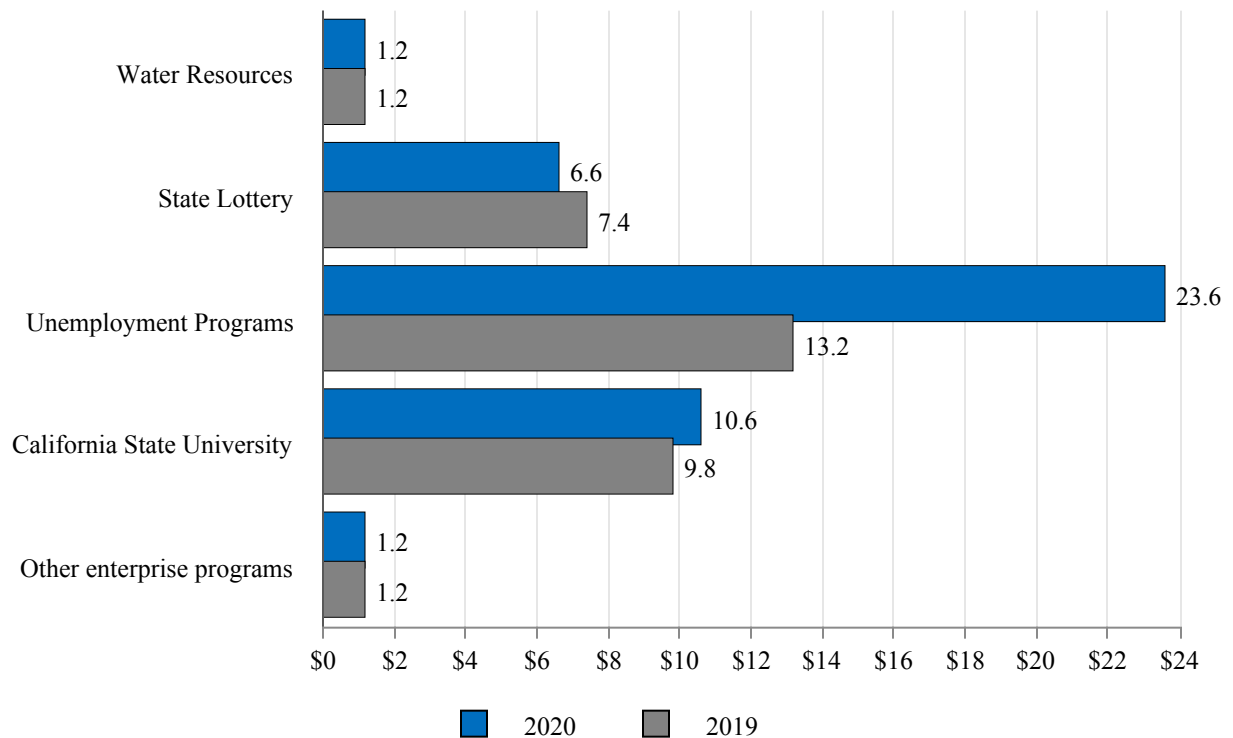
Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2020 and 2019

(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds improved in fiscal year 2019-20, with a combined fund balance increase of \$11.0 billion over the prior year's restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs. Of the State's "Big Three" taxes (personal income, sales and use, and corporation), personal income taxes increased during the fiscal year, while both sales and use and corporation taxes decreased. Proprietary funds' total net position decreased by \$9.6 billion during fiscal year 2019-20—comprised of a \$9.7 billion decrease for enterprise funds, offset by a \$91 million increase for internal service funds.

The decrease in the enterprise funds' net position is attributable to the Unemployment Programs Fund, with its fund balance dropping by \$9.7 billion to a deficit balance of \$1.0 billion.

Governmental Funds

As of June 30, 2020, the governmental funds' Balance Sheet reported \$170.6 billion in assets, \$104.6 billion in liabilities and deferred inflows of resources, and fund balances totaling \$66.0 billion. Total assets of governmental funds increased by 31.0%, while total liabilities and deferred inflows of resources increased by 39.0%, resulting in a total fund balance increase of \$11.0 billion (20.0%) above the prior year's restated balance.

Within the governmental funds' total fund balance, \$2.1 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, \$46.5 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, of the total fund balance, \$13.0 billion is classified as committed for specific purposes and \$3.1 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is \$1.1 billion—\$376 million more than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported \$362.2 billion in revenues, \$356.5 billion in expenditures, and a net \$5.3 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2020, was \$66.0 billion, an \$11.0 billion increase over the prior year's restated ending fund balance of \$55.0 billion.

Governmental funds' revenue consists primarily of taxes (50.3%) and intergovernmental revenue (41.1%). Personal income taxes accounted for 61.4% of tax revenues and increased by \$15.0 billion over the prior fiscal year. Sales and use taxes accounted for 22.3% of tax revenues and decreased by \$376 million from the prior fiscal year. Corporation taxes accounted for 7.5% of tax revenues and decreased by \$316 million from the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by \$49.1 billion (49.1%) over the prior fiscal year.

Governmental funds' expenditures increased by \$59.9 billion (20.2%) over the prior fiscal year, primarily for health and human services, general government, education, and transportation. The increase in health and human services expenditures of \$47.3 billion (32.7%) is due to increased spending on Medi-Cal. The general government's increase of \$8.1 billion (42.2%) in expenditures can be attributed to payments of outstanding debts and liabilities, in particular additional payments toward the unfunded pension liabilities associated with CalPERS and CalSTRS. Education expenditures increased by \$1.3 billion (1.7%) over the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in fiscal year 2019-20. Expenditures for transportation increased by \$2.1 billion (11.9%) due to the timing of expenditures related to highway projects, as well as an increase in available revenues for capital outlay projects and mass transportation, generated by the Road Repair and Accountability Act of 2017 (Senate Bill 1).

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

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison

Years ended June 30, 2020 and 2019

(amounts in billions)

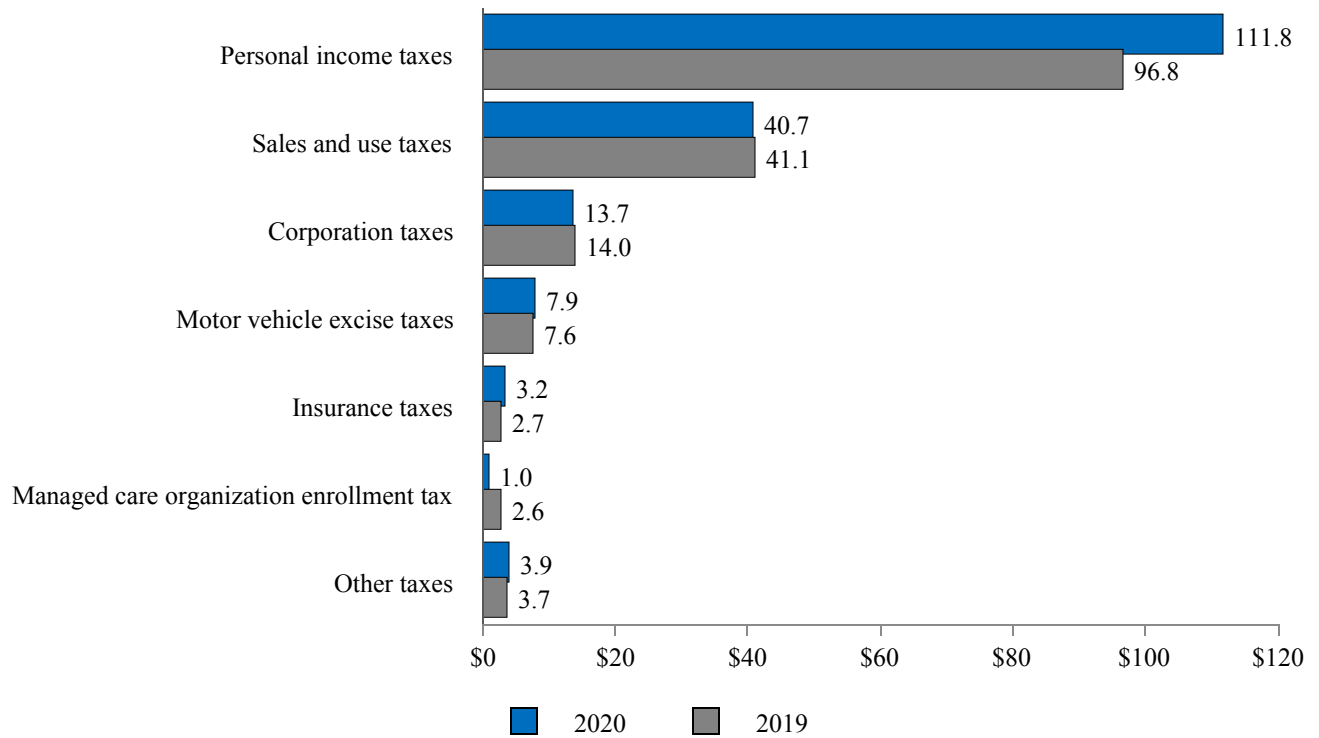


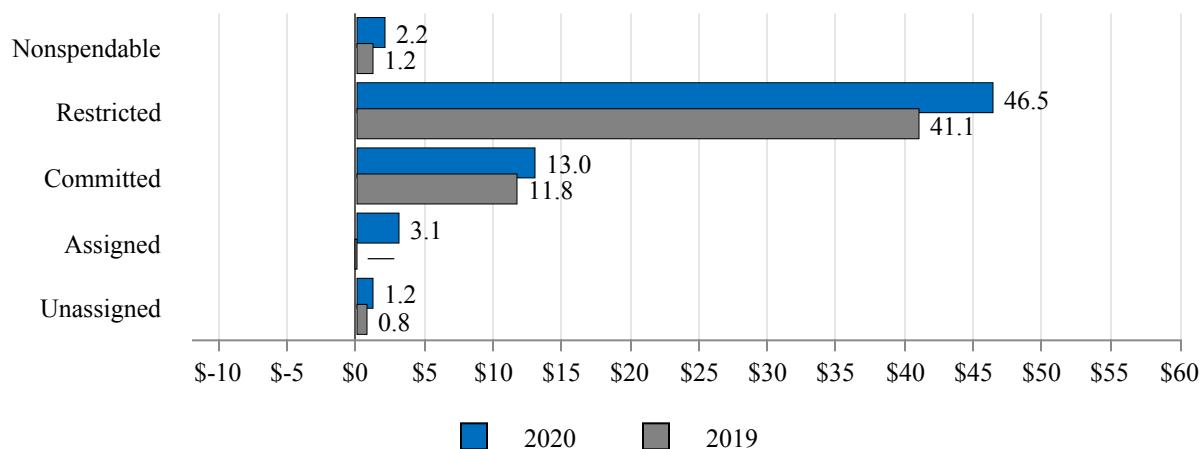
Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

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

Years ended June 30, 2020 and 2019

(amounts in billions)



Note: Assigned fund balance was \$19 million for 2019, which rounded to zero when presented in billions.

The State's major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund. The General Fund ended the fiscal year with a fund balance of \$28.5 billion, an increase of \$10.3 billion over the prior year's fund balance, as restated. The Federal Fund ended the year with a negative fund balance of \$2.2 billion, while the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund ended the fiscal year with fund balances of \$9.3 billion, \$14.0 billion, and \$1.7 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of \$14.7 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended fiscal year 2019-20 with assets of \$57.0 billion; liabilities and deferred inflows of resources of \$28.5 billion; and nonspendable, restricted, committed, and assigned fund balances of \$2.1 billion, \$16.7 billion, \$3.0 billion, and \$3.1 billion, respectively. This left the General Fund with an unassigned fund balance of \$3.6 billion, an increase of \$2.9 billion over the prior year. Total assets of the General Fund increased by \$7.3 billion (14.6%) over the prior fiscal year, and total liabilities and deferred inflows of resources decreased by \$2.7 billion (8.5%) from the prior year.

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had revenues exceeding expenditures by \$17.4 billion (\$155.9 billion in revenues and \$138.5 billion in expenditures). Approximately \$149.5 billion (95.9%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes (\$110.3 billion), sales and use taxes (\$25.5 billion), and corporation taxes (\$13.7 billion). A total of \$489 million in revenue is included in the General Fund as a result of fund classifications made to comply with generally accepted governmental accounting

principles. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During fiscal year 2019-20, total General Fund revenue increased by \$15.4 billion (11.0%), attributed primarily to the increase in personal income taxes of \$15.3 billion (16.1%). General Fund expenditures increased by \$9.4 billion (7.3%). The largest increases were in health and human services and general government, which rose by \$4.3 billion and \$4.7 billion, respectively. The General Fund ended the fiscal year with a fund balance of \$28.5 billion, an improvement of \$10.3 billion over the prior year's restated ending fund balance of \$18.2 billion. The General Fund's ending fund balance includes \$16.1 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic encountered in the last quarter of fiscal year 2019-20.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, which accounted for \$127.9 billion (87.4%) of the total \$146.2 billion in fund expenditures. Education and transportation programs also constituted a large part of the fund's expenditures, amounting to \$8.1 billion (5.5%) and \$5.2 billion (3.6%) of the total, respectively. The Federal Fund's revenues increased by \$49.7 billion, which was offset by the combined increase in expenditures and transfers of \$52.1 billion, resulting in a \$2.4 billion decrease from the prior year's ending fund balance of \$223 million, to a \$2.2 billion deficit.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues increased by \$394 million (2.6%) and its expenditures increased by \$522 million (3.3%), as a result of continued funding under the Road Repair and Accountability Act of 2017 (Senate Bill 1). Other financing sources provided net receipts of \$494 million. The Transportation Fund ended the fiscal year with a \$9.3 billion fund balance, a decrease of \$22 million from the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues decreased by \$1.1 billion (14.4%), and expenditures increased by \$1.7 billion (20.8%) due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Other financing sources provided net receipts of \$3.9 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a \$14.0 billion fund balance, an increase of \$371 million (2.7%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Programs Fund's revenues decreased by \$2.5 billion (22.3%), and expenditures decreased by \$3.1 billion (26.5%). Other financing sources provided net receipts of \$345 million. The Health Care Related Programs Fund ended the fiscal year with a \$1.7 billion fund balance, an increase of \$562 million over the prior year.

Proprietary Funds

Enterprise Funds: The total net deficit position of the enterprise funds at June 30, 2020, was \$10.3 billion—a \$9.7 billion decline from the prior year's restated net deficit position of \$598 million. The Unemployment Programs Fund accounted for effectively all the net decrease, ending the fiscal year

with a deficit net position of \$1.0 billion. The State Lottery Fund and the nonmajor enterprise funds increased their net positions by \$70 million and \$275 million, respectively, while the net position of the California State University Fund decreased by \$336 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$47.1 billion as of June 30, 2020. Of this amount, current assets totaled \$13.8 billion, noncurrent assets totaled \$29.8 billion, and deferred outflows of resources totaled \$3.5 billion. The total liabilities and deferred inflows of resources for the enterprise funds was \$57.3 billion. The three largest liabilities of the enterprise funds were \$16.2 billion in net OPEB liability, \$14.3 billion in revenue bonds payable, and \$9.3 billion in net pension liability. As of June 30, 2020, the Unemployment Programs Fund reported a balance on deposit with the U.S. Treasury of \$375 million, and a loan balance of \$2.3 billion with the U.S. Department of Labor. The loan balance increased to over \$19.5 billion by December 2020.

Total net position consisted of four segments: net investment in capital assets of \$2.9 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$7.7 billion, and unrestricted net deficit of \$20.9 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of \$23.5 billion, operating expenses of \$40.1 billion, and net revenues from other transactions and transfers of \$7.0 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$12.5 billion in the Unemployment Programs Fund, and lottery ticket sales of \$6.6 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund decreased by \$1.5 billion (10.6%) from the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$23.3 billion reported in the Unemployment Programs Fund, personal services expense of \$7.1 billion reported in the California State University Fund, and lottery prizes of \$4.4 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$2.1 billion as of June 30, 2020. The net position consists of three segments: net investment in capital assets of \$539 million, restricted expendable net position of \$164 million, and unrestricted net deficit position of \$2.8 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: private purpose trust funds, pension and other employee benefit trust funds, investment trust funds, and agency funds. The private purpose trust funds ended the fiscal year with a net position of \$10.1 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of \$672.1 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of \$32.1 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the fiscal year ended June 30, 2020, the fiduciary funds' combined net position was \$714.3 billion, a \$39.1 billion increase over the prior year net position. The net position increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants, despite a 24.9% decrease in net investment income from the prior fiscal year.

General Fund Budget Highlights

The original General Fund budget of \$140.8 billion was increased by \$7.9 billion during fiscal year 2019-20. This increase is primarily attributed to additional funding for health and human services and general government.

The increase in health and human services funding was mainly due to the expiration of the managed care organization tax and a shift in the timing of payments in relation to the budget year.

Other general government funding increased due to the demand on the State to direct funding to crises through the Office of Emergency Services. The additional funding was to support the State's public health and safety efforts in response to the COVID-19 outbreak.

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

Table 3

General Fund Original and Final Budgets

Year ended June 30, 2020

(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	\$ 674	\$ 1,238	\$ 564
Transportation	16	57	41
Natural resources and environmental protection	2,482	3,185	703
Health and human services	40,022	42,498	2,476
Corrections and rehabilitation	12,579	13,318	739
Education	73,174	73,970	796
General government:			
Tax relief	406	414	8
Debt service	4,816	5,238	422
Other general government	6,615	8,736	2,121
Total	\$ 140,784	\$ 148,654	\$ 7,870

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the State's investment in capital assets for its governmental and business-type activities amounted to \$152.9 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2020, the State's capital assets increased by \$4.6 billion, or 3.1% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure, buildings and other depreciable property, and construction/development in progress. Additional information on the State's capital assets can be found in Note 7.

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

Table 4

Capital Assets – Primary Government – Two-year Comparison

June 30, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 21,147	\$ 20,473	\$ 330	\$ 306	\$ 21,477	\$ 20,779
State highway infrastructure	79,552	78,418	—	—	79,552	78,418
Collections – nondepreciable	23	23	31	27	54	50
Buildings and other						
depreciable property	33,493	32,753	16,998	15,808	50,491	48,561
Intangible assets – amortizable	2,681	2,631	442	433	3,123	3,064
Less: accumulated						
depreciation/amortization	(17,076)	(16,143)	(7,067)	(6,574)	(24,143)	(22,717)
Construction/development in progress	18,142	16,149	3,209	3,258	21,351	19,407
Intangible assets – nonamortizable	846	593	124	119	970	712
Total	\$ 138,808	\$ 134,897	\$ 14,067	\$ 13,377	\$ 152,875	\$ 148,274

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

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state bridges and roadways). Under the modified approach, the State does not report depreciation expense for its bridges and roads but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During fiscal year 2019-20, the actual amount spent on preservation was 47.8% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 95.7% of bridge deck area judged to be of fair or better quality and 88.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 13,310 bridges and tunnels and 49,672 lane miles.

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

Debt Administration

At June 30, 2020, the State had total bonded debt outstanding of \$109.9 billion. Of this amount, \$79.7 billion (72.5%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is \$4.4 billion and the long-term portion is \$75.3 billion. The remaining \$30.2 billion (27.5%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is \$2.1 billion and the long-term portion is \$28.1 billion.

During the fiscal year, the State issued a total of \$7.8 billion in new general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes.

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

Table 5

Long-term Obligations – Primary Government – Two-year Comparison

Years ended June 30, 2020 and 2019

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Government-wide noncurrent liabilities						
General obligation bonds	\$ 74,592	\$ 74,762	\$ 753	\$ 808	\$ 75,345	\$ 75,570
Revenue bonds payable	15,053	14,913	13,052	13,276	28,105	28,189
Total bonded debt	89,645	89,675	13,805	14,084	103,450	103,759
Net pension liability	82,816	81,300	9,274	8,730	92,090	90,030
Net other postemployment benefits liability	74,263	69,442	16,224	14,766	90,487	84,208
Mandated cost claims payable	1,782	1,815	—	—	1,782	1,815
Loans payable	146	199	2,272	—	2,418	199
Compensated absences payable	3,987	3,667	263	207	4,250	3,874
Workers' compensation benefits payable	4,192	3,958	10	5	4,202	3,963
Capital lease obligations	337	363	336	295	673	658
Commercial paper	1,109	1,033	1,049	778	2,158	1,811
Other noncurrent liabilities	2,187	2,128	958	959	3,145	3,087
Total noncurrent liabilities	260,464	253,580	44,191	39,824	304,655	293,404
Current portion of long-term obligations	5,891	6,240	2,110	2,582	8,001	8,822
Total long-term obligations	\$ 266,355	\$ 259,820	\$ 46,301	\$ 42,406	\$ 312,656	\$ 302,226

During the fiscal year ended June 30, 2020, the primary government's total long-term obligations increased by \$10.4 billion from the prior year's balance. The largest increases included \$2.1 billion in net pension liability and \$6.3 billion in net OPEB liability because the State does not fully fund these benefits. Another large increase in long-term obligations during the fiscal year was a \$2.2 billion increase in loans payable resulting from a new loan payable to the U.S. Department of Labor.

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

During the year ended June 30, 2020, the State's general obligation bonds rating from Fitch Ratings was raised to "AA" from "AA-", and the general obligation bonds rating from Moody's Investors Service was raised to "Aa2" from "Aa3." The State's general obligation bonds rating from Standard and Poor's Rating Services remained unchanged at "AA-".

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2020

The 2019-20 fiscal year was an unprecedented period for California's economy. Economic expansion and low unemployment continued through the first eight months of the year (through February 2020). However, by June 2020, the economic disturbance introduced by the COVID-19 pandemic led to steep declines in economic activity and a dramatic increase in unemployment. As of December 2019, California's real gross domestic product (GDP) had reached \$3.1 trillion, an increase of 5.2% compared to December 2018. By June 30, 2020, the State's GDP had declined to \$2.8 trillion, an overall decrease of 7.6% for fiscal year 2019-20. By comparison the economy experienced growth of 5.5% during fiscal year 2018-19. The decline in California's economic output after the dawn of the pandemic was less than that of the United States GDP, which decreased by 8.5% during fiscal year 2019-20.

California began the 2019-20 fiscal year with a stable unemployment rate of 4.1%, and in January 2020, the State posted its lowest unemployment rate on record under the methodology used since 1976, with a rate of 3.9%. By March 2020, however, the impact of the COVID-19 pandemic to California's workforce was becoming apparent, with unemployment increasing to 5.5%. By April 2020, the unemployment rate for California increased dramatically, reaching a record high of 16.0%, and holding steady through May before ending the fiscal year at 14.1% in June 2020. Total non-farm employment decreased by 1.8 million jobs during fiscal year 2019-20. Significant job losses were experienced in all of California's 11 major industry sectors. The largest losses were in the leisure and hospitality sector, which includes jobs in arts, entertainment, and recreation, as well as food service and accommodations. Jobs in this sector declined by nearly 36%, with over 727,000 jobs lost.

In spite of the COVID-19 pandemic, California's per capita personal income rose by 9.7%, which coincided with the national increase of 10.7%. Since 2010, California's personal income has grown an average of 5.8% per year, due largely to the low unemployment rate sustained during those years. During the same period, United States personal income grew an average of 5.0%. Effective January 1, 2020, California's minimum wage increased to either \$12.00 or \$13.00 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches \$15.00 per hour for all businesses in 2023.

The California real estate market stumbled initially in response to the COVID-19 pandemic, but began to rebound by June 2020, as low interest rates sustained the optimism for home buying. The median price of homes in California increased by 2.5% during the fiscal year to a record high of \$626,170 as of June 30, 2020, still more than double the national median price of \$294,400. While 30-year fixed mortgage rates dropped to an average of 3.16% in June 2020, compared to 3.80% in June 2019, sales of single-family homes declined by 12.8% during fiscal year 2019-20, compared to a 5.1% decline in fiscal year 2018-19. For the year ended June 30, 2020, commercial construction permits decreased 21.3% from the prior year. The number of residential building permits remained consistent at approximately

106,000 units. This is still well below the projected need to accommodate population growth, which may continue to drive housing prices up and affordability down.

Economic Conditions for the 2020-21 Fiscal Year and Future Outlook

California's economy made an emphatic recovery during the 2020-21 fiscal year. At June 30, 2021, the State's GDP approached \$3.3 trillion, an increase of 17.0% over the prior fiscal year. California's economic growth during fiscal year 2020-21 slightly outpaced the United States GDP, which increased by 16.8%. Additionally, California's economic output by the end of fiscal year 2020-21 surpassed its GDP prior to the onset of the COVID-19 pandemic by 6.7%. Personal income for Californians showed modest gains as well, increasing by 4.2% during fiscal year 2020-21, and exceeding the U.S. national increase in personal income by 3.1%.

The state unemployment rate steadily recuperated during the fiscal year, dropping from 14.1% at June 30, 2020, to 7.6% by June 30, 2021. The leisure and hospitality sector in particular began to rebound with 265,000 jobs gained during fiscal year 2020-21, an increase of 20.2%. At June 30, 2021, leisure and hospitality was still lacking nearly 500,000 jobs that existed prior to the COVID-19 pandemic, indicating that a long road to recovery still lies ahead for this sector.

The housing market showed encouraging signs of growth in fiscal year 2020-21 as well. Existing home sales in June 2021 totaled 436,020 units, an increase of 28.3% from June 2020. Tight supply and low interest rates contributed to a surge of the June 2021 statewide median home price to a record \$819,630, up 30.9% from June 2020. By comparison, the U.S. national median home price increased by 23.4% from June 2020 to June 2021, to \$363,300.

New vehicle registrations were another indicator of economic recovery for California, as the number of new vehicle registrations increased from 98,865 in June 2020 to 144,282 in June 2021, an improvement of 45.9%.

At the close of the 2020-21 fiscal year, the State's economy showed encouraging signs of growth and recovery from the initial impact of the COVID-19 pandemic. Sustainability of such recovery and growth still remains uncertain due to continued evolution of the pandemic and state inflation rates that elevated to 4.4% in fiscal year 2020-21, compared to just 1.4% in fiscal year 2019-20. Since June 2021, annual price inflation has exceeded 5.0% each month, compared to an average of about 2.0% over the last decade. Resurgent U.S. consumer demand met with continued frictions in production and transport of many goods has led to higher than normal growth in the prices of many goods and services. The consensus among economic forecasters is that this uptick in inflation should abate during 2022, but the range of potential outcomes varies widely.

California's 2020-21 Budget

California's 2020-21 Budget Act was enacted on June 29, 2020. The Budget Act appropriated \$202.1 billion—\$133.9 billion from the General Fund, \$62.1 billion from special funds, and \$6.1 billion from bond funds. The General Fund's budgeted expenditures decreased \$13.0 billion, or 8.9% from last year's General Fund budget. The General Fund's revenues were projected to be \$137.7 billion after a \$7.8 billion transfer from the Budget Stabilization Account (BSA), the State's rainy day fund. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 59.7% of total revenue in fiscal year 2020-21. California's major taxes (personal income, sales and use, and corporation taxes) are projected to supply approximately 88.3% of the General Fund's resources in the

2020-21 fiscal year. The General Fund was projected to end the 2020-2021 fiscal year with \$10.7 billion in total reserves—\$8.3 billion in the BSA, \$2.6 billion in the General Fund’s Special Fund for Economic Uncertainties (SFEU), \$450 million in the Safety Net Reserve (SNR), and an expected deficit of \$716 million from in COVID reserve. In addition to the required minimum annual transfer to the BSA, Proposition 2 requires the General Fund to make an equivalent minimum annual amount of debt reduction payments; the 2020-21 spending plan included \$2.0 billion of debt reduction expenditures.

The 2020-21 Budget Act decreased total State expenditures by \$12.9 billion from the 2019-20 budgeted level, driven by a decrease in budgeted General Fund expenditures of \$13.9 billion. Primary decreases in General Fund spending included reductions of \$10.2 billion for K-12 education, \$1.7 billion for higher education, and \$3.6 billion for general government. The General Fund’s share of Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges dropped by \$7.6 billion to \$45.1 billion.

Despite the unprecedented health pandemic in 2020, the 2020-21 Budget Act planned to close a \$54.3 billion deficit caused by the COVID-19 recession. Specific deficit reduction strategies included using \$8.8 billion in reserves, borrowing \$9.3 billion from special funds, temporarily suspending \$4.4 billion in incentive tax credits provided to businesses, cancelling \$10.6 billion in government program expansions, obtaining \$10.1 billion in expanded federal assistance, and initiating \$11.1 billion in funding reductions and deferrals that would be restored if certain federal funding targets were met.

Specific 2020-21 Budget provisions included a \$15.9 billion increase in Medi-Cal local assistance to address COVID-19 caseload growth, \$1.6 billion in additional funding for In-Home Supportive Services, increased CalWORKs costs projected to reach \$7.8 billion, and \$1.2 billion allocated across multiple departments and programs to aid local governments addressing homelessness.

California’s state government received \$9.5 billion from the Coronavirus Relief Fund. The 2020-21 Budget Act allocated \$4.5 billion of these funds to schools and community colleges to mitigate the effects of school closures related to COVID-19. The Budget also provided \$1.3 billion to counties and \$500 million to cities to be used to address homelessness, public health, public safety, and other services in the wake of the COVID-19 pandemic. An additional \$550 million was allocated to the Department of Housing and Community Development to provide housing for individuals and families who were homeless or at risk of homelessness due to the COVID-19 pandemic.

In June 2021, the 2021-22 Budget Act was enacted, and provided updated estimates of fiscal year 2020-21 General Fund revenues, expenditures, and reserves. The 2021-22 Budget Act projected fiscal year 2020-21 General Fund revenue of \$188.8 billion (after transfers), expenditures of \$166.1 billion, and total year-end reserves of \$14.7 billion—\$1.9 billion in the Public School System Stabilization Account, \$12.3 billion in the BSA and \$450 million in the SNR—which is \$4.0 billion more than projected in the 2020-21 Budget Act in June 2020.

California’s 2021-22 Budget

In June 2021, the fiscal year 2021-22 Budget Act was enacted. It includes projections of fiscal year 2021-22 General Fund revenues, expenditures, and reserves. The Budget estimates General Fund revenues of \$178.8 billion, a decrease of \$5.0 billion (2.7%) from fiscal year 2020-21 revenue estimates. Total General Fund sources are anticipated to decline by \$13.4 billion (7.1%) from the 2020-21 level, due primarily to a proposed transfer of \$3.4 billion from the General Fund to the BSA (a shift of

\$8.5 billion from the prior year budget), and projected reductions of personal income tax and corporation income tax revenues totaling \$4.5 billion. General Fund expenditures for fiscal year 2021-22 are budgeted at \$196.4 billion, an increase of \$30.4 billion (18.3%) compared to the fiscal year 2020-21 estimates. The Budget includes \$25.2 billion in estimated combined reserves, which is comprised of \$15.8 billion in the BSA for fiscal emergencies, \$4.5 billion in the Public School System Stabilization Account, \$4.0 billion in the state's operating reserve, and \$900 million in the Safety Net Reserve.

The fiscal year 2021-22 Budget Act includes historic investments in COVID-19 relief for families and small businesses through provisions such as the Golden State Stimulus and Golden State Grant programs. The Budget features \$6.4 billion in state-administered and direct local federal rent relief for individuals and families, as well as \$2.0 billion to pay down unpaid utility debt that accumulated during the pandemic. Additionally, the Budget expands relief to small businesses by adding \$1.5 billion to the State's earlier \$2.5 billion investment in the Small Business COVID-19 Relief Grant Program, which has helped approximately 210,000 businesses stay open and keep Californians employed.

Requests for Information

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

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Basic Financial Statements



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Government-wide Financial Statements

Statement of Net Position

June 30, 2020

(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and pooled investments	\$ 50,327,811	\$ 6,965,381	\$ 57,293,192	\$ 3,185,108
Amount on deposit with U.S. Treasury	—	374,933	374,933	—
Investments	452,442	2,571,906	3,024,348	10,701,579
Restricted assets:				
Cash and pooled investments	930,291	969,110	1,899,401	336,306
Investments	—	—	—	25,946
Due from other governments	—	182,839	182,839	—
Net investment in direct financing leases	12,349	12,723	25,072	—
Receivables (net)	50,584,339	2,051,446	52,635,785	6,369,717
Internal balances	1,813,175	(1,813,175)	—	—
Due from primary government	—	—	—	261,027
Due from other governments	46,661,936	381,608	47,043,544	174,578
Prepaid items	180,340	68,110	248,450	3,743
Inventories	74,186	22,776	96,962	340,359
Recoverable power costs (net)	—	102,000	102,000	—
Other current assets	101,386	3,609	104,995	470,999
Total current assets	151,138,255	11,893,266	163,031,521	21,869,362
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	143,195	640,239	783,434	56,075
Investments	—	352,821	352,821	96,303
Loans receivable	—	1,986,034	1,986,034	—
Investments	—	2,864,558	2,864,558	35,097,129
Net investment in direct financing leases	241,485	217,728	459,213	—
Receivables (net)	3,841,037	1,491,935	5,332,972	3,111,817
Loans receivable	5,542,256	5,704,650	11,246,906	3,083,515
Recoverable power costs (net)	—	16,000	16,000	—
Long-term prepaid charges	866	1,512,914	1,513,780	126
Capital assets:				
Land	21,146,866	330,410	21,477,276	1,533,820
State highway infrastructure	79,552,496	—	79,552,496	—
Collections – nondepreciable	22,682	30,956	53,638	617,001
Buildings and other depreciable property	33,493,712	17,337,284	50,830,996	60,271,363
Intangible assets – amortizable	2,681,165	442,447	3,123,612	1,850,861
Less: accumulated depreciation/amortization	(17,076,447)	(7,066,748)	(24,143,195)	(30,454,749)
Construction/development in progress	18,141,559	3,208,596	21,350,155	4,058,936
Intangible assets – nonamortizable	846,344	124,335	970,679	6,753
Other noncurrent assets	—	32,204	32,204	461,285
Total noncurrent assets	148,577,216	29,226,363	177,803,579	79,790,235
Total assets	299,715,471	41,119,629	340,835,100	101,659,597
DEFERRED OUTFLOWS OF RESOURCES	30,221,758	3,542,792	33,764,550	14,745,965
Total assets and deferred outflows of resources	\$ 329,937,229	\$ 44,662,421	\$ 374,599,650	\$ 116,405,562

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 41,149,796	\$ 850,410	\$ 42,000,206	\$ 3,854,513
Due to component units	261,027	—	261,027	—
Due to other governments	17,149,149	413,819	17,562,968	—
Revenues received in advance	9,630,625	288,073	9,918,698	1,809,465
Tax overpayments	5,440,959	—	5,440,959	—
Deposits	459,055	—	459,055	1,183,257
Contracts and notes payable	5,917	—	5,917	11,541
Unclaimed property liability	897,771	—	897,771	—
Interest payable	1,080,340	51,256	1,131,596	19,937
Securities lending obligations	—	—	—	429,311
Benefits payable	12,337,094	2,153,914	14,491,008	—
Current portion of long-term obligations	5,891,361	2,109,638	8,000,999	5,432,231
Other current liabilities	2,800,253	678,742	3,478,995	3,527,869
Total current liabilities	97,103,347	6,545,852	103,649,199	16,268,124
Noncurrent liabilities:				
Loans payable	145,949	2,271,930	2,417,879	16,265
Lottery prizes and annuities	—	709,190	709,190	—
Compensated absences payable	3,987,389	263,428	4,250,817	518,190
Workers' compensation benefits payable	4,191,575	10,004	4,201,579	495,558
Commercial paper and other borrowings	1,108,720	1,049,154	2,157,874	1,782
Capital lease obligations	336,720	336,175	672,895	378,373
General obligation bonds payable	74,592,076	753,217	75,345,293	—
Revenue bonds payable	15,052,805	13,052,485	28,105,290	23,628,697
Mandated cost claims payable	1,782,370	—	1,782,370	—
Net other postemployment benefits liability	74,263,396	16,223,564	90,486,960	24,158,206
Net pension liability	82,815,664	9,273,959	92,089,623	22,109,878
Revenues received in advance	—	6,980	6,980	6,157
Other noncurrent liabilities	2,187,088	242,282	2,429,370	3,198,953
Total noncurrent liabilities	260,463,752	44,192,368	304,656,120	74,512,059
Total liabilities	357,567,099	50,738,220	408,305,319	90,780,183
DEFERRED INFLOWS OF RESOURCES	16,894,716	4,241,953	21,136,669	7,592,521
Total liabilities and deferred inflows of resources	\$ 374,461,815	\$ 54,980,173	\$ 429,441,988	\$ 98,372,704

(continued)

Statement of Net Position (continued)

June 30, 2020

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 116,773,259	\$ 2,907,066	\$ 119,680,325	\$ 15,107,519
Restricted:				
Nonexpendable – endowments	—	1,677	1,677	8,030,212
Expendable:				
Endowments and gifts	—	—	—	13,449,007
General government	4,537,738	271,586	4,809,324	—
Education	1,589,856	143,620	1,733,476	1,641,754
Health and human services	4,769,332	2,146,595	6,915,927	—
Natural resources and environmental protection	5,623,026	2,616,659	8,239,685	—
Business, consumer services, and housing	4,886,434	22,414	4,908,848	—
Transportation	9,017,193	4,964	9,022,157	—
Corrections and rehabilitation	130,677	—	130,677	—
Unemployment programs	—	2,516,278	2,516,278	—
Indenture	—	—	—	578,610
Statute	—	—	—	2,687,372
Budget stabilization	16,116,422	—	16,116,422	—
Other purposes	—	—	—	17,880
Total expendable	46,670,678	7,722,116	54,392,794	18,374,623
Unrestricted	(207,968,523)	(20,948,611)	(228,917,134)	(23,479,496)
Total net position (deficit)	(44,524,586)	(10,317,752)	(54,842,338)	18,032,858
Total liabilities, deferred inflows of resources, and net position	\$ 329,937,229	\$ 44,662,421	\$ 374,599,650	\$ 116,405,562

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Statement of Activities

Year Ended June 30, 2020

(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 23,489,012	\$ 5,847,276	\$ 4,745,848	\$ —
Education	75,803,990	49,780	7,975,206	—
Health and human services	192,576,208	13,836,881	127,132,625	—
Natural resources and environmental protection	10,110,777	5,551,029	496,137	—
Business, consumer services, and housing	2,603,823	1,378,181	150,726	—
Transportation	18,424,746	7,244,317	3,087,746	2,107,963
Corrections and rehabilitation	16,861,994	14,753	82,354	—
Interest on long-term debt	3,841,351	—	—	—
Total governmental activities	343,711,901	33,922,217	143,670,642	2,107,963
Business-type activities:				
Electric Power	905,115	903,000	—	—
Water Resources	1,184,458	1,155,001	—	—
State Lottery	6,665,062	6,735,321	—	—
Unemployment Programs	23,622,023	12,564,665	—	—
California State University	10,592,814	3,323,307	2,372,546	—
State Water Pollution Control Revolving	45,288	87,110	132,847	—
Safe Drinking Water State Revolving	25,007	29,717	87,990	—
Housing Loan	53,656	61,990	—	—
Other enterprise programs	148,450	105,874	—	—
Total business-type activities	43,241,873	24,965,985	2,593,383	—
Total primary government	\$ 386,953,774	\$ 58,888,202	\$ 146,264,025	\$ 2,107,963
Component Units				
University of California	44,365,076	26,194,785	11,560,074	67,742
California Housing Finance Agency	131,190	270,559	49,550	—
Nonmajor component units	2,004,861	1,014,713	767,395	12,859
Total component units	\$ 46,501,127	\$ 27,480,057	\$ 12,377,019	\$ 80,601
General revenues:				
Personal income taxes				
Sales and use taxes				
Corporation taxes				
Motor vehicle excise tax				
Insurance taxes				
Managed care organization enrollment tax				
Other taxes				
Investment and interest income				
Escheat				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) – beginning, restated				
Net position (deficit) – ending				

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (12,895,888)		\$ (12,895,888)	
(67,779,004)		(67,779,004)	
(51,606,702)		(51,606,702)	
(4,063,611)		(4,063,611)	
(1,074,916)		(1,074,916)	
(5,984,720)		(5,984,720)	
(16,764,887)		(16,764,887)	
(3,841,351)		(3,841,351)	
<u>(164,011,079)</u>		<u>(164,011,079)</u>	
	\$ (2,115)	(2,115)	
	(29,457)	(29,457)	
	70,259	70,259	
	(11,057,358)	(11,057,358)	
	(4,896,961)	(4,896,961)	
	174,669	174,669	
	92,700	92,700	
	8,334	8,334	
	(42,576)	(42,576)	
	<u>(15,682,505)</u>	<u>(15,682,505)</u>	
<u>\$ (164,011,079)</u>	<u>\$ (15,682,505)</u>	<u>\$ (179,693,584)</u>	
			\$ (6,542,475)
			188,919
			<u>(209,894)</u>
			<u>\$ (6,563,450)</u>
\$ 108,308,455	\$ —	\$ 108,308,455	\$ —
40,703,239	—	40,703,239	—
13,180,402	—	13,180,402	—
7,876,545	—	7,876,545	—
3,161,634	—	3,161,634	—
1,031,357	—	1,031,357	—
3,789,610	—	3,789,610	—
690,169	—	690,169	1,425,084
614,394	—	614,394	—
—	—	—	3,221,885
(5,963,068)	5,963,068	—	—
<u>173,392,737</u>	<u>5,963,068</u>	<u>179,355,805</u>	<u>4,646,969</u>
9,381,658	(9,719,437)	(337,779)	(1,916,481)
<u>(53,906,244)</u>	<u>(598,315)</u>	<u>(54,504,559)</u>	<u>19,949,339</u>
<u>\$ (44,524,586)</u>	<u>\$ (10,317,752)</u>	<u>\$ (54,842,338)</u>	<u>\$ 18,032,858</u>

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2020

(amounts in thousands)

	General	Federal
ASSETS		
Cash and pooled investments	\$ 3,144,406	\$ 9,904,033
Investments	—	—
Receivables (net)	44,630,713	690,077
Due from other funds	4,653,184	1,583,436
Due from other governments	2,365,596	42,862,341
Interfund receivables	2,122,323	—
Loans receivable	83,982	235,780
Other assets	7,426	60,900
Total assets	\$ 57,007,630	\$ 55,336,567
LIABILITIES		
Accounts payable	\$ 1,825,486	\$ 1,507,363
Due to other funds	10,156,799	25,069,673
Due to component units	221,669	—
Due to other governments	4,489,437	7,740,182
Interfund payables	2,465,536	—
Benefits payable	—	12,337,094
Revenues received in advance	24,393	8,148,971
Tax overpayments	5,440,959	—
Deposits	3,108	—
Unclaimed property liability	897,771	—
Other liabilities	628,932	2,019,728
Total liabilities	26,154,090	56,823,011
DEFERRED INFLOWS OF RESOURCES	2,351,940	689,881
Total liabilities and deferred inflows of resources	28,506,030	57,512,892
FUND BALANCES		
Nonspendable	2,129,227	—
Restricted	16,709,782	298,635
Committed	2,965,662	—
Assigned	3,080,372	—
Unassigned	3,616,557	(2,474,960)
Total fund balances (deficit)	28,501,600	(2,176,325)
Total liabilities, deferred inflows of resources, and fund balances	\$ 57,007,630	\$ 55,336,567

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ 8,995,097	\$ 11,892,552	\$ 2,172,498	\$ 12,703,874	\$ 48,812,460
—	—	—	452,442	452,442
1,253,793	556,809	5,094,530	2,031,405	54,257,327
1,301,468	531,598	52,143	2,365,836	10,487,665
7,214	11,886	1,293,232	96,009	46,636,278
101,934	1,317,515	238,981	521,819	4,302,572
482,742	1,119,353	154,364	3,445,928	5,522,149
16,012	—	—	17,048	101,386
\$ 12,158,260	\$ 15,429,713	\$ 9,005,748	\$ 21,634,361	\$ 170,572,279
\$ 895,407	\$ 653,604	\$ 88,047	\$ 868,326	\$ 5,838,233
478,487	36,830	7,217,969	838,471	43,798,229
7,457	3,969	—	27,932	261,027
749,195	290,136	770	3,933,385	17,203,105
20,713	179,681	—	25,652	2,691,582
—	—	—	—	12,337,094
15,493	218,726	1,000	196,088	8,604,671
—	—	—	—	5,440,959
2,811	348	—	450,449	456,716
—	—	—	—	897,771
500,924	7,951	—	146,516	3,304,051
2,670,487	1,391,245	7,307,786	6,486,819	100,833,438
210,342	43,577	—	489,850	3,785,590
2,880,829	1,434,822	7,307,786	6,976,669	104,619,028
—	—	—	13,702	2,142,929
9,231,279	5,459,164	1,645,804	13,162,018	46,506,682
46,152	8,535,727	52,158	1,432,104	13,031,803
—	—	—	49,868	3,130,240
—	—	—	—	1,141,597
9,277,431	13,994,891	1,697,962	14,657,692	65,953,251
\$ 12,158,260	\$ 15,429,713	\$ 9,005,748	\$ 21,634,361	\$ 170,572,279

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

(amounts in thousands)

Total fund balances – governmental funds **\$ 65,953,251**

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

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

Land	21,144,786	
State highway infrastructure	79,552,496	
Collections – nondepreciable	22,682	
Buildings and other depreciable property	32,804,956	
Intangible assets – amortizable	2,645,889	
Less: accumulated depreciation/amortization	(16,572,308)	
Construction/development in progress	16,314,134	
Intangible assets – nonamortizable	846,344	
		136,758,979

- State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds. 3,785,590
- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds. (10,100,911)
- Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position. (7,251,155)
- Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds. 12,842,842
- Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds. 300,689
- General obligation bonds and related accrued interest totaling \$72,932,576, revenue bonds totaling \$6,700,822, and commercial paper totaling \$1,108,720 are not due and payable in the current period and are not reported in the funds. (80,742,118)
- The following liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(3,831,873)	
Capital leases	(393,089)	
Net pension liability	(81,516,714)	
Net other postemployment benefits liability	(72,168,396)	
Mandated cost claims	(1,782,370)	
Workers' compensation	(4,143,813)	
Proposition 98 funding guarantee	(708)	
Pollution remediation obligations	(1,293,100)	
Other noncurrent liabilities	(941,690)	
		(166,071,753)

Net position of governmental activities **\$ (44,524,586)**

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	\$ 110,352,220	\$ —
Sales and use taxes	25,461,893	—
Corporation taxes	13,722,735	—
Motor vehicle excise taxes	142,729	—
Insurance taxes	3,158,183	—
Managed care organization enrollment tax	—	—
Other taxes	636,243	—
Intergovernmental	—	145,778,000
Licenses and permits	7,799	—
Charges for services	376,317	—
Fees	19,477	—
Penalties	372,130	326
Investment and interest	575,818	23,101
Escheat	614,394	—
Other	483,938	—
Total revenues	155,923,876	145,801,427
EXPENDITURES		
Current:		
General government	10,607,916	4,209,777
Education	67,094,461	8,085,802
Health and human services	39,469,965	127,850,003
Natural resources and environmental protection	2,536,666	475,087
Business, consumer services, and housing	741,404	187,407
Transportation	30,874	5,185,164
Corrections and rehabilitation	12,776,235	237,605
Capital outlay	24,082	—
Debt service:		
Bond and commercial paper retirement	2,548,681	10,835
Interest and fiscal charges	2,686,389	555
Total expenditures	138,516,673	146,242,235
Excess (deficiency) of revenues over (under) expenditures	17,407,203	(440,808)
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Revenue bonds issued	—	—
Refunding debt issued	—	—
Premium on bonds issued	150,685	—
Capital leases	24,082	—
Transfers in	634,307	—
Transfers out	(7,875,660)	(1,958,705)
Total other financing sources (uses)	(7,066,586)	(1,958,705)
Net change in fund balances	10,340,617	(2,399,513)
Fund balances – beginning	18,160,983 *	223,188
Fund balances (deficit) – ending	\$ 28,501,600	\$ (2,176,325)

* Restated

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 1,478,947	\$ 111,831,167
930,340	—	—	14,317,229	40,709,462
—	—	—	—	13,722,735
7,525,199	90,451	—	118,166	7,876,545
—	—	3,451	—	3,161,634
—	—	1,031,357	—	1,031,357
—	179,280	—	3,046,522	3,862,045
—	—	2,348,817	824,833	148,951,650
5,134,179	477,543	—	3,636,933	9,256,454
142,862	118,008	4	335,614	972,805
1,787,359	2,720,959	5,080,548	3,692,977	13,301,320
10,417	51,610	5,941	581,239	1,021,663
220,209	245,347	44,086	220,395	1,328,956
—	—	—	1,326	615,720
109,098	2,373,857	278,828	1,349,665	4,595,386
15,859,663	6,257,055	8,793,032	29,603,846	362,238,899
436,423	245,601	3,035	11,890,355	27,393,107
10,918	3,500	139,765	1,013,273	76,347,719
2,596	80,541	8,387,110	16,029,783	191,819,998
198,009	5,795,047	212	239,792	9,244,813
125,835	46,613	—	1,355,989	2,457,248
13,980,554	815,483	—	13,773	20,025,848
—	—	—	1,666,865	14,680,705
—	250,591	—	126,393	401,066
1,590,421	2,489,297	45,750	3,591,597	10,276,581
31,230	33,199	406	1,104,611	3,856,390
16,375,986	9,759,872	8,576,278	37,032,431	356,503,475
(516,323)	(3,502,817)	216,754	(7,428,585)	5,735,424
527,480	1,780,325	160,050	2,617,735	5,085,590
—	—	—	500,000	500,000
1,377,515	1,584,585	8,125	1,414,670	4,384,895
207,236	425,378	1,911	432,405	1,217,615
—	—	—	—	24,082
6,788	145,150	175,361	4,814,488	5,776,094
(1,624,759)	(61,393)	(21)	(210,948)	(11,731,486)
494,260	3,874,045	345,426	9,568,350	5,256,790
(22,063)	371,228	562,180	2,139,765	10,992,214
9,299,494	13,623,663	1,135,782	12,517,927 *	54,961,037
\$ 9,277,431	\$ 13,994,891	\$ 1,697,962	\$ 14,657,692	\$ 65,953,251

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

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

(amounts in thousands)

Net change in fund balances – total governmental funds **\$ 10,992,214**

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

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

Purchase of assets	4,354,076	
Disposal of assets	(390,084)	
Depreciation expense, net of asset disposal	<u>(1,050,122)</u>	
		2,913,870

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (3,223,657)

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 90,994

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

	General Obligation Bonds	Revenue Bonds	Commercial Paper	Total	
Debt issued	(7,763,245)	(500,000)	(1,707,240)	(9,970,485)	
Premium on debt issued	(1,217,614)	—	—	(1,217,614)	
Accreted interest	—	(49,341)	—	(49,341)	
Principal repayments	8,446,635	198,666	1,631,280	10,276,581	
Related expenses not reported in governmental funds:					
Premium/discount amortization	373,010	32,111	—	405,121	
Deferred gain/loss on refunding	(2,760)	(17,493)	—	(20,253)	
Prepaid insurance	—	(82)	—	(82)	
Accrued interest	36,485	(217)	—	36,268	
	<u>(127,489)</u>	<u>(336,356)</u>	<u>(75,960)</u>		(539,805)
					(continued)

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

Compensated absences	(299,956)	
Capital leases	41,787	
Net pension liability	342,085	
Net other postemployment benefits liability	(676,322)	
Mandated cost claims	33,080	
Workers' compensation	(231,662)	
Proposition 98 funding guarantee	(708)	
Pollution remediation obligations	(89,534)	
Other noncurrent liabilities	29,272	
		(851,958)

Change in net position of governmental activities

\$ 9,381,658
(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 780,498
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	609,704	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	2,960	86,099
Due from other funds	4,040	—
Due from other governments	—	63,857
Prepaid items	—	—
Inventories	—	4,893
Recoverable power costs (net)	102,000	—
Other current assets	—	—
Total current assets	718,704	935,347
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	480,000	160,038
Investments	302,000	50,821
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	158,355
Loans receivable	—	9,337
Recoverable power costs (net)	16,000	—
Long-term prepaid charges	—	1,512,490
Capital assets:		
Land	—	209,165
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	5,899,296
Intangible assets – amortizable	—	39,660
Less: accumulated depreciation/amortization	—	(2,379,296)
Construction/development in progress	—	1,931,664
Intangible assets – nonamortizable	—	112,928
Other noncurrent assets	—	—
Total noncurrent assets	798,000	7,704,458
Total assets	1,516,704	8,639,805
DEFERRED OUTFLOWS OF RESOURCES	43,000	309,206
Total assets and deferred outflows of resources	\$ 1,559,704	\$ 8,949,011

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total		Internal Service Funds
\$ 408,923	\$ 3,091,384	\$ 1,436,122	\$ 1,248,454	\$ 6,965,381	\$ 1,515,351	
—	374,933	—	—	374,933	—	
60,508	—	2,511,398	—	2,571,906	—	
—	—	—	359,406	969,110	930,291	
—	—	—	182,839	182,839	—	
—	—	12,723	—	12,723	517,067	
504,271	1,201,331	211,892	44,893	2,051,446	112,602	
—	11,873	9,964	22,258	48,135	881,200	
—	106,114	—	211,637	381,608	25,658	
—	—	68,090	20	68,110	180,340	
12,883	—	—	5,000	22,776	74,186	
—	—	—	—	102,000	—	
3,609	—	—	—	3,609	—	
990,194	4,785,635	4,250,189	2,074,507	13,754,576	4,236,695	
—	—	201	—	640,239	143,195	
—	—	—	—	352,821	—	
—	—	—	1,986,034	1,986,034	—	
846,779	—	1,997,755	20,024	2,864,558	—	
—	—	217,728	—	217,728	7,729,792	
—	1,116,514	375,421	—	1,491,935	—	
—	382,291	—	9,192	549,838	42,940	
—	219,324	50,783	5,425,206	5,704,650	20,107	
—	—	—	—	16,000	—	
424	—	—	—	1,512,914	380	
18,798	—	101,175	1,272	330,410	2,080	
—	—	30,956	—	30,956	—	
327,070	21,320	11,063,577	26,021	17,337,284	688,756	
—	244,118	156,908	1,761	442,447	35,276	
(131,349)	(63,479)	(4,471,385)	(21,239)	(7,066,748)	(504,139)	
—	—	1,276,826	106	3,208,596	1,827,425	
—	—	11,407	—	124,335	—	
—	—	25,463	6,741	32,204	—	
1,061,722	1,920,088	10,836,815	7,455,118	29,776,201	9,985,812	
2,051,916	6,705,723	15,087,004	9,529,625	43,530,777	14,222,507	
76,875	114,464	2,984,024	15,223	3,542,792	604,034	
\$ 2,128,791	\$ 6,820,187	\$ 18,071,028	\$ 9,544,848	\$ 47,073,569	\$ 14,826,541	

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,254	\$ 210,245
Due to other funds	456	100,486
Due to other governments	—	282,893
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	9,725	11,223
Benefits payable	—	—
Current portion of long-term obligations	763,000	202,854
Other current liabilities	—	—
Total current liabilities	775,435	807,701
Noncurrent liabilities:		
Interfund payables	9,384	46,963
Loans payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	28,271
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	920,107
Capital lease obligations	—	—
General obligation bonds payable	—	2,090
Revenue bonds payable	765,000	2,877,693
Net other postemployment benefits liability	5,000	805,535
Net pension liability	3,000	558,713
Revenues received in advance	—	—
Other noncurrent liabilities	—	164,890
Total noncurrent liabilities	782,384	5,404,262
Total liabilities	1,557,819	6,211,963
DEFERRED INFLOWS OF RESOURCES	4,000	1,600,156
Total liabilities and deferred inflows of resources	1,561,819	7,812,119
NET POSITION		
Net investment in capital assets	—	890,438
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	246,454
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	—	246,454
Unrestricted	(2,115)	—
Total net position (deficit)	(2,115)	1,136,892
Total liabilities, deferred inflows of resources, and net position	\$ 1,559,704	\$ 8,949,011

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total		Internal Service Funds
\$ 39,698	\$ 296,143	\$ 289,594	\$ 11,647	\$ 849,581	\$ 398,476	
349,903	1,729,345	20,071	12,800	2,213,061	319,626	
—	130,745	—	181	413,819	14,307	
2,302	—	285,738	33	288,073	1,025,954	
—	—	—	—	—	2,339	
—	—	—	—	—	21,550	
—	—	—	30,308	51,256	93,327	
—	2,153,914	—	—	2,153,914	—	
662,520	—	319,150	162,114	2,109,638	585,329	
277	132,804	545,661	—	678,742	15,234	
1,054,700	4,442,951	1,460,214	217,083	8,758,084	2,476,142	
10,598	—	109,249	22,722	198,916	2,150,801	
—	2,271,930	—	—	2,271,930	—	
709,190	—	—	—	709,190	—	
—	29,924	157,195	6,611	222,001	153,420	
7,202	—	—	2,802	10,004	47,762	
—	—	129,047	—	1,049,154	—	
—	—	336,175	—	336,175	—	
—	—	—	751,127	753,217	—	
—	—	7,733,521	1,676,271	13,052,485	8,311,261	
239,754	637,821	14,498,545	36,909	16,223,564	2,095,000	
138,619	344,083	8,190,770	38,774	9,273,959	1,298,950	
—	—	6,980	—	6,980	—	
—	—	65,892	11,500	242,282	24,354	
1,105,363	3,283,758	31,227,374	2,546,716	44,349,857	14,081,548	
2,160,063	7,726,709	32,687,588	2,763,799	53,107,941	16,557,690	
50,185	109,363	2,452,308	25,941	4,241,953	365,076	
2,210,248	7,836,072	35,139,896	2,789,740	57,349,894	16,922,766	
214,520	201,958	1,596,907	3,243	2,907,066	539,362	
—	—	1,677	—	1,677	—	
—	—	48,952	—	48,952	163,996	
—	—	28,315	341,425	616,194	—	
—	—	—	2,028,780	2,028,780	—	
163,905	—	—	—	163,905	—	
—	2,516,278	—	—	2,516,278	—	
—	—	66,353	2,281,654	2,348,007	—	
163,905	2,516,278	143,620	4,651,859	7,722,116	163,996	
(459,882)	(3,734,121)	(18,811,072)	2,100,006	(20,907,184)	(2,799,583)	
(81,457)	(1,015,885)	(17,068,868)	6,755,108	(10,276,325)	(2,096,225)	
\$ 2,128,791	\$ 6,820,187	\$ 18,071,028	\$ 9,544,848	\$ 47,073,569	\$ 14,826,541	

(concluded)

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

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	\$ —	\$ —
Lottery ticket sales	—	—
Power sales	(11,000)	49,435
Student tuition and fees	—	—
Services and sales	—	1,085,755
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	(11,000)	1,135,190
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(16,000)	243,120
Personal services	5,000	425,649
Supplies	—	—
Services and charges	2,115	51,808
Depreciation	—	105,345
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	—
Total operating expenses	(8,885)	825,922
Operating income (loss)	(2,115)	309,268
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income	914,000	19,811
Interest expense and fiscal charges	(914,000)	(110,158)
Lottery payments for education	—	—
Other	—	(248,378)
Total nonoperating revenues (expenses)	—	(338,725)
Income (loss) before capital contributions and transfers	(2,115)	(29,457)
Transfers in	—	—
Transfers out	—	—
Change in net position	(2,115)	(29,457)
Total net position (deficit) – beginning	—	1,166,349
Total net position (deficit) – ending	\$ (2,115)	\$ 1,136,892

* Restated

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ —	\$ 12,491,370	\$ —	\$ —	\$ 12,491,370	\$ —
6,622,003	—	—	—	6,622,003	—
—	—	—	—	38,435	—
—	—	2,175,169	—	2,175,169	—
—	—	495,562	108,110	1,689,427	4,249,571
—	2	—	149,954	149,956	24,155
—	—	—	—	—	397,252
—	—	70,304	—	70,304	—
—	—	247,888	4,020	251,908	—
6,622,003	12,491,372	2,988,923	262,084	23,488,572	4,670,978
4,403,715	—	—	—	4,403,715	—
—	—	—	—	227,120	—
111,146	243,698	7,117,432	49,545	7,952,470	913,444
17,123	—	1,595,484	49,189	1,661,796	31,817
646,435	91,513	—	45,914	837,785	3,113,662
18,429	10,663	408,784	1,704	544,925	53,197
—	—	1,195,923	—	1,195,923	—
—	23,275,708	—	—	23,275,708	—
—	—	—	38,193	38,193	353,821
—	—	—	—	—	84
—	—	—	9,491	9,491	—
5,196,848	23,621,582	10,317,623	194,036	40,147,126	4,466,025
1,425,155	(11,130,210)	(7,328,700)	68,048	(16,658,554)	204,953
—	—	2,372,546	220,837	2,593,383	—
—	—	55,714	—	55,714	—
113,121	73,293	173,420	22,205	1,315,850	5,186
(31,030)	(441)	(275,191)	(36,938)	(1,367,758)	(1,580)
(1,437,184)	—	—	—	(1,437,184)	—
197	—	105,250	402	(142,529)	(109,889)
(1,354,896)	72,852	2,431,739	206,506	1,017,476	(106,283)
70,259	(11,057,358)	(4,896,961)	274,554	(15,641,078)	98,670
—	1,402,023	4,560,920	125	5,963,068	43,214
—	—	—	—	—	(50,890)
70,259	(9,655,335)	(336,041)	274,679	(9,678,010)	90,994
(151,716)	8,639,450 *	(16,732,827)	6,480,429	(598,315)	(2,187,219)
\$ (81,457)	\$ (1,015,885)	\$ (17,068,868)	\$ 6,755,108	\$ (10,276,325)	\$ (2,096,225)

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ (13,000)	\$ 1,349,148
Receipts from interfund services provided	—	—
Payments to suppliers	3,000	(378,525)
Payments to employees	(3,296)	(425,649)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	—	(26,836)
Net cash provided by (used in) operating activities	(13,296)	518,138
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and capital leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	9,000	—
Receipt of bond charges	858,000	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(970,000)	—
Interest received	—	—
Interest paid	(109,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Net cash provided by (used in) noncapital financing activities	(212,000)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(397,801)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	390,527
Principal paid on notes payable and commercial paper	—	(160,404)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(17,405)
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	—	(147,035)
Interest paid	—	(140,583)
Grants received	—	—
Net cash provided by (used in) capital and related financing activities	—	(472,701)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(152,059)
Proceeds from maturity and sale of investments	—	152,265
Change in loans receivable	—	769
Earnings on investments	45,000	21,500
Net cash provided by (used in) investing activities	45,000	22,475
Net increase (decrease) in cash and pooled investments	(180,296)	67,912
Cash and pooled investments – beginning	1,270,000	872,624
Cash and pooled investments – ending	\$ 1,089,704	\$ 940,536

Business-type Activities – Enterprise Funds					Governmental Activities	
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 6,708,301	\$ 12,032,155	\$ 2,581,004	\$ 417,819	\$ 23,075,427	\$	11,889
—	138,446	—	1,703	140,149		4,252,047
(236,011)	(1,488)	(1,606,558)	(119,935)	(2,339,517)		(1,424,726)
(90,445)	(230,115)	(5,718,747)	(30,020)	(6,498,272)		(1,040,423)
(10,182)	(21,565)	—	(3,581)	(35,328)		(394,963)
(4,837,269)	—	—	—	(4,837,269)		—
(460,702)	(21,475,310)	—	—	(21,936,012)		(588,483)
93,847	1,688,872	(868,653)	(373,905)	513,325		(426,241)
1,167,539	(7,869,005)	(5,612,954)	(107,919)	(11,917,497)		389,100
—	—	(6,158)	—	(6,158)		—
—	(363)	—	(1,569)	(1,932)		(62,979)
—	2,271,912	(116,396)	2,572	2,167,088		1,025,665
—	—	—	—	858,000		—
—	—	—	(44,930)	(44,930)		—
—	—	59,245	—	59,245		—
—	—	(81,702)	(98,215)	(1,149,917)		—
—	—	21,179	—	21,179		—
—	—	(27,906)	(63,097)	(200,003)		(1,133)
—	1,402,023	4,172,710	125	5,574,858		43,387
—	—	—	—	—		(51,063)
—	—	2,440,597	225,610	2,666,207		—
(1,604,813)	—	—	—	(1,604,813)		—
(1,604,813)	3,673,572	6,461,569	20,496	8,338,824		953,877
(24,032)	—	(1,040,608)	(59)	(1,462,500)		(1,132,653)
36	—	35,928	—	35,964		3,007
—	—	—	—	390,527		—
—	—	—	—	(160,404)		—
—	—	11,747	—	11,747		—
—	—	(671,412)	—	(671,412)		—
—	—	—	—	(17,405)		—
—	—	1,713,632	—	1,713,632		599,379
—	—	(220,708)	—	(367,743)		(635,985)
—	(441)	—	—	(141,024)		(285)
—	—	54,092	—	54,092		—
(23,996)	(441)	(117,329)	(59)	(614,526)		(1,166,537)
(47,992)	—	(17,346,214)	(2,344)	(17,548,609)		—
64,290	3,342,309	17,076,364	1,902	20,637,130		—
—	234,001	—	—	234,770		—
24,423	73,293	126,571	24,927	315,714		5,283
40,721	3,649,603	(143,279)	24,485	3,639,005		5,283
(420,549)	(546,271)	588,007	(62,997)	(554,194)		181,723
829,472	3,637,655	848,316	1,670,857	9,128,924		2,407,114
\$ 408,923	\$ 3,091,384	\$ 1,436,323	\$ 1,607,860	\$ 8,574,730	\$	2,588,837

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,115)	\$ 309,268
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	—	105,345
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Amortization of long-term prepaid charges and credits	—	(157,884)
Other	—	(26,836)
Change in account balances:		
Receivables	—	86,172
Due from other funds	—	—
Due from other governments	—	129,777
Prepaid items	—	—
Inventories	—	—
Net investment in direct financing leases	—	—
Recoverable power costs (net)	(11,000)	—
Other current assets	—	—
Loans receivable	—	—
Deferred outflow of resources	1,000	—
Accounts payable	819	29,938
Due to other funds	—	37,361
Due to other governments	—	(6,442)
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(1,000)	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	11,439
Deferred inflow of resources	(1,000)	—
Total adjustments	(11,181)	208,870
Net cash provided by (used in) operating activities	\$ (13,296)	\$ 518,138
Noncash investing, capital, and financing activities:		
State's contribution for pension benefits and OPEB	\$ —	\$ —
Amortization/defeasance of bond premium and discount	40,000	30,074
Amortization of deferred loss on refundings	25,000	9,964
Unclaimed lottery prizes directly allocated to another entity	—	—
Interest accreted on annuitized prizes	—	—
Unrealized gain on investments	—	—
Interest accreted on zero coupon bonds	—	—
Contributed capital assets	—	—
Change in accrued capital asset purchases	—	—
Other assets paid through long-term debt	—	—
Other miscellaneous noncash transactions	5,000	—

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 1,425,155	\$ (11,130,210)	\$ (7,328,700)	\$ 68,048	\$ (16,658,554)	\$ 204,953	
18,429	10,663	408,784	1,704	544,925	53,197	
(45,285)	—	—	192	(45,093)	—	
—	—	—	(649)	(649)	(88,945)	
—	—	—	—	(157,884)	84	
215	—	(28,901)	(14,383)	(69,905)	13,944	
110,085	(415,685)	4,053	36	(215,339)	(13,724)	
1,190	1,962	3,598	539	7,289	(201,514)	
—	(65,637)	—	5,035	69,175	(11,651)	
(1)	—	11,191	9	11,199	35,893	
(5,753)	—	—	(1,760)	(7,513)	(4,217)	
—	—	—	—	—	491,492	
—	—	—	—	(11,000)	—	
88	—	—	(5,016)	(4,928)	—	
—	—	—	(146,241)	(146,241)	—	
—	(25,148)	(164,235)	(4,460)	(192,843)	(103,955)	
(16,599)	263,569	22,917	4,795	305,439	492	
(2,207)	1,698,261	—	(10,344)	1,723,071	(95,007)	
—	94,108	—	(426)	87,240	2,261	
—	—	128	—	128	1,057	
—	—	—	—	—	(1,891)	
—	—	—	(651)	(1,651)	(3,211)	
(81)	(48,636)	(79,156)	(17)	(127,890)	17,764	
5,076	87,859	(14,069)	566	79,432	(1,941)	
—	1,626,836	5,649	5,657	1,638,142	(8)	
(339,833)	—	—	—	(339,833)	—	
—	(29,095)	30,084	(2,972)	(1,983)	5,536	
17,060	76,615	1,955,360	(9,798)	2,050,676	155,984	
—	(14,467)	(439,657)	2,217	(452,907)	(67,493)	
(257,616)	3,261,205	1,715,746	(175,967)	4,741,057	184,147	
\$ 1,167,539	\$ (7,869,005)	\$ (5,612,954)	\$ (107,919)	\$ (11,917,497)	\$ 389,100	
(concluded)						
\$ —	\$ —	\$ 388,210	\$ —	\$ 388,210	\$ —	
—	—	35,562	—	105,636	—	
—	—	—	—	34,964	—	
75,397	—	—	—	75,397	—	
31,030	—	—	—	31,030	—	
72,257	—	—	—	72,257	—	
19,304	—	—	—	19,304	—	
—	—	18,726	—	18,726	—	
—	—	12,365	—	12,365	—	
—	—	54,678	—	54,678	—	
—	—	73,804	1,058	79,862	117,460	

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2020

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	\$ 16,547	\$ 3,079,169	\$ 32,184,617	\$ 3,827,829
Investments, at fair value:				
Short-term	—	40,646,703	—	—
Equity securities	4,672,286	328,953,864	—	—
Debt securities	2,969,038	150,463,743	—	—
Real estate	246,390	77,835,567	—	—
Securities lending collateral	—	25,251,675	—	—
Other	2,131,872	77,870,865	—	—
Total investments	10,019,586	701,022,417	—	—
Receivables (net)	136,966	7,504,870	—	5,006,837
Due from other funds	37	938,540	—	33,975,339
Due from other governments	—	—	—	79,317
Interfund receivable	—	—	—	145,949
Loans receivable	—	2,498,945	—	82,580
Other assets	196,502	728,843	—	39,822
Total assets	10,369,638	715,772,784	32,184,617	\$ 43,157,673
DEFERRED OUTFLOWS OF RESOURCES				
Total assets and deferred outflows of resources	10,369,638	715,982,196	32,184,617	
LIABILITIES				
Accounts payable	65,483	4,515,287	—	\$ 27,925,539
Due to other governments	—	1	111,444	12,978,342
Tax overpayments	—	—	—	4,298
Benefits payable	—	3,869,096	—	—
Revenues received in advance	—	—	—	679
Deposits	196,502	—	—	1,423,597
Securities lending obligations	—	25,283,653	—	—
Loans payable	—	2,497,455	—	—
Other liabilities	1,360	7,523,315	—	825,218
Total liabilities	263,345	43,688,807	111,444	\$ 43,157,673
DEFERRED INFLOWS OF RESOURCES				
Total liabilities and deferred inflows of resources	263,345	43,910,554	111,444	
NET POSITION				
Restricted for pension and other postemployment benefits	—	653,302,374	—	
Held in trust for:				
Deferred compensation participants	—	18,757,743	—	
Pool participants	—	—	32,073,173	
Individuals, organizations, or other governments	10,106,293	11,525	—	
Total net position	\$ 10,106,293	\$ 672,071,642	\$ 32,073,173	

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2020

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment
ADDITIONS			
Contributions:			
Employer	\$ —	\$ 34,031,370	\$ —
Plan member	—	9,704,272	—
Non-employer	—	4,446,836	—
Total contributions	—	48,182,478	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	269	18,204,793	—
Interest, dividends, and other investment income	394,985	13,241,617	547,704
Less: investment expense	(3,412)	(1,711,478)	—
Net investment income	391,842	29,734,932	547,704
Receipts from depositors	4,367,212	—	32,307,398
Other	—	154,098	—
Total additions	4,759,054	78,071,508	32,855,102
DEDUCTIONS			
Distributions paid and payable to participants	—	45,240,505	546,102
Refunds of contributions	—	432,471	—
Administrative expense	5,338	791,986	1,601
Interest expense	121	94,689	—
Payments to and for depositors	4,098,282	533,028	24,819,078
Total deductions	4,103,741	47,092,679	25,366,781
Change in net position	655,313	30,978,829	7,488,321
Net position – beginning	9,450,980 *	641,092,813	24,584,852
Net position – ending	\$ 10,106,293	\$ 672,071,642	\$ 32,073,173

* Restated

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2020

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 713,597	\$ 1,110,300	\$ 1,361,211	\$ 3,185,108
Investments	10,029,536	—	672,043	10,701,579
Restricted assets:				
Cash and pooled investments	—	—	336,306	336,306
Investments	—	—	25,946	25,946
Receivables (net)	5,621,013	225,358	523,346	6,369,717
Due from primary government	261,027	—	—	261,027
Due from other governments	174,578	—	—	174,578
Prepaid items	—	458	3,285	3,743
Inventories	340,359	—	—	340,359
Other current assets	434,827	211	35,961	470,999
Total current assets	17,574,937	1,336,327	2,958,098	21,869,362
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	56,075	56,075
Investments	—	—	96,303	96,303
Investments	32,533,142	258,183	2,305,804	35,097,129
Receivables (net)	2,770,830	—	340,987	3,111,817
Loans receivable	—	2,674,890	408,625	3,083,515
Long-term prepaid charges	—	—	126	126
Capital assets:				
Land	1,370,982	—	162,838	1,533,820
Collections – nondepreciable	603,658	—	13,343	617,001
Buildings and other depreciable property	57,990,893	1,393	2,279,077	60,271,363
Intangible assets – amortizable	1,841,988	—	8,873	1,850,861
Less: accumulated depreciation/amortization	(29,199,768)	(794)	(1,254,187)	(30,454,749)
Construction/development in progress	3,935,419	—	123,517	4,058,936
Intangible assets – nonamortizable	—	—	6,753	6,753
Other noncurrent assets	407,256	1,033	52,996	461,285
Total noncurrent assets	72,254,400	2,934,705	4,601,130	79,790,235
Total assets	89,829,337	4,271,032	7,559,228	101,659,597
DEFERRED OUTFLOWS OF RESOURCES	14,622,134	17,090	106,741	14,745,965
Total assets and deferred outflows of resources	\$ 104,451,471	\$ 4,288,122	\$ 7,665,969	\$ 116,405,562

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,925,007	\$ 54,575	\$ 874,931	\$ 3,854,513
Revenues received in advance	1,700,815	—	108,650	1,809,465
Deposits	955,911	225,528	1,818	1,183,257
Contracts and notes payable	—	—	11,541	11,541
Interest payable	—	16,089	3,848	19,937
Securities lending obligations	429,311	—	—	429,311
Current portion of long-term obligations	5,179,340	40,513	212,378	5,432,231
Other current liabilities	3,346,158	5,130	176,581	3,527,869
Total current liabilities	14,536,542	341,835	1,389,747	16,268,124
Noncurrent liabilities:				
Compensated absences payable	498,475	1,931	17,784	518,190
Workers' compensation benefits payable	477,492	—	18,066	495,558
Loans payable	—	4,172	12,093	16,265
Commercial paper and other borrowings	—	—	1,782	1,782
Capital lease obligations	142,369	—	236,004	378,373
Revenue bonds payable	22,468,049	683,152	477,496	23,628,697
Net other postemployment benefits liability	23,852,872	72,556	232,778	24,158,206
Net pension liability	21,779,120	43,432	287,326	22,109,878
Revenues received in advance	—	—	6,157	6,157
Other noncurrent liabilities	2,259,852	328,743	610,358	3,198,953
Total noncurrent liabilities	71,478,229	1,133,986	1,899,844	74,512,059
Total liabilities	86,014,771	1,475,821	3,289,591	90,780,183
DEFERRED INFLOWS OF RESOURCES	7,463,894	20,982	107,645	7,592,521
Total liabilities and deferred inflows of resources	93,478,665	1,496,803	3,397,236	98,372,704
NET POSITION				
Net investment in capital assets	14,443,373	599	663,547	15,107,519
Restricted:				
Nonexpendable – endowments	6,590,231	—	1,439,981	8,030,212
Expendable:				
Endowments and gifts	13,435,728	—	13,279	13,449,007
Education	439,697	—	1,202,057	1,641,754
Indenture	—	578,610	—	578,610
Statute	—	2,255,858	431,514	2,687,372
Other purposes	—	—	17,880	17,880
Total expendable	13,875,425	2,834,468	1,664,730	18,374,623
Unrestricted	(23,936,223)	(43,748)	500,475	(23,479,496)
Total net position	10,972,806	2,791,319	4,268,733	18,032,858
Total liabilities, deferred inflows of resources, and net position	\$ 104,451,471	\$ 4,288,122	\$ 7,665,969	\$ 116,405,562
				(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2020

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	\$ 29,067,261	\$ 21,451	\$ 409,384	\$ 29,498,096
Scholarships and fellowships	1,039,128	—	95,159	1,134,287
Supplies	4,218,056	—	14,236	4,232,292
Services and charges	318,494	13,764	1,311,613	1,643,871
Department of Energy laboratories	1,075,559	—	—	1,075,559
Depreciation	2,184,431	213	82,747	2,267,391
Interest expense and fiscal charges	921,796	34,483	33,210	989,489
Other	5,540,351	61,279	58,512	5,660,142
Total operating expenses	44,365,076	131,190	2,004,861	46,501,127
PROGRAM REVENUES				
Charges for services	26,194,785	270,559	1,014,713	27,480,057
Operating grants and contributions	11,560,074	49,550	767,395	12,377,019
Capital grants and contributions	67,742	—	12,859	80,601
Total program revenues	37,822,601	320,109	1,794,967	39,937,677
Net revenues (expenses)	(6,542,475)	188,919	(209,894)	(6,563,450)
GENERAL REVENUES				
Investment and interest income	1,076,880	239,084	109,120	1,425,084
Other	2,667,425	82,357	472,103	3,221,885
Total general revenues	3,744,305	321,441	581,223	4,646,969
Change in net position	(2,798,170)	510,360	371,329	(1,916,481)
Net position – beginning	13,770,976	2,280,959	3,897,404	19,949,339
Net position – ending	\$ 10,972,806	\$ 2,791,319	\$ 4,268,733	\$ 18,032,858

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the fiscal year ended June 30, 2020:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, as amended, is effective for the fiscal year ended June 30, 2020. This statement addresses accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Implementation of GASB Statement No. 83 resulted in the recognition of asset retirement obligations and the related deferred outflows of resources in the financial statements of the University of California, a discretely presented component unit.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of the following pronouncements by one year:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*
- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- GASB Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- GASB Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- GASB Implementation Guide No. 2019-2, *Fiduciary Activities*

Additionally, Statement No. 95 postponed the effective dates of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases* by 18 months. The State implemented GASB Statement No. 88, GASB Implementation Guide No. 2018-1, and GASB Implementation Guide No. 2017-3 in previous fiscal years. The State will implement the remaining aforementioned pronouncements according to the postponed effective dates prescribed by GASB Statement No. 95.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for fiscal years ending after December 15, 2021. This Statement addresses existing references in authoritative literature to the term *comprehensive annual financial report* and replaces them with *annual comprehensive financial report*. The State implemented GASB Statement No. 98 for the fiscal year ended June 30, 2020.

A. Reporting Entity

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

1. Blended Component Units

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

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

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

2. Fiduciary Component Units

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

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

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

3. Discretely Presented Component Units

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

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

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

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

The nonmajor consolidated component unit segments are:

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

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

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;
- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and
- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural associations' financial report is as of and for the year ended December 31, 2019).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law*, which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;
- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation*, which provides financial assistance to small business; and
- The *Public Employees' Contingency Reserve*, which provides health benefit plans for state employees and annuitants.

4. Joint Venture

A joint venture is an entity resulting from a contractual arrangement; it is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an

arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture called the *Capitol Area Development Authority (CADA)*. CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city; it is administered by a board composed of five members—two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2020, CADA had total assets and deferred outflows of resources of \$42.6 million, total liabilities and deferred inflows of resources of \$23.6 million, and total net position of \$19.0 million. Total revenues for the fiscal year were \$15.4 million and expenses were \$12.6 million, resulting in an increase in net position of \$2.8 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on CADA's website at www.cadanet.org.

5. Related Organizations

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

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

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

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

information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, go to its website at www.statefundca.com.

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The State reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major enterprise funds:

The *Electric Power Fund* accounts for the acquisition and resale of electric power to retail end-use customers, and charges to public utilities for wildfire prevention and recovery.

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

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

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

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

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

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

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

The State has the following four fiduciary fund types:

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

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

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

2. Fund Financial Statements

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

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

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

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

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

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

D. Cash and Investments

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

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

E. Receivables

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

F. Inventories

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

G. Net Investment in Direct Financing Leases

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

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

H. Long-term Prepaid Charges

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

I. Capital Assets

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

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

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

Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over 5 years, and intangible assets are amortized over 10 to 20 years. Depreciable or amortizable assets of business-type activities are depreciated or amortized using the straight-line method over their estimated useful or service lives, ranging from 1 to 100 years.

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

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

J. Long-term Obligations

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

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

Asset retirement obligations are recorded by the State when the internal and external obligating events described in GASB Statement No. 83 have occurred and when a reasonable estimate of the cost to retire certain tangible capital assets is available. The types of underlying assets include above ground and underground fuel and chemical storage tanks, various medical equipment, dams, water treatment facilities, bridges and other infrastructure, and electric power generating equipment. Asset retirement obligation estimates are based on professional judgment, experience, and historical cost data, and are subject to change over time due to price fluctuations, changes in technology, updated information from engineering studies or other evaluations, changes to statutes or regulations, and other factors that could result in revisions to these estimates.

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other

financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

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

K. Compensated Absences

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

L. Deferred Outflows and Deferred Inflows of Resources

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

1. Deferred Outflows of Resources

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

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Decrease in Fair Value of Hedging Derivatives:* Negative changes in the fair value of hedging derivatives are reported for component units.
- *Net Pension Liability:* Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State’s proportionate

share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

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

2. Deferred Inflows of Resources

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

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

- *Unavailable Revenues:* Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.
- *Gain on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Service Concession Arrangements*: The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.
- *Irrevocable Split-Interest Agreements*: The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.
- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Net Other Postemployment Benefits Liability*: Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Other Deferred Inflows of Resources*: Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments and nonexchange transactions are reported as a deferred inflow of resources.

M. Nonmajor Enterprise Segment Information

Three nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a

segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

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

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

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

N. Net Position and Fund Balance

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

1. Net Position

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

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

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2020, the government-wide financial statements show restricted net position for the primary government of \$54.4 billion, of which \$10.8 billion is due to enabling legislation.

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

2. Fund Balance

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

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

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

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

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

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

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

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

3. Stabilization Arrangements

a. Budget Stabilization Account

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

The State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the

highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2020, the Budget Stabilization Account had a restricted fund balance of \$16.1 billion.

b. Special Fund for Economic Uncertainties

State law established the Special Fund for Economic Uncertainties (SFEU) as a contingency reserve to help the State meet its General Fund obligations in the event of declining revenues or unanticipated expenditures. A control section of the State's Budget Act establishes the annual reserve balance of the SFEU, but that amount would be reduced if certain constitutionally defined excess revenue limits are met during the fiscal year. In addition, SFEU funds may be set aside in a separate account and committed for disaster response operation costs incurred by state agencies as a result of a proclamation of a state of emergency by the Governor. The SFEU is a discretionary budget reserve and is available without additional legislative action to meet the cash needs of the General Fund and to eliminate any General Fund deficit at the end of a fiscal year. The SFEU is reported in the General Fund, and at June 30, 2020, the SFEU represented \$1.2 billion of the committed balance of the General Fund.

0. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by \$37 million due to an increase in the General Fund to adjust accounts receivable for benefit overpayments. An additional \$444 million was shifted from the General Fund to a nonmajor special revenue fund for the omission of a prior year accrual and transfer, but had no effect on the beginning fund balance of *governmental funds*.

The beginning fund balance of *enterprise funds* increased by \$639 million due to an increase in the Unemployment Programs Fund to adjust accounts receivable for benefit overpayments.

The beginning fund balance of *private purpose trust funds* decreased by \$84 thousand to recognize a previously unreported liability within other private purpose trust funds.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by \$819 million. In addition to the restatements described in the previous section for governmental funds, the restatement also includes a \$495 million increase to recognize understated capital assets, and a \$287 million increase to adjust accounts receivable related to prior year benefit payments for Unemployment Programs.

The beginning net position of *business-type activities* was restated as described in the previous section for enterprise funds.

P. Guaranty Deposits

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

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

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

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2020, increased spending authority for the budgetary/legal basis-reported General Fund and the Health Care Related Programs Funds, and decreased spending authority for the budgetary/legal basis-reported Transportation Funds and Environmental and Natural Resources Funds.

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

B. Legal Compliance

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

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

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

A. Primary Government

1. Control of State Funds

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

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2020, these discretely presented component units and related organizations account for approximately 2.7% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

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

Demand and time deposits held by financial institutions as of June 30, 2020, totaling approximately \$7.8 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2020, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$22 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

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

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the \$427 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2019-20 was earned on balances in these funds.

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

2. Valuation of State Investments

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

Table 1 categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices for identical assets or liabilities in active markets at the date of measurement. Level 2 inputs are significant other directly or indirectly observable inputs other than quoted prices. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on its relationship to similar securities with an active market. Level 3 inputs are significant unobservable inputs. The State has no investments measured at Level 3.

Table 1

Schedule of Investments – Primary Government – Investments by Fair Value Level

June 30, 2020

(amounts in thousands)

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	June 30, 2020		
Pooled Investments			
U.S. Treasury bills and notes	\$ 53,426,044	\$ 53,426,044	\$ —
U.S. Agency bonds and discount notes	16,423,647	16,423,647	—
Supranational debentures and discount notes	4,144,163	4,144,163	—
Small Business Administration loans	482,514	482,514	—
Mortgage-backed securities	18,042	18,042	—
Certificates of deposit	13,206,383	—	13,206,383
Bank notes	100,199	—	100,199
Commercial paper	7,741,500	—	7,741,500
Total pooled investments at fair value	95,542,492	\$ 74,494,410	\$ 21,048,082
Other primary government investments			
U.S. Treasuries and agencies	3,045,752	\$ 851,223	\$ 2,194,529
Commercial paper	32,077	—	32,077
Corporate debt securities	851,290	—	851,290
Repurchase agreements	19,462	—	19,462
Other	1,579,067	201,216	1,377,851
Total other primary government investments at fair value	5,527,648	\$ 1,052,439	\$ 4,475,209
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	514,079		
Total investments measured at the NAV	514,079		
Other investment instruments			
Guaranteed investment contracts ¹	200,000		
Total other investment instruments	200,000		
Funds outside primary government included in pooled investments			
Less: investment trust funds	32,065,639		
Less: other trust and agency funds	4,438,461		
Less: discretely presented component units and related organizations	2,568,521		
Total primary government investments	\$ 62,711,598		

¹ Reported at carrying value.

As of June 30, 2020, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 199 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

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

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2020, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

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

As of June 30, 2020, structured notes and medium-term asset-backed securities comprised approximately 2.3% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.1% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICs), are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.2% of the pooled investments.

Table 2 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office Investment Policy for the Pooled Investment Program. Maturities are limited by

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

Table 2

Authorized Investments

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

4. Risk of Investments

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

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

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

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

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

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

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include \$5.5 billion of time deposits and \$576 million of internal loans to state funds. Repurchase agreements of the California State University system mature in one day. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2020, only \$18 million, or 0.02% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk

June 30, 2020

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	\$ 53,426,044	0.70
U.S. Agency bonds and discount notes	16,423,647	0.48
Supranational debentures and discount notes	4,144,163	0.40
Small Business Administration loans	482,514	0.25
Mortgage-backed securities	18,042	1.36
Certificates of deposit	13,206,383	0.24
Bank notes	100,199	0.17
Commercial paper	7,741,500	0.21
Total pooled investments	95,542,492	
Other primary government investments		
U.S. Treasuries and agencies	3,045,752	3.19
Commercial paper	32,077	0.38
Guaranteed investment contracts ¹	200,000	1.83
Corporate debt securities	851,290	1.04
Repurchase agreements	19,462	—
Other	2,093,146	3.66
Total other primary government investments	6,241,727	
Funds outside primary government included in pooled investments		
Less: investment trust funds	32,065,639	
Less: other trust and agency funds	4,438,461	
Less: discretely presented component units and related organizations	2,568,521	
Total primary government investments	\$ 62,711,598	

¹ Reported at carrying value.

b. Credit Risk

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

Table 4**Schedule of Investments in Debt Securities – Primary Government – Credit Risk**

June 30, 2020

(amounts in thousands)

Credit Rating as of Year End			
Short-term	Long-term		Fair Value
Pooled investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$	22,329,337
A-1/P-1/F-1	AA/Aa/AA		19,004,671
A-2/P-2/F-2	A/A/A		299,926
Not rated			—
Not applicable			53,908,558
Total pooled investments		\$	95,542,492
Other primary government investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$	1,334,461
A-1/P-1/F-1	AA/Aa/AA		2,706,372
A-2/P-2/F-2	A/A/A		988,942
A-3/P-3/F-3	BBB/Baa/BBB		15,029
B/NP/B	BB/Ba/BB		19,701
B/NP/B	B2/B		109,818
Not rated			1,067,404
Total other primary government investments		\$	6,241,727

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2020, one guaranteed investment contract of the Electric Power Fund in the amount of \$100 million was uninsured and uncollateralized.

d. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2020, the State had investments in the Federal Home Loan Mortgage Corporation totaling 6.8% and the Federal Home Loan Bank totaling 8.5% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

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

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

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 93.3% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

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

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NOTE 4: ACCOUNTS RECEIVABLE

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

Table 5

Schedule of Accounts Receivable

June 30, 2020

(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	\$ 43,072,502	\$ —	\$ —
Federal Fund	—	—	—
Transportation Fund	830,928	241,122	—
Environmental and Natural Resources Fund	15,298	424,371	—
Health Care Related Programs Fund	1,031,357	3,821,892	—
Nonmajor governmental funds	634,870	432,726	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue ¹	(1,988,075)	(213,032)	—
Total current governmental activities	\$ 43,596,880	\$ 4,707,079	\$ —
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ 1,988,075	\$ 213,032	\$ —
Current business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	—	—	504,271
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	\$ —	\$ —	\$ 504,271
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ —	\$ —	\$ —

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

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

Unemployment Programs	California State University	Other	Total
\$ 702,525	\$ —	\$ 855,686	\$ 44,630,713
687,652	—	2,425	690,077
—	—	181,743	1,253,793
—	—	117,140	556,809
—	—	241,281	5,094,530
—	—	963,809	2,031,405
—	—	112,602	112,602
(1,131,639)	—	(452,844)	(3,785,590)
<u>\$ 258,538</u>	<u>\$ —</u>	<u>\$ 2,021,842</u>	<u>\$ 50,584,339</u>
<u>\$ 1,131,639</u>	<u>\$ —</u>	<u>\$ 508,291</u>	<u>\$ 3,841,037</u>
\$ —	\$ —	\$ 2,960	\$ 2,960
—	—	86,099	86,099
—	—	—	504,271
1,201,331	—	—	1,201,331
—	211,892	—	211,892
—	—	44,893	44,893
<u>\$ 1,201,331</u>	<u>\$ 211,892</u>	<u>\$ 133,952</u>	<u>\$ 2,051,446</u>
<u>\$ 1,116,514</u>	<u>\$ 375,421</u>	<u>\$ —</u>	<u>\$ 1,491,935</u>

NOTE 5: RESTRICTED ASSETS

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

Table 6

Schedule of Restricted Assets

June 30, 2020

(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	\$ 1,632,087	\$ 352,821	\$ 182,839	\$ 1,986,034	\$ 4,153,781
Construction	1,012,097	—	—	—	1,012,097
Operations	36,704	—	—	—	36,704
Other	1,947	—	—	—	1,947
Total primary government	2,682,835	352,821	182,839	1,986,034	5,204,529
Discretely presented component units					
Debt service	302,486	122,249	—	—	424,735
Other	89,895	—	—	—	89,895
Total discretely presented component units	392,381	122,249	—	—	514,630
Total restricted assets	\$ 3,075,216	\$ 475,070	\$ 182,839	\$ 1,986,034	\$ 5,719,159

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

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

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

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

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

(amounts in thousands)

Year Ending June 30	State Public Works Board			California State University
	Primary Government Agencies	Local Agencies	Total	
2021	\$ 15,960	\$ 12,754	\$ 28,714	\$ 25,938
2022	15,966	12,739	28,705	21,400
2023	15,954	12,720	28,674	23,573
2024	15,952	12,701	28,653	23,616
2025	15,930	12,689	28,619	23,515
2026-2030	79,162	61,454	140,616	119,789
2031-2035	78,551	15,558	94,109	54,946
2036-2040	—	—	—	22,901
2041-2045	—	—	—	6,723
2046-2050	—	—	—	4,037
Total minimum lease payments	237,475	140,615	378,090	326,438
Less: unearned income	91,874	32,382	124,256	95,987
Net investment in direct financing leases	145,601	108,233	253,834	230,451
Less: current portion	4,570	7,779	12,349	12,723
Noncurrent net investment in direct financing leases	\$ 141,031	\$ 100,454	\$ 241,485	\$ 217,728

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital activity for the primary government.

Table 8

Schedule of Changes in Capital Assets – Primary Government

June 30, 2020

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 20,780,336	* \$ 402,761	\$ 36,231	\$ 21,146,866
State highway infrastructure	78,418,144	1,187,569	53,217	79,552,496
Collections	22,682	—	—	22,682
Construction/development in progress	15,824,573	* 4,171,020	1,854,034	18,141,559
Intangible assets	617,776	* 228,568	—	846,344
Total capital assets not being depreciated/amortized	115,663,511	5,989,918	1,943,482	119,709,947
Capital assets being depreciated/amortized				
Buildings and improvements	26,860,289	* 325,449	137,454	27,048,284
Infrastructure	749,288	3,719	6	753,001
Equipment and other depreciable assets	5,492,524	* 362,487	162,584	5,692,427
Intangible assets	2,682,040	* 76,058	76,933	2,681,165
Total capital assets being depreciated/amortized	35,784,141	767,713	376,977	36,174,877
Less accumulated depreciation/amortization for:				
Buildings and improvements	10,027,757	* 665,552	87,546	10,605,763
Infrastructure	425,799	15,124	6	440,917
Equipment and other depreciable assets	4,422,362	* 401,079	159,284	4,664,157
Intangible assets	1,178,866	* 252,072	65,328	1,365,610
Total accumulated depreciation/amortization	16,054,784	1,333,827	312,164	17,076,447
Total capital assets being depreciated/amortized, net	19,729,357	(566,114)	64,813	19,098,430
Governmental activities, capital assets, net	\$ 135,392,868	\$ 5,423,804	\$ 2,008,295	\$ 138,808,377
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 306,207	\$ 24,742	\$ 539	\$ 330,410
Collections	27,473	3,483	—	30,956
Construction/development in progress	3,257,564	1,329,879	1,378,847	3,208,596
Intangible assets	118,807	6,123	595	124,335
Total capital assets not being depreciated/amortized	3,710,051	1,364,227	1,379,981	3,694,297
Capital assets being depreciated/amortized				
Buildings and improvements	14,283,941	* 1,468,012	23,848	15,728,105
Infrastructure	504,529	48,415	698	552,246
Equipment and other assets	1,007,613	* 81,080	31,760	1,056,933
Intangible assets	433,466	9,740	759	442,447
Total capital assets being depreciated/amortized	16,229,549	1,607,247	57,065	17,779,731
Less accumulated depreciation/amortization for:				
Buildings and improvements	5,527,407	* 410,790	2,851	5,935,346
Infrastructure	166,385	25,657	416	191,626
Equipment and other assets	656,976	* 90,801	30,262	717,515
Intangible assets	205,292	* 17,733	764	222,261
Total accumulated depreciation/amortization	6,556,060	544,981	34,293	7,066,748
Total capital assets being depreciated/amortized, net	9,673,489	1,062,266	22,772	10,712,983
Business-type activities, capital assets, net	\$ 13,383,540	\$ 2,426,493	\$ 1,402,753	\$ 14,407,280

* Restated

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

Table 9

Schedule of Depreciation Expense – Primary Government

June 30, 2020

(amounts in thousands)

	Amount
Governmental activities	
General government	\$ 314,725
Education	145,030
Health and human services	172,948
Natural resources and environmental protection	88,513
Business, consumer services, and housing	10,024
Transportation	222,194
Corrections and rehabilitation	327,196
Internal service funds (charged to the activities that utilize the fund)	53,197
Total governmental activities	1,333,827
Business-type activities	544,925
Total primary government	\$ 1,878,752

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

Table 10

Schedule of Changes in Capital Assets – Discretely Presented Component Units

June 30, 2020

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 1,442,899	\$ 96,412	\$ 5,491	\$ 1,533,820
Collections	554,898	76,185	14,082	617,001
Construction/development in progress	4,360,384	84,367	385,815	4,058,936
Intangible assets	10,344	1,796	5,387	6,753
Total capital assets not being depreciated/amortized	6,368,525	258,760	410,775	6,216,510
Capital assets being depreciated/amortized				
Buildings and improvements	43,015,708	3,774,501	59,104	46,731,105
Infrastructure	938,961	71,594	—	1,010,555
Equipment and other depreciable assets	12,123,766	753,623	347,686	12,529,703
Intangible assets	1,784,908	262,067	196,114	1,850,861
Total capital assets being depreciated/amortized	57,863,343	4,861,785	602,904	62,122,224
Less accumulated depreciation/amortization for:				
Buildings and improvements	18,555,793	1,366,068	28,652	19,893,209
Infrastructure	452,722	32,275	—	484,997
Equipment and other depreciable assets	8,787,228	564,854	311,887	9,040,195
Intangible assets	903,272	304,212	171,136	1,036,348
Total accumulated depreciation/amortization	28,699,015	2,267,409	511,675	30,454,749
Total capital assets being depreciated/amortized, net	29,164,328	2,594,376	91,229	31,667,475
Capital assets, net	\$ 35,532,853	\$ 2,853,136	\$ 502,004	\$ 37,883,985

NOTE 8: ACCOUNTS PAYABLE

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

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

Table 11

Schedule of Accounts Payable

June 30, 2020

(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	\$ 191,229	\$ 463,577	\$ 449,148
Federal Fund	531,525	224,455	434,225
Transportation Fund	10,934	7,504	18
Environmental and Natural Resources Fund	9,982	—	13,147
Health Care Related Programs Fund	—	354	87,693
Nonmajor governmental funds	619,336	46,508	96,380
Internal service funds	118,002	160	230,877
Adjustment:			
Fiduciary funds	2,142,976	4,127,466	28,549,475
Total governmental activities	\$ 3,623,984	\$ 4,870,024	\$ 29,860,963
Business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	39,698	—	—
Unemployment Programs Fund	—	—	296,143
California State University	—	289,594	—
Nonmajor enterprise funds	203	1,233	161
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	\$ 39,901	\$ 290,827	\$ 296,304

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2020, the primary government had long-term obligations totaling \$312.7 billion. Of that amount, \$8.0 billion is due within one year. Governmental activities had a net increase in long-term obligations of \$6.5 billion. Significant increases included \$1.5 billion in net pension liability, \$4.8 billion in net other postemployment benefits (OPEB) liability, and \$317 million in compensated absences payable. Other notable changes in governmental activities' long-term obligation included a significant decrease of \$671 million in Proposition 98 funding guarantees.

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

As of June 30, 2020, pollution remediation obligations increased by \$92 million, to \$1.3 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant Superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2020, the State estimates that remediation costs at Stringfellow will total \$492 million. At BKK Landfill, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

The primary government has identified tangible capital assets with associated retirement obligations. Some of these assets have a legally enforceable liability associated with their retirement, but the liability is not yet reasonably estimable. Examples include dams, sewer systems, waste ponds, bridges, roadways, and certain long-term use equipment. The State either has no prior experience decommissioning these types of assets to develop an estimate, or the assets are maintained indefinitely so an estimated useful life cannot be determined. The State will record the asset retirement obligations for such assets once they are reasonably estimable. The remaining measurable asset retirement obligations are immaterial.

The State receives a share of net profits generated by the operations of the Wilmington Oil Field. Various unit and production agreements control the character of the oil operations, including the liability associated with the future abandonment of the oil and gas wells and facilities. The State's share of the liability is apportioned based on its net profit interest, among other factors. The State retains a large majority of the total abandonment liability at the end of oil operations. As of June 30, 2020, the State estimates that the oil field abandonment liability is \$910 million, and the State has reserves of \$300 million in the Environmental and Natural Resources Fund (a special revenue fund) to liquidate future oil field abandonment costs.

The other long-term obligations for governmental activities consist of \$63 million to settle lawsuits, Technology Services Revolving Fund notes payable of \$25 million, and Water Resources Revolving Fund notes payable of \$15 million. The net pension liability, net OPEB liability, and compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund,

special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Overall, business-type activities experienced a net increase in long-term obligations of \$3.9 billion. Significant increases included \$2.3 billion for loans payable to the U.S. Department of Labor to cover shortfalls in the Unemployment Programs Fund, \$1.5 billion in net OPEB liability, and \$544 million in net pension liability. Significant decreases included \$384 million in lottery prizes and annuities, and \$244 million in revenue bonds payable.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2020.

Table 12

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

	Balance July 1, 2019	Additions
Governmental activities		
Loans payable adjustment for fiduciary funds	\$ 199,063	\$ —
Compensated absences payable	3,681,908	1,585,112
Workers' compensation benefits payable	4,431,589	772,732
Commercial paper and other borrowings	1,032,760	1,707,240
Capital lease obligations	434,876	24,082
General obligation bonds outstanding	72,651,425	7,763,245
Premiums	6,121,425	1,217,614
Total general obligation bonds payable	78,772,850	8,980,859
Revenue bonds outstanding	14,237,729	987,500
Accreted interest	602,521	49,341
Premiums	873,435	111,879
Discounts	(2,025)	—
Total revenue bonds payable	15,711,660	1,148,720
Mandated cost claims payable	1,869,746	132,906
Net other postemployment benefits liability	69,441,716	8,743,332
Net pension liability	81,299,874	27,993,886
Other long-term obligations:		
Oil field abandonment liability	902,100	7,683
Proposition 98 funding guarantee	686,592	—
Pollution remediation obligations	1,206,369	215,250
Other	149,738	14,493
Total other long-term obligations	2,944,799	237,426
Total governmental activities	\$ 259,820,841	\$ 51,326,295
Business-type activities		
Loans payable	\$ —	\$ 2,271,930
Lottery prizes and annuities	1,746,721	4,528,466
Compensated absences payable	359,151	154,619
Workers' compensation benefits payable	5,131	4,873
Commercial paper and other borrowings	799,643	618,445
Capital lease obligations	315,322	73,803
General obligation bonds outstanding	841,255	—
Premiums	10,733	—
Discounts	(1,226)	—
Total general obligation bonds payable	850,762	—
Revenue bonds outstanding	13,168,778	1,425,430
Premiums	1,353,138	114,509
Discounts	(456)	—
Total revenue bonds payable	14,521,460	1,539,939
Net other postemployment benefits liability	14,765,563	2,029,422
Net pension liability	8,730,246	3,338,205
Other long-term obligations	311,571	34,457
Total business-type activities	\$ 42,405,570	\$ 14,594,159

Deductions	Balance June 30, 2020	Due Within One Year	Noncurrent Liabilities
\$ 53,114	\$ 145,949	\$ —	\$ 145,949
1,267,959	3,999,061	11,672	3,987,389
526,312	4,678,009	486,434	4,191,575
1,631,280	1,108,720	—	1,108,720
65,869	393,089	56,369	336,720
8,446,635	71,968,035	3,533,840	68,434,195
423,328	6,915,711	757,830	6,157,881
8,869,963	78,883,746	4,291,670	74,592,076
834,651	14,390,578	737,926	13,652,652
—	651,862	—	651,862
121,118	864,196	114,583	749,613
(653)	(1,372)	(50)	(1,322)
955,116	15,905,264	852,459	15,052,805
167,242	1,835,410	53,040	1,782,370
3,921,652	74,263,396	—	74,263,396
26,478,096	82,815,664	—	82,815,664
—	909,783	—	909,783
670,661	15,931	15,223	708
123,422	1,298,197	77,861	1,220,336
61,337	102,894	46,633	56,261
855,420	2,326,805	139,717	2,187,088
\$ 44,792,023	\$ 266,355,113	\$ 5,891,361	\$ 260,463,752
\$ —	\$ 2,271,930	\$ —	\$ 2,271,930
4,912,666	1,362,521	653,331	709,190
111,434	402,336	138,908	263,428
—	10,004	—	10,004
368,862	1,049,226	72	1,049,154
32,053	357,072	20,897	336,175
62,335	778,920	34,835	744,085
470	10,263	—	10,263
(95)	(1,131)	—	(1,131)
62,710	788,052	34,835	753,217
1,633,708	12,960,500	1,162,065	11,798,435
150,358	1,317,289	62,812	1,254,477
(29)	(427)	—	(427)
1,784,037	14,277,362	1,224,877	13,052,485
571,421	16,223,564	—	16,223,564
2,794,492	9,273,959	—	9,273,959
60,048	285,980	36,718	249,262
\$ 10,697,723	\$ 46,302,006	\$ 2,109,638	\$ 44,192,368

NOTE 10: PENSION TRUSTS

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

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

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

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

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

Member, employer, and state contributions to CalSTRS' pension plans are recognized in the period in which the contributions are required by statute. Benefits and refunds are recognized when due and payable, in accordance with the retirement and benefits programs.

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

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

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions. The State does not directly contribute to the UCRS. Additional information on the

UCRS can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. California Public Employees' Retirement System

1. Public Employees' Retirement Fund (PERF)

Plan Description: The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2019, included the primary government and certain discretely presented component units; 1,319 school employers, including charter schools; and 1,612 public agencies. As the State is not an employer in PERF B or PERF C, the term PERF is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

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

Benefits Provided: All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2018 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2018-state-valuation.pdf. In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

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

The four basic types of retirement are:

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

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

Employees Covered by Benefit Terms: The State’s June 30, 2019 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 13 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 13

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2019

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	197,691	15,345	26,866	41,657	9,301	290,860
Inactive employees entitled to but not yet receiving benefits	63,003	3,730	7,706	7,545	482	82,466
Active employees	214,664	20,769	35,169	47,433	7,531	325,566
Total	475,358	39,844	69,741	96,635	17,314	698,892

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

Table 14 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2019.

Table 14

Contribution Rates – PERF Plans
June 30, 2019

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate.....	6.901 %	7.969 %	10.485 %	11.456 %	10.523 %
Employer rate of annual payroll	29.370	20.431	21.534	45.371	55.124
Total	36.271 %	28.400 %	32.019 %	56.827 %	65.647 %

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 15.

Table 15

Actuarial Methods and Assumptions – PERF Plans

Valuation date:	June 30, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	The lesser of Contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the PERF. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at actuarially determined statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied

to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in the GASB Crossover Testing Report, which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2019.pdf.

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

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

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

Table 16

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

Asset Class	Policy Target Allocation	Real Return Years 1 – 10¹	Real Return Years 11+²
Global equity	50.0 %	4.80 %	5.98 %
Fixed income	28.0	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	—	(0.92)
Total	100.0 %		

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

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

Table 17

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

	State Miscellaneous			State Industrial		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	\$ 111,518,010	\$ 80,103,319	\$ 31,414,691	\$ 4,477,222	\$ 3,584,595	\$ 892,627
Changes recognized for the measurement period:						
Service cost	2,042,862	—	2,042,862	127,006	—	127,006
Interest on total pension liability	7,970,572	—	7,970,572	324,909	—	324,909
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	2,032,459	—	2,032,459	106,233	—	106,233
Plan to plan resource movement	—	(1,344)	1,344	—	(754)	754
Employer contributions	—	3,777,484	(3,777,484)	—	148,494	(148,494)
Employee contributions	—	942,980	(942,980)	—	61,338	(61,338)
Net investment income	—	5,163,147	(5,163,147)	—	233,027	(233,027)
Benefit payments, including refunds of employee contributions	(6,190,738)	(6,190,738)	—	(205,544)	(205,544)	—
Administrative expense	—	(57,163)	57,163	—	(2,558)	2,558
Other Miscellaneous Income/(Expense) ..	—	185	(185)	—	8	(8)
Net changes	5,855,155	3,634,551	2,220,604	352,604	234,011	118,593
Balance at June 30, 2019 (Measurement Date)	\$ 117,373,165	\$ 83,737,870	\$ 33,635,295	\$ 4,829,826	\$ 3,818,606	\$ 1,011,220

State Safety			State Peace Officers and Firefighters		
Total	Plan	Net	Total	Plan	Net
Pension	Fiduciary	Pension	Pension	Fiduciary	Pension
Liability	Net Position	Liability	Liability	Net Position	Liability
\$ 13,119,814	\$ 10,543,433	\$ 2,576,381	\$ 47,213,094	\$ 33,301,642	\$ 13,911,452
536,173	—	536,173	1,044,955	—	1,044,955
951,075	—	951,075	3,381,608	—	3,381,608
—	—	—	—	—	—
227,078	—	227,078	664,430	—	664,430
—	1,482	(1,482)	—	350	(350)
—	523,076	(523,076)	—	1,665,872	(1,665,872)
—	257,071	(257,071)	—	437,937	(437,937)
—	691,911	(691,911)	—	2,175,528	(2,175,528)
(626,451)	(626,451)	—	(2,209,557)	(2,209,557)	—
—	(7,524)	7,524	—	(23,765)	23,765
—	24	(24)	—	77	(77)
1,087,875	839,589	248,286	2,881,436	2,046,442	834,994
\$ 14,207,689	\$ 11,383,022	\$ 2,824,667	\$ 50,094,530	\$ 35,348,084	\$ 14,746,446

(continued)

Table 17 (continued)

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

	California Highway Patrol			Total PERF Plans		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	\$ 12,994,141	\$ 8,534,222	\$ 4,459,919	\$ 189,322,281	\$ 136,067,211	\$ 53,255,070
Changes recognized for the measurement period:						
Service cost	257,384	—	257,384	4,008,380	—	4,008,380
Interest on total pension liability	926,056	—	926,056	13,554,220	—	13,554,220
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	135,148	—	135,148	3,165,348	—	3,165,348
Plan to plan resource movement	—	265	(265)	—	(1)	1
Employer contributions	—	507,055	(507,055)	—	6,621,981	(6,621,981)
Employee contributions	—	100,080	(100,080)	—	1,799,406	(1,799,406)
Net investment income	—	556,379	(556,379)	—	8,819,992	(8,819,992)
Benefit payments, including refunds of employee contributions	(612,298)	(612,298)	—	(9,844,588)	(9,844,588)	—
Administrative expense	—	(6,090)	6,090	—	(97,100)	97,100
Other Miscellaneous Income/(Expense) ..	—	20	(20)	—	314	(314)
Net changes	706,290	545,411	160,879	10,883,360	7,300,004	3,583,356
Balance at June 30, 2019 (Measurement Date)	\$ 13,700,431	\$ 9,079,633	\$ 4,620,798	\$ 200,205,641	\$ 143,367,215	\$ 56,838,426

Reported in governmental activities	\$ 45,489,278
Reported in business-type activities	9,273,959
Reported by discretely presented component units	191,511
Not reported in government-wide Statement of Net Position ¹	1,883,678
Total net pension liability – PERF plans	\$ 56,838,426
	(concluded)

¹ Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2019; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

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

Table 18

Net Pension Liability Sensitivity – PERF Plans

June 30, 2020

(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous.....	\$ 47,926,601	\$ 33,635,295	\$ 21,663,798
State Industrial.....	1,673,549	1,011,220	465,331
State Safety.....	4,705,728	2,824,667	1,267,585
State Peace Officers and Firefighters.....	21,713,385	14,746,446	9,034,127
California Highway Patrol.....	6,555,488	4,620,798	3,037,947
Total PERF plans.....	\$ 82,574,751	\$ 56,838,426	\$ 35,468,788

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: For the PERF plans, for the fiscal year ended June 30, 2020, the State recognized pension expense of \$10.7 billion. At June 30, 2020, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2019, but prior to the fiscal year ended June 30, 2020. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows and inflows of resources. The aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred outflows of resources. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

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

Table 19

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources

Related to Pensions – PERF Plans

June 30, 2020

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	\$ 6,120,776	\$ 269,766	\$ 777,216	\$ 2,762,843	\$ 787,425	\$ 10,718,026
Deferred Outflows of Resources:						
Employer contributions.....	5,032,209	245,757	759,505	3,234,348	560,538	9,832,357
Changes of assumptions.....	1,416,890	35,064	203,520	1,103,703	305,133	3,064,310
Difference between expected and actual experience.....	1,765,045	78,955	177,713	753,881	212,928	2,988,522
Deferred Inflows of Resources:						
Difference between expected and actual experience.....	(96,760)	(7,850)	(44,692)	(121,223)	(65,221)	(335,746)
Changes of assumptions.....	(705,578)	(22,261)	(21,594)	(15,062)	—	(764,495)
Net difference between projected and actual earnings on pension plan investments.....	(250,476)	(10,949)	(31,757)	(111,220)	(25,095)	(429,497)

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

Table 20

Recognition of Deferred Outflows and Deferred Inflows of Resources – PERF Plans

(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
2021	\$ 1,933,602	\$ 61,503	\$ 206,105	\$ 786,201	\$ 219,495	\$ 3,206,906
2022	(343,174)	(4,818)	(2,178)	399,109	101,546	150,485
2023	389,629	11,757	36,416	252,664	48,755	739,221
2024	149,064	4,517	42,847	172,105	47,938	416,471
2025	—	—	—	—	10,011	10,011

Payable to the Pension Plans: At June 30, 2020, the State reported a payable of \$930 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2020.

2. Single-employer Plans

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

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

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

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

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

Judges' – The four basic types of retirement are:

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

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

- Service Retirement – Judges must be at least age 65 with 20 years of service or age 70 with a minimum of five years of service to receive the defined benefit plan. Judges must have at least five years of service to receive the monetary credit plan.
- Disability Retirement (non-work related) – Judges who have five years of service and become permanently disabled because of a mental or physical disability may apply to the Commission on Judicial Performance for disability retirement.
- Disability Retirement (work related) – Judges receive 65% of their average monthly salary earned during the 12 or 36 months preceding their retirement date, regardless of age or length of service.
- Death Benefits – Beneficiaries receive the judge's monetary credits or three times the annual salary at the time of death, whichever is greater, if the judge was not eligible for retirement. Beneficiaries receive one-half of the retirement pension for life if the judge was retired on the date of death.

Legislators' – The three basic types of retirement are:

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

Employees Covered by Benefit Terms: The June 30, 2019 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 21 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 21

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2019

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	1,767	264	214	2,245
Inactive employees entitled to but not yet receiving benefits	4	1	6	11
Active employees	146	1,645	2	1,793
Total	<u>1,917</u>	<u>1,910</u>	<u>222</u>	<u>4,049</u>

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

Judges' II contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2019 actuarial valuation as 32.104%. The percentage changes in any given year only once the change to the total normal cost is greater than 1.0% from the base total normal cost. The new member rate should be 50% of the new normal cost rounded to the nearest quarter percentage.

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

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2019.

Table 22

Contribution Rates – Single-employer Plans

June 30, 2019

	Judges'	Judges' II	Legislators'
Average active employee rate.....	“Pay-	8.815 %	7.370 %
Employer rate of annual payroll.....	as-you-	24.660	38.145
Total	go”	33.475 %	45.515 %

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 23.

Table 23

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 3.13%, Judges' II 6.65%, Legislators' 5.25%
Inflation	All single-employer plans – 2.50%
Salary increases	All single-employer plans – 2.75%
Investment rate of return	Judges' 3.13%, Judges' II 6.65%, Legislators' 5.25%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	Judges' – 2.75% Judges' II – 2.50% Legislators' – 2.50%

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

Judges' – 3.13%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.13%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 6.65%

Legislators' – 5.25%

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

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

Table 24

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

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

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

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

Table 25

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

	Judges'			Judges' II		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018 (Valuation Date)	\$ 3,036,999	\$ 39,631	\$ 2,997,368	\$ 1,498,154	\$ 1,525,515	\$ (27,361)
Changes recognized for the measurement period:						
Service cost	20,073	—	20,073	103,791	—	103,791
Interest on total pension liability	99,427	—	99,427	103,889	—	103,889
Difference between expected and actual experience	86,873	—	86,873	30,292	—	30,292
Changes of assumptions	153,651	—	153,651	—	—	—
Employer contributions	—	195,903	(195,903)	—	84,099	(84,099)
Employee contributions	—	2,679	(2,679)	—	31,375	(31,375)
Net investment income	—	1,166	(1,166)	—	106,781	(106,781)
Benefit payments, including refunds of employee contributions....	(221,954)	(221,954)	—	(36,204)	(36,204)	—
Administrative expense	—	(10,032)	10,032	—	(1,477)	1,477
Other miscellaneous income	—	2,776	(2,776)	—	—	—
Net changes	138,070	(29,462)	167,532	201,768	184,574	17,194
Balance at June 30, 2019 (Measurement Date)	\$ 3,175,069	\$ 10,169	\$ 3,164,900	\$ 1,699,922	\$ 1,710,089	\$ (10,167)

Legislators'			Total Single-employer Plans		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
\$ 96,780	\$ 113,876	\$ (17,096)	\$ 4,631,933	\$ 1,679,022	\$ 2,952,911
268	—	268	124,132	—	124,132
4,873	—	4,873	208,189	—	208,189
(427)	—	(427)	116,738	—	116,738
—	—	—	153,651	—	153,651
—	250	(250)	—	280,252	(280,252)
—	92	(92)	—	34,146	(34,146)
—	7,860	(7,860)	—	115,807	(115,807)
(7,350)	(7,350)	—	(265,508)	(265,508)	—
—	(324)	324	—	(11,833)	11,833
—	—	—	—	2,776	(2,776)
(2,636)	528	(3,164)	337,202	155,640	181,562
<u>\$ 94,144</u>	<u>\$ 114,404</u>	<u>\$ (20,260)</u>	<u>\$ 4,969,135</u>	<u>\$ 1,834,662</u>	<u>\$ 3,134,473</u>
Reported in governmental activities					<u>\$ 3,134,473</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges' net pension liability was calculated using a discount rate of 3.13%; Judges' II used 6.65%; and Legislators' used 5.25%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans

June 30, 2020

(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (3.13%)	\$ 3,508,926	\$ 3,164,900	\$ 2,873,062
Judges' II (6.65%)	199,030	(10,167)	(178,722)
Legislators' (5.25%)	(9,368)	(20,260)	(29,173)
Total Single-employer Plans	\$ 3,698,588	\$ 3,134,473	\$ 2,665,167

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: For the single-employer plans, for the fiscal year ended June 30, 2019, the State recognized pension expense of \$444 million. At June 30, 2020, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2019, but prior to the fiscal year ended June 30, 2020, which will be recognized as a reduction of the net pension liability in the subsequent year.

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

Table 27

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

June 30, 2020

(amounts in thousands)

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>	<u>Total</u>
Pension Expense	\$ 362,968	\$ 80,395	\$ 1,081	\$ 444,444
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	241,993	83,872	100	325,965
Changes of assumptions	—	43,271	—	43,271
Difference between expected and actual experience	—	26,025	—	26,025
Net difference between projected and actual earnings on pension plan investments	760	—	(490)	270
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(46,334)	—	(46,334)
Changes of assumptions	—	(38,407)	—	(38,407)
Net difference between projected and actual earnings on pension plan investments	—	(9,927)	—	(9,927)

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

Table 28

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

(amounts in thousands)

Year Ending June 30	Deferred Outflows		Deferred Inflows of Resources		Total
	of Resources				
	Judges'	Judges' II	Legislators'		
2021	\$ 484	\$ (907)	\$ 380	\$ (43)	
2022	292	(12,733)	(126)	(12,567)	
2023	65	(5,773)	(329)	(6,037)	
2024	(81)	(2,316)	(415)	(2,812)	
2025	—	985	—	985	
Thereafter	—	(4,628)	—	(4,628)	

B. California State Teachers' Retirement System

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

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

Benefits Provided: Membership in the DB Program is mandatory for all employees meeting certain statutory requirements. The DB Program provides retirement benefits based on a member's age, final compensation, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1,788 contributing employers, 448,513 active and 213,127 inactive program members, and 314,405 benefit recipients as of June 30, 2020. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2019, was approximately \$35.8 billion.

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

Contributions: The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 10.21% and 16.28% of creditable compensation, respectively. The General Fund contributed an additional 5.311% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 5.811% in the next year and continue to increase until fiscal year 2045-46. Accordingly, the State contributed \$3.3 billion for fiscal year 2019-20. Additionally, the State made a \$1.1 billion supplemental contribution to reduce the State's unfunded actuarial obligation pursuant to Senate Bill 90. CalSTRS' June 30, 2018 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com/sites/main/files/file-attachments/2018_db_valuation_report.pdf.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2019, the CBB Program had 29 contributing school districts and 40,652 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2019, 349 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2018 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2019.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Post-retirement benefit increases (COLAs)	2.00% simple

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

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

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

CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the current capital market assumptions.

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

Table 30

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47.0 %	4.80 %
Fixed Income	12.0	1.30
Real estate	13.0	3.60
Private equity	13.0	6.30
Risk mitigating strategies	9.0	1.80
Inflation sensitive	4.0	3.30
Cash/liquidity	2.0	(0.40)
Total	100.0 %	

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: CalSTRS' net pension liability was measured as of June 30, 2019 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2018 (valuation date). The State's proportion of the net pension liability was based on CalSTRS' calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS' revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS' policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2019, the State's proportionate share of the CalSTRS' net pension liability was 35.30%, or \$31.9 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2020.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$3.7 billion for the fiscal year ended June 30, 2020, and reported deferred outflows and deferred inflows of resources as shown in Table 31.

Table 31**Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS**

June 30, 2020

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,032,205	\$ —
Net difference between projected and actual earnings on pension plan investments	—	1,228,052
Difference between expected and actual experiences	80,482	898,360
Proportionate share change	923,235	1,848,199
State contributions subsequent to the measurement date	4,446,836	—
Total	\$ 9,482,758	\$ 3,974,611

The \$4.4 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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

Table 32**Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS**

(amounts in thousands)

Year Ending June 30	Amount
2021	\$ 420,116
2022	(432,355)
2023	726,513
2024	885,431
2025	(315,184)
Thereafter	(223,211)

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

Table 33**Net Pension Liability Sensitivity – CalSTRS**

June 30, 2020

(amounts in thousands)

	Current Rate –1%	Current Rate 7.10%	Current Rate +1%
State's proportionate share of net pension liability	\$ 47,472,919	\$ 31,880,645	\$ 18,951,680

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

C. Trial Court Pension Plans

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

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

Net Pension Liability Actuarial Methods and Assumptions: The net pension liability of 49 trial courts was measured as of each individual plan's measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan's valuation date, based on the actuarial methods and assumptions used by each plan. For the 32 agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2019, and valued as of June 30, 2018. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2019, and valued as of June 30, 2018. Five of the cost-sharing multiple-employer plans had a measurement date of December 31, 2019; three of these plans had an actuarial valuation date of December 31, 2018, and two had a valuation date of January 1, 2019.

For the remaining six cost-sharing multiple-employer defined benefit trial court pension plans, the net pension liability was measured as of the same date the total pension liability was valued for each individual plan. One of the trial court plans had an actuarial valuation and measurement date of December 31, 2019, and five plans had an actuarial valuation and measurement date of June 30, 2019.

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

Table 34

Actuarial Methods and Assumptions – Trial Court Pension Plans

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	32	23
Valuation date(s):	June 30, 2018	Twelve plans as of June 30, 2018. Three plans as of December 31, 2018. Two plans as of January 1, 2019. Five plans as of June 30, 2019. One plan as of December 31, 2019.
Actuarial assumptions:		
Discount rate	7.15%	Rates ranging from 6.67% to 7.40%

Discount Rates: The discount rate used to measure the total pension liability of the trial courts that participate in the agent multiple-employer defined benefit pension plan was 7.15%. The discount rates used to measure the total pension liability of each trial court that participates in a cost-sharing multiple employer defined benefit plan ranged from 6.67% to 7.40% as of the respective measurement date.

Pension Accounting Elements: For the trial court pension plans, the State reported total pension liability of \$10.9 billion and fiduciary net position of \$8.6 billion, which resulted in a net pension liability of \$2.3 billion as of June 30, 2020. For the fiscal year ended June 30, 2020, the State recognized pension expense of \$393 million. At June 30, 2020, the State reported deferred outflows of resources of \$731 million and deferred inflows of resources of \$373 million. The reported deferred outflows of resources included \$307 million from pension contributions the trial courts made subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

A. Retiree Health Benefits Program

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

The Program has 17 different valuation groups that include different categories of employees. Effective July 1, 2018, valuation groups 1, 3, 4, 11, 14, 15, 17, 20 and 21, were consolidated as one actuarial

valuation group, Service Employees International Union (SEIU). Valuation groups that have accumulated prefunding assets in a CERBTf subaccount are reported as separate OPEB plans. As of the June 30, 2020 reporting date, these valuation groups included SEIU as well as Bargaining Units 2, 5, 6, 7, 8, 9, 10, 12, 13, 16, 18, 19, the Judicial Branch, and EEE employees. The OPEB plans for SEIU as well as Bargaining Units 5, 6, 9, and 12 are each reported discretely. The OPEB plans for Bargaining Units 2, 7, 8, 10, 13, 16, 18, 19, the Judicial Branch, and EEE are collectively reported as “Other Funded Plans.” The remaining valuation groups (the California State University and Other) for which the State made contributions through the CERBTf on a “pay-as-you-go” basis to fund benefit payments are collectively reported as the “Unfunded Plan.” Prefunding contributions to the CERBTf are nonrefundable, and state employees have no claims or rights to the assets. CalPERS reports on the CERBTf as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

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

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

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

Employees Covered by Benefit Terms: Detailed information about the number of employees covered within the OPEB plans is provided in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019* (June 30, 2019 Actuarial Valuation Report), on the State Controller’s Office website, at www.sco.ca.gov.

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

Table 35

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

June 30, 2019

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	70,106	112,123	182,229
Bargaining Unit 5 Plan	6,776	7,392	14,168
Bargaining Unit 6 Plan	24,717	31,412	56,129
Bargaining Unit 9 Plan	7,137	13,265	20,402
Bargaining Unit 12 Plan	9,920	13,053	22,973
Other Funded Plans	30,358	45,542	75,900
Unfunded Plan	43,687	53,530	97,217
Total	192,701	276,317	469,018

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

Contributions: The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of annuitants’ family members. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending on the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a “pay-as-you-go” basis, with a modest amount of prefunding for members of SEIU, Bargaining Units 5, 6, 9, 12, and other funded plans. See Table 38 for details on the fiduciary net positions of the OPEB plans. The maximum 2019 monthly State contribution was \$734 for one-party coverage, \$1,398 for two-party coverage, and \$1,788 for family coverage. For the fiscal year ended June 30, 2019, the State contributed \$2.7 billion toward annuitants’ health and dental benefits.

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

For the measurement period ended June 30, 2019 (the measurement date), total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 36.

Table 36**Actuarial Methods and Assumptions – Retiree Health Benefits Program**

Valuation date:	June 30, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.13%
Inflation	2.25%
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2019 valuation were based on the results of the *2017 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 1997 to 2015 and included updates to termination, disability, mortality assumptions, and retirement rates. The CalPERS experience study can be obtained from CalPERS' website at www.CalPERS.ca.gov.

Healthcare-related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The 2018 GRS Experience Review can be obtained from the State Controller's Office website, at www.sco.ca.gov.

Investment Rate of Return: The long-term expected rate of return on OPEB plan investments was determined by GRS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected nominal returns for the short-term (first 10 years) and the long-term (11 – 40 years), and an average inflation assumption of 2.25%, a single expected return rate of 6.75% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the

resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

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

Table 37

Long-term Expected Real Rate of Return by Asset Class

Asset Class	Target Asset Allocation	Real Return Years 1 – 10¹	Real Return Years 11 – 40²
Global Equity	59.0 %	4.80 %	5.98 %
Fixed Income	25.0	1.10	2.62
Treasury Inflation-Protected Securities	5.0	0.25	1.46
Real Estate Investment Trusts	8.0	3.50	5.00
Commodities	3.0	1.50	2.87
Total	100.0 %		

¹ An expected inflation rate of 1.75% used for this period.

² An expected inflation rate of 2.67% used for this period.

Discount Rates: The blended rates used to measure the June 30, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, on the State Controller's Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2020 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 2.45% when prefunding assets are not available to pay benefits.

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

Table 38

Changes in Net OPEB Liability

(amounts in thousands)

	SEIU ¹		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 29,485,488	\$ —	\$ 29,485,488
Changes recognized for the measurement period:			
Service cost	1,078,364	—	1,078,364
Interest on total OPEB liability	1,201,673	—	1,201,673
Difference between expected and actual experiences	(525,007)	—	(525,007)
Changes of assumptions	1,213,332	—	1,213,332
Employer contributions	—	928,206	(928,206)
Employee contributions	—	71,712	(71,712)
Net investment income	—	8,202	(8,202)
Benefit payments	(856,494)	(856,494)	—
Administrative expense	—	(14)	14
Net changes	<u>2,111,868</u>	<u>151,612</u>	<u>1,960,256</u>
Balance at June 30, 2019 (Measurement Date)	<u><u>\$ 31,597,356</u></u>	<u><u>\$ 151,612</u></u>	<u><u>\$ 31,445,744</u></u>

¹ SEIU and EEE began prefunding in the 2018-19 measurement period and shifted from the Unfunded plan from the prior year. SEIU is presented discretely while EEE is included in "Other Funded Plans."

*Restated

Bargaining Unit 5 Plan			Bargaining Unit 6 Plan		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 4,560,540	\$ 331,052 * \$	4,229,488	\$ 14,699,258	\$ 332,511 * \$	14,366,747
140,545	—	140,545	503,829	—	503,829
199,637	—	199,637	622,325	—	622,325
41,288	—	41,288	(460,414)	—	(460,414)
318,292	—	318,292	912,754	—	912,754
—	136,068	(136,068)	—	400,805	(400,805)
—	3,943	(3,943)	—	106,592	(106,592)
—	23,834	(23,834)	—	33,447	(33,447)
(78,501)	(78,501)	—	(294,213)	(294,213)	—
—	(77)	77	—	(94)	94
621,261	85,267	535,994	1,284,281	246,537	1,037,744
\$ 5,181,801	\$ 416,319	\$ 4,765,482	\$ 15,983,539	\$ 579,048	\$ 15,404,491

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Bargaining Unit 9 Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 4,098,926	\$ 53,391 * \$	4,045,535
Changes recognized for the measurement period:			
Service cost	127,060	—	127,060
Interest on total OPEB liability	165,399	—	165,399
Difference between expected and actual experiences	(88,806)	—	(88,806)
Changes of assumptions	145,634	—	145,634
Employer contributions	—	97,833	(97,833)
Employee contributions	—	13,311	(13,311)
Net investment income	—	4,789	(4,789)
Benefit payments	(84,522)	(84,522)	—
Administrative expense	—	(14)	14
Net changes	264,765	31,397	233,368
Balance at June 30, 2019 (Measurement Date)	<u><u>\$ 4,363,691</u></u>	<u><u>\$ 84,788</u></u>	<u><u>\$ 4,278,903</u></u>

Bargaining Unit 12			Other Funded Plans ¹		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 3,994,063	\$ 27,788 * \$	3,966,275	\$ 14,074,765	\$ 128,914 * \$	13,945,851
129,311	—	129,311	528,502	—	528,502
162,948	—	162,948	581,170	—	581,170
(97,510)	—	(97,510)	(221,816)	—	(221,816)
152,849	—	152,849	506,543	—	506,543
—	137,101	(137,101)	—	435,583	(435,583)
—	16,268	(16,268)	—	71,376	(71,376)
—	3,552	(3,552)	—	16,116	(16,116)
(120,833)	(120,833)	—	(364,207)	(364,207)	—
—	(9)	9	—	(43)	43
226,765	36,079	190,686	1,030,192	158,825	871,367
\$ 4,220,828	\$ 63,867	\$ 4,156,961	\$ 15,104,957	\$ 287,739	\$ 14,817,218

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Unfunded Plan ¹		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 15,556,199	\$ —	\$ 15,556,199
Changes recognized for the measurement period:			
Service cost	651,082	—	651,082
Interest on total OPEB liability	576,896	—	576,896
Difference between expected and actual experiences	(41,161)	—	(41,161)
Changes of assumptions	863,523	—	863,523
Employer contributions	—	546,742	(546,742)
Employee contributions	—	—	—
Net investment income	—	—	—
Benefit payments	(546,742)	(546,742)	—
Administrative expense	—	—	—
Net changes	<u>1,503,598</u>	<u>—</u>	<u>1,503,598</u>
Balance at June 30, 2019 (Measurement Date)	<u><u>\$ 17,059,797</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 17,059,797</u></u>

² Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net OPEB liability for discretely presented component units with a reporting period ended December 31, 2019; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Total		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 86,469,239	\$ 873,656	* \$ 85,595,583
3,158,693	—	3,158,693
3,510,048	—	3,510,048
(1,393,426)	—	(1,393,426)
4,112,927	—	4,112,927
—	2,682,338	(2,682,338)
—	283,202	(283,202)
—	89,940	(89,940)
(2,345,512)	(2,345,512)	—
—	(251)	251
7,042,730	709,717	6,333,013
\$ 93,511,969	\$ 1,583,373	\$ 91,928,596

Reported in governmental activities	\$ 72,579,409
Reported in business-type activities	16,223,564
Reported by discretely presented component units	140,656
Not reported in government-wide Statement of Net Position ²	2,984,967
Total net OPEB liability	\$ 91,928,596
	(concluded)

Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates: Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 3.13% to 3.85%, as well as what the net OPEB liability would be if it were calculated using rates that are one percentage-point lower or one percentage-point higher than the blended discount rates.

Table 39

Net OPEB Liability Sensitivity to Changes in Blended Discount Rates

June 30, 2020

(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates -1%	Blended Discount Rates	Blended Discount Rates +1%
Service Employees International Union (SEIU) Plan	3.60%	\$ 37,038,559	\$ 31,445,744	\$ 26,978,518
Bargaining Unit 5 Plan	3.85%	5,832,270	4,765,482	3,942,154
Bargaining Unit 6 Plan	3.73%	18,523,905	15,404,491	12,978,078
Bargaining Unit 9 Plan	3.59%	5,047,122	4,278,903	3,664,301
Bargaining Unit 12 Plan	3.60%	4,871,048	4,156,961	3,584,831
Other Funded Plans	3.52% to 3.78%	17,552,553	14,817,218	12,650,986
Unfunded Plan	3.13%	19,901,785	17,059,797	14,778,679
Total		\$ 108,767,242	\$ 91,928,596	\$ 78,577,547

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

Table 40

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

June 30, 2020

(amounts in thousands)

OPEB Plan	Healthcare Cost Trend Rates -1%	Healthcare Cost Trend Rates	Healthcare Cost Trend Rates +1%
Service Employees International Union (SEIU) Plan	\$ 26,649,969	\$ 31,445,744	\$ 37,595,207
Bargaining Unit 5 Plan	3,901,073	4,765,482	5,900,167
Bargaining Unit 6 Plan	12,863,462	15,404,491	18,699,103
Bargaining Unit 9 Plan	3,620,852	4,278,903	5,117,036
Bargaining Unit 12 Plan	3,559,767	4,156,961	4,912,788
Other Funded Plans	12,506,798	14,817,218	17,793,696
Unfunded Plan	14,632,981	17,059,797	20,152,620
Total	\$ 77,734,902	\$ 91,928,596	\$ 110,170,617

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of \$3.7 billion for the fiscal year ended June 30, 2020. Deferred outflows of resources are recognized for changes of assumptions, for employer contributions subsequent to the measurement date, and for the difference between expected and actual experience. Deferred inflows of resources are recognized for changes of assumptions and for the difference between expected and actual experience. Net deferred inflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on the OPEB plans' investments occurring in different measurement periods.

As of June 30, 2020, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 41.

Table 41

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

June 30, 2020

(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan
OPEB Expense	\$ 1,262,456	\$ 258,649	\$ 599,119	\$ 116,551
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	1,077,554	139,230	477,342	131,031
Difference between expected and actual experiences	—	35,154	—	—
Changes of assumptions	1,045,282	271,001	770,729	123,254
Deferred Inflows of Resources:				
Difference between expected and actual experiences	(2,387,500)	(77,147)	(1,207,775)	(303,463)
Changes of assumptions	(2,669,982)	(364,836)	(1,003,391)	(369,051)
Net difference between projected and actual earnings on OPEB plan investments	(2,614)	(2,275)	(4,601)	(858)

The \$3.0 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021.

Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
\$ 120,217	\$ 610,743	\$ 758,566	\$ 3,726,301
153,368	492,373	512,702	2,983,600
—	24,673	35,116	94,943
128,618	471,130	722,178	3,532,192
(326,343)	(1,062,375)	(937,514)	(6,302,117)
(320,746)	(1,173,852)	(1,322,954)	(7,224,812)
(330)	(1,420)	—	(12,098)

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

Table 42

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

(amounts in thousands)

OPEB Plan	Year Ending June 30					
	2021	2022	2023	2024	2025	Thereafter
Service Employees International Union (SEIU) Plan	\$ (940,949)	\$ (940,949)	\$ (940,949)	\$ (830,278)	\$ (449,062)	\$ 87,373
Bargaining Unit 5	(52,380)	(52,380)	(50,888)	(41,139)	19,654	39,030
Bargaining Unit 6	(389,929)	(389,931)	(388,492)	(281,540)	(25,182)	30,036
Bargaining Unit 9	(157,958)	(157,960)	(146,059)	(76,333)	(16,238)	4,430
Bargaining Unit 12	(152,719)	(152,721)	(135,654)	(77,557)	(2,851)	2,701
Other Funded Plans	(413,662)	(398,345)	(375,649)	(306,656)	(162,368)	(85,164)
Unfunded Plan	(390,452)	(325,437)	(379,092)	(346,193)	(136,793)	74,793
Total	\$ (2,498,049)	\$ (2,417,723)	\$ (2,416,783)	\$ (1,959,696)	\$ (772,840)	\$ 153,199

B. Trial Court OPEB Plans

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

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

Net OPEB Liability Actuarial Methods and Assumptions: For two of the trial court valuations, the net OPEB liability was measured as of December 31, 2019 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2019. One of the courts had an actuarial valuation date of December 31, 2019, and 53 courts were valued as of June 30, 2019.

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

Table 43

Actuarial Methods and Assumptions – Trial Court OPEB Plans

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plan	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2019	June 30, 2019	Two plans as of June 30, 2019. One plan as of December 31, 2019.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 3.13% to 7.00%.	Blended rate of 3.27%.	Single rates ranging from 7.00% to 7.25%.
Healthcare cost trend rates	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.00 to 7.50%, decreasing gradually to ultimate rates ranging from 4.00% to 4.50% in 2028 and later years.

Discount Rates: The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.75% to 7.25% when prefunding assets are available to pay benefits. Single rates range from 3.13% to 7.25%. The projections of cash flows used to determine the discount rates assumed that plan contributions will be made according to funding policy, benefits will be paid out of OPEB trusts until assets are depleted, and employer contributions will first be applied to employee service costs in each period.

OPEB Accounting Elements: For the trial court OPEB plans, the State reported total OPEB liability of \$1.9 billion and fiduciary net position of \$244 million, which resulted in a net OPEB liability of \$1.7 billion as of June 30, 2020, reported in governmental activities. For the fiscal year ended June 30, 2020, the State recognized OPEB expense of \$107 million. At June 30, 2020, the State reported deferred outflows of resources of \$91 million and deferred inflows of resources of \$220 million. Deferred outflows of resources included \$56 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021.

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

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

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks, which total the maximum authorized issuance of general obligation and enterprise fund commercial paper notes. As of June 30, 2020, there were no borrowings with the banks under the revolving credit agreements. The current “Letter of Credit” agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$2.3 billion. As of June 30, 2020, the general obligation commercial paper program had \$1.1 billion in outstanding commercial paper notes for governmental activities. The current agreements for the enterprise fund commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$1.4 billion. As of June 30, 2020, the enterprise fund commercial paper program had \$920 million in outstanding notes.

The primary government has a bond anticipation note program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2020, \$129 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

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

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2020, was approximately \$2.3 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the fiscal year ended June 30, 2020, amounted to approximately \$288 million for governmental activities and \$42 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is \$750 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University, an enterprise fund, and the State Public Works Board (SPWB), an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of \$143 million, which are included in the capital lease commitments. This amount represents 19.1% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of \$180 million for governmental activities and \$160 million for business-type activities.

The capital lease commitments do not include \$8.0 billion in lease-purchase agreements with SPWB and \$38 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

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

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

Table 44

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

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Operating	Capital	Operating	Capital	
	Leases	Leases	Leases	Leases	
2021	\$ 248,119	\$ 97,409	\$ 38,795	\$ 39,272	\$ 423,595
2022	195,328	77,382	32,585	36,790	342,085
2023	145,147	59,805	20,925	36,492	262,369
2024	88,474	35,345	18,519	34,812	177,150
2025	56,638	28,378	18,155	33,969	137,140
2026-2030	107,362	117,331	63,904	157,807	446,404
2031-2035	42,742	94,430	27,222	139,036	303,430
2036-2040	1,445	42,282	24,476	36,930	105,133
2041-2045	747	3,048	18,789	19,484	42,068
2046-2050	467	—	2,444	12,369	15,280
2051-2055	107	—	—	—	107
2056-2060	59	—	—	—	59
Total minimum lease payments	\$ 886,635	555,410	\$ 265,814	546,961	\$ 2,254,820
Less: amount representing interest		162,321		189,889	
Present value of net minimum lease payments		393,089		357,072	
Less: current portion		56,369		20,897	
Capital lease obligation, net of current portion		\$ 336,720		\$ 336,175	

NOTE 14: COMMITMENTS

As of June 30, 2020, the primary government had commitments of \$6.9 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with \$6.0 billion from proceeds of approved federal grants and \$909 million from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of \$858 million for various education programs, \$604 million for terrorism prevention and disaster-preparedness response projects, \$252 million for services provided under various public health programs, \$36 million for community service programs, \$31 million for services provided under the child support program, and \$5 million for services under the workforce development program.

The primary government had other commitments, totaling \$16.8 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$16.8 billion in commitments includes grant agreements totaling approximately \$11.2 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The \$16.8 billion in commitments includes \$2.3 billion for undisbursed loan commitments to qualified agencies for clean water projects and \$377 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$16.8 billion in commitments also includes contracts of \$945 million for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of \$983 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2020, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$16 million in electricity through December 2021. The primary government also had commitments of \$9 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of \$980 million for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2020, the primary government encumbered expenditures of \$3.1 billion for the General Fund, \$4.2 billion for the Transportation Fund, \$2.7 billion for the Environmental and Natural Resources Fund, \$29 million for the Health Care Related Programs Fund, and \$1.5 billion for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2020, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

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

As of June 30, 2020, the State had \$72.0 billion in outstanding general obligation bonds related to governmental activities and \$779 million related to business-type activities. In addition, \$32.9 billion in long-term general obligation bonds had been authorized but not issued, of which \$31.8 billion is related to governmental activities and \$1.1 billion is related to business-type activities. The total amount authorized but not issued includes \$12.6 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, \$1.1 billion in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2020, the State had \$2.9 billion in variable-rate general obligation bonds outstanding, consisting of \$878 million in daily-rate bonds with credit enhancement, \$1.0 billion in weekly-rate bonds with credit enhancement, and \$1.0 billion in weekly- or monthly- index floating rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced index floating rate bonds are determined either by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate or a predetermined percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds. The State has entered into different credit agreements with various banks (credit providers) for one or more series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments to the bondholders up to a commitment amount identified in the applicable credit agreement; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the applicable commitment amount. The bondholders have the right to tender the bonds daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. Upon a tender, the remarketing agent will attempt to remarket the tendered bond to a new investor. If the remarketing of the tendered bond is unsuccessful, the bond will be purchased by the applicable credit provider and become a bank bond and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed, redeemed, or paid at maturity. If a bond cannot be remarketed and remains a bank bond for a period ranging from 90 days to 180 days, the bond will be

subject to amortization payments in equal installments under the terms stated in the applicable credit agreement. The amortization period may exceed the expiration date of the applicable credit agreement. A bank bond may be remarketed at any time during the amortization period. There were no bank bonds during fiscal year 2019-20.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of January 15, 2021; September 7, 2021; March 25, 2022; August 26, 2022; and August 28, 2023. The letters of credit for the Series 2004 variable-rate bonds have expiration dates of September 7, 2021; October 1, 2021; and January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of March 26, 2021; and September 22, 2023. The Series 2012A index floating rate bonds have a mandatory redemption date on May 1, 2021. The Series 2013B, 2013C, 2013D, and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 1, 2020 (Series 2013C and Series 2013D); December 1, 2022 (Series 2013B); and December 1, 2023 (Series 2013E). The Series 2016B and 2017C index floating rate bonds have scheduled mandatory purchase dates on December 1, 2021 (Series 2016B) and April 1, 2022 (Series 2017C).

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for fiscal year 2019-20.

B. Mandatory Tender Bonds

As of June 30, 2020, the State had \$1.2 billion in outstanding general obligation bonds with scheduled mandatory tender dates, including \$250 million with a fixed interest rate and \$925 million with an index floating rate (discussed in Section A). On their respective scheduled mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption or remarketed on or prior to that day. These bonds have scheduled mandatory tender dates on December 1, 2020; December 1, 2021; April 1, 2022; December 1, 2022; and December 1, 2023. In the event bonds are not redeemed or there is an unsuccessful remarketing of all the outstanding bonds for a particular scheduled mandatory tender date, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, in most cases gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Bonds in this delayed remarketing period can be redeemed or remarketed on any business day, with limited prior notice. Current state laws limit interest rates to 11% per annum.

C. Build America Bonds

As of June 30, 2020, the State had \$12.5 billion in taxable various-purpose general obligation bonds outstanding that were issued as “Build America Bonds” under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds will mature between 2020 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the U. S. Treasury equal to

35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 6.2% for the federal fiscal year ending September 30, 2019, and by 5.9% for the federal fiscal year ending September 30, 2020. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the U. S. Treasury under ARRA. The subsidy payments are deposited into the State's General Fund.

D. Debt Service Requirements

Table 45 shows the debt service requirements for all general obligation bonds as of June 30, 2020. The estimated debt service requirements for the \$2.9 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2020. For mandatory tender bonds, the debt service requirements shown in Table 45 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts include scheduled mandatory sinking fund redemptions but do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 45

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

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 3,533,840	\$ 3,472,534	\$ 7,006,374	\$ 34,835	\$ 26,015	\$ 60,850
2022	3,492,610	3,331,473	6,824,083	19,235	25,203	44,438
2023	3,082,330	3,169,911	6,252,241	15,720	24,760	40,480
2024	3,092,775	3,037,752	6,130,527	8,235	24,487	32,722
2025	3,048,695	2,907,684	5,956,379	11,100	24,255	35,355
2026 - 2030	16,552,345	12,455,979	29,008,324	132,500	114,278	246,778
2031 - 2035	15,702,965	8,843,609	24,546,574	195,730	84,303	280,033
2036 - 2040	14,042,225	4,842,563	18,884,788	149,230	52,054	201,284
2041 - 2045	6,604,250	1,322,158	7,926,408	143,235	26,452	169,687
2046 - 2050	2,816,000	283,294	3,099,294	69,100	5,295	74,395
Total	\$ 71,968,035	\$ 43,666,957	\$ 115,634,992	\$ 778,920	\$ 407,102	\$ 1,186,022

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 17, 2019, the primary government issued \$1.7 billion in general obligation bonds to current refund \$2.0 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2020 to 2023, 2026 to 2030, 2032, 2033, 2035 to 2038, and 2040. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$690 million and resulted in an economic gain of \$588 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.91% per year over the life of the new bonds.

On October 24, 2019, the primary government issued \$457 million in general obligation bonds to current refund \$464 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2030, 2035 to 2038, 2040, and 2047. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$38 million and resulted in an economic gain of \$32 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.37% per year over the life of the new bonds.

On November 20, 2019, the primary government issued \$288 million in general obligation bonds to current refund \$353 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2023, 2026 to 2030, 2035, 2037, 2038, and 2040. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$155 million and resulted in an economic gain of \$123 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.86% per year over the life of the new bonds.

On March 19, 2020, the primary government issued \$1.1 billion in general obligation bonds to current refund \$1.3 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2032, 2033, 2035 to 2038, and 2040. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$695 million and resulted in an economic gain of \$562 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.7% per year over the life of the new bonds.

On April 22, 2020, the primary government issued \$821 million in general obligation bonds to current refund \$938 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2025, 2031 to 2033, 2037, 2038, and 2040. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$334 million and resulted in an economic gain of \$275 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.08% per year over the life of the new bonds.

2. Outstanding Balance

In the current and prior years, the primary government placed the proceeds of the refunding bonds and other resources in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and liability for defeased bonds are not included in the State's financial statements. As of June 30, 2020, there are no outstanding defeased general obligation bonds.

NOTE 16: REVENUE BONDS**A. Governmental Activities**

The State Treasurer is authorized by state law to issue Federal Highway Grant Anticipation Revenue Vehicles (GARVEE bonds). The purpose of these bonds is to accelerate the funding and construction of critical transportation infrastructure projects to provide congestion relief benefits to the public significantly sooner than with traditional funding mechanisms. These bonds are secured and payable from the annual federal appropriation for the State's federal-aid transportation projects. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. All principal and interest remaining on the bonds was fully paid during fiscal year 2019-20. In addition, the California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. Both of these bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

The California Health Facilities Financing Authority (CHFFA) is authorized to issue No Place Like Home Program Senior Revenue Bonds to provide permanent supportive housing for persons experiencing homelessness or chronic homelessness, or who are at-risk for chronic homelessness, and who are in need of mental health services. These bonds are secured by and payable from a portion of Proposition 63 Tax Transfers. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds are \$500 million, payable through 2034. Interest paid in the current year totaled \$4 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. Total principal and interest remaining on all asset-backed bonds is \$13.5 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled \$420 million, while Tobacco Settlement Revenue and interest earned totaled \$423 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of designing, acquiring, or constructing state buildings, related improvements, and equipment. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds.

Total principal and interest remaining on the bonds is \$12.1 billion, payable through 2045. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

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

B. Business-type Activities

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

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

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

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2019-20, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for fiscal year 2019-20, which may be found on its website at www.CalHFA.ca.gov.

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

Table 46**Schedule of Revenue Bonds Payable**

June 30, 2020

(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	\$ 1,705
Public Buildings Construction Fund	8,890,984
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,438,512
No Place Like Home Program	500,000
Building authorities	74,063
Total governmental activities	15,905,264
Business-type activities	
Electric Power Fund	1,528,000
Water Resources Fund	3,045,468
California State University	7,903,636
Nonmajor enterprise funds	1,800,258
Total business-type activities	14,277,362
Total primary government	30,182,626
Discretely presented component units	
University of California	24,225,911
California Housing Finance Agency	721,257
Nonmajor component units	497,044
Total discretely presented component units	25,444,212
Total revenue bonds payable	\$ 55,626,838

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

Table 47

Schedule of Debt Service Requirements for Revenue Bonds

(amounts in thousands)

Year Ending June 30	Primary Government				Discretely Presented	
	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest *
2021.....	\$ 737,926	\$ 682,532	\$ 1,162,065	\$ 572,776	\$ 729,546	\$ 1,084,430
2022.....	666,336	649,548	1,237,610	516,944	518,840	1,058,737
2023.....	547,766	619,051	494,770	465,748	573,990	1,034,412
2024.....	622,328	605,728	502,735	441,524	585,413	1,009,567
2025.....	642,433	581,799	505,365	418,295	611,004	983,496
2026-2030.....	3,515,733	2,443,873	2,516,155	1,738,152	4,395,720	4,385,037
2031-2035.....	3,554,055	1,567,685	2,338,290	1,165,410	3,737,193	3,455,353
2036-2040.....	1,950,105	893,859	1,564,275	706,643	3,943,955	2,505,698
2041-2045.....	1,214,930	602,862	1,309,840	403,447	3,400,697	1,550,802
2046-2050.....	1,590,828	2,575,203	1,043,145	144,390	2,621,730	910,188
2051-2055.....	—	—	286,250	9,974	275,896	570,470
2056-2117.....	—	—	—	—	2,585,990	4,680,082
Total.....	\$ 15,042,440	\$ 11,222,140	\$ 12,960,500	\$ 6,583,303	\$ 23,979,974	\$ 23,228,272

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2020.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2019-20 fiscal year, the SPWB issued \$104 million in lease revenue refunding bonds. The bond proceeds were used to refund \$130 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by \$35 million and resulted in an economic gain of \$31 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

2. Current Year – Business-type Activities

In August 2019, the California State University issued \$269 million in systemwide revenue bonds to current and advance refund certain outstanding systemwide revenue bonds. Portions of the proceeds from the refunding bonds were deposited in escrow accounts to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by \$65 million and resulted in an economic gain of \$50 million.

3. Outstanding Balances

In current and prior fiscal years, the primary government placed the proceeds of the refunding bonds and other resources in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2020, the outstanding balance of defeased revenue bonds was \$549 million for business-type activities. All defeased revenue bonds for governmental activities were redeemed by June 30, 2020.

NOTE 17: RISK MANAGEMENT

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

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be \$4.7 billion as of June 30, 2020. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately \$6.6 billion is discounted to \$4.7 billion using a 3.5% interest rate. Of the total discounted liability, \$486 million is a current liability, of which \$350 million is included in the General Fund, \$133 million in the special revenue funds, and \$3 million in the internal service funds. The remaining \$4.2 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

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

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

Table 48

Schedule of Changes in Self-insurance Claims

Year Ended June 30

(amounts in thousands)

	2020	2019
Unpaid claims, beginning	\$ 4,436,720	\$ 4,307,537
Incurred claims	777,605	641,653
Claim payments	(526,312)	(512,470)
Unpaid claims, ending	\$ 4,688,013	\$ 4,436,720

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NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

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

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

Table 49

Schedule of Due From Other Funds and Due To Other Funds

June 30, 2020

(amounts in thousands)

Due From	Due To					
	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Fund
Governmental funds						
General Fund	\$ —	\$ —	\$ 51,031	\$ 385,071	\$ —	\$ 1,470,692
Federal Fund	1,782,371	—	1,205,851	79,407	48,304	18,385
Transportation Fund	—	—	—	—	2,504	396,599
Environmental and Natural Resources Fund	—	—	909	—	—	327
Health Care Related Programs Fund	2,217,095	—	—	103	—	9,477
Nonmajor governmental funds	467,216	3	12,117	30,598	31	83,437
Total governmental funds	4,466,682	3	1,269,908	495,179	50,839	1,978,917
Enterprise funds						
Electric Power Fund	223	—	—	—	—	—
Water Resources Fund	761	—	—	—	—	—
State Lottery Fund	261	—	—	—	—	349,051
Unemployment Programs Fund	146,280	1,583,065	—	—	—	—
California State University Fund	—	—	5,353	7,986	1,304	2,349
Nonmajor enterprise funds	4,286	—	—	7,344	—	1,080
Total enterprise funds	151,811	1,583,065	5,353	15,330	1,304	352,480
Internal service funds	34,691	368	26,207	21,089	—	34,439
Total due from other funds	\$ 4,653,184	\$ 1,583,436	\$ 1,301,468	\$ 531,598	\$ 52,143	\$ 2,365,836

Due To						
Electric Power Fund	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
\$ —	\$ —	\$ 3,078	\$ 755	\$ 354,785	\$ 7,891,387	\$ 10,156,799
—	—	—	15,415	81,450	21,838,490	25,069,673
—	4,203	—	117	17,217	57,847	478,487
—	—	—	1,987	25,550	8,057	36,830
—	—	—	—	225	4,991,069	7,217,969
—	—	6,886	460	123,889	113,834	838,471
—	4,203	9,964	18,734	603,116	34,900,684	43,798,229
—	—	—	—	233	—	456
—	—	—	—	99,725	—	100,486
—	—	—	—	591	—	349,903
—	—	—	—	—	—	1,729,345
—	2,189	—	61	36	793	20,071
—	—	—	—	54	36	12,800
—	2,189	—	61	100,639	829	2,213,061
4,040	5,481	—	3,463	177,445	12,403	319,626
\$ 4,040	\$ 11,873	\$ 9,964	\$ 22,258	\$ 881,200	\$ 34,913,916	\$ 46,330,916

Interfund receivables and payables are the result of interfund loans that are not expected to be repaid within one year. In addition to the temporary interfund cash-flow borrowing shown in Table 49, annual enacted budgets provide for long-term loans from many of the State's special funds—mainly the Environmental and Natural Resources Fund, nonmajor governmental funds, and the Unemployment Programs Fund—to the General Fund.

In fiscal year 2017-18, a supplemental employer contribution was made to the California Public Employees' Retirement System (CalPERS) to help reduce the State's net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits in the State's internal investment pool—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits. The table below includes an outstanding balance of \$2.7 billion of interfund loans. There is an additional \$170 million reported as loans receivable from entities outside of the State's primary government.

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

Table 50

Schedule of Interfund Receivables and Payables

June 30, 2020

(amounts in thousands)

Interfund Receivables	Interfund Payables			
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund
Governmental funds				
General Fund	\$ —	\$ 82,612	\$ 1,202,874	\$ 218,186
Transportation Fund	—	—	—	—
Environmental and Natural Resources Fund	159,586	10,000	—	—
Nonmajor governmental funds	19,387	1,611	2,369	430
Total governmental funds	178,973	94,223	1,205,243	218,616
Enterprise funds				
Electric Power Fund	9,000	13	189	34
Water Resources Fund	—	1,586	23,097	4,190
State Lottery Fund	—	358	5,212	946
California State University Fund	—	3,690	53,731	9,746
Nonmajor enterprise funds	21,220	51	739	134
Total enterprise funds	30,220	5,698	82,968	15,050
Internal service funds	1,913,130	2,013	29,304	5,315
Total interfund receivables	\$ 2,122,323	\$ 101,934	\$ 1,317,515	\$ 238,981

Interfund Payables						
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
\$ 451,392	\$ —	\$ 349,027	\$ 8,392	\$ 19,803	\$ 133,250	\$ 2,465,536
20,000	—	—	—	713	—	20,713
7,406	—	—	—	2,689	—	179,681
889	—	687	17	—	262	25,652
479,687	—	349,714	8,409	23,205	133,512	2,691,582
71	—	55	1	—	21	9,384
8,668	—	6,702	161	—	2,559	46,963
1,956	—	1,512	36	—	578	10,598
20,163	—	15,591	376	—	5,952	109,249
277	—	214	5	—	82	22,722
31,135	—	24,074	579	—	9,192	198,916
10,997	158,355	8,503	204	19,735	3,245	2,150,801
\$ 521,819	\$ 158,355	\$ 382,291	\$ 9,192	\$ 42,940	\$ 145,949	\$ 5,041,299

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

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

Table 51

Schedule of Due From Primary Government and Due To Component Units

June 30, 2020

(amounts in thousands)

Due From		Due To University of California
Governmental funds		
General Fund	\$	221,669
Transportation Fund		7,457
Environmental and Natural Resources Fund		3,969
Nonmajor governmental funds		27,932
Total governmental funds		261,027
Total due from primary government	\$	261,027

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was \$4.6 billion to the California State University, an enterprise fund. The General Fund also transferred \$3.0 billion to nonmajor governmental funds, mainly for support of trial courts and local governments. The Transportation Fund transferred \$1.6 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred \$518 million to the General Fund for administration of the Unemployment Insurance Program and \$1.4 billion to the Unemployment Programs Fund.

Table 52 shows interfund transfers of the primary government.

Table 52

Schedule of Interfund Transfers

June 30, 2020

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	\$ —	\$ 5,735	\$ 91,829
Federal Fund	517,863	—	16,389
Transportation Fund	363	—	10,585
Environmental and Natural Resources Fund	56,317	852	—
Health Care Related Programs Fund	—	8	—
Nonmajor governmental funds	46,593	193	26,347
Total governmental funds	621,136	6,788	145,150
Internal service funds	13,171	—	—
Total transfers from other funds	\$ 634,307	\$ 6,788	\$ 145,150

Transferred To						
Health Care Related Programs Fund	Nonmajor Governmental Funds	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Transfers To Other Funds
\$ 169,599	\$ 3,010,613	\$ —	\$ 4,560,920	\$ 6	\$ 36,958	\$ 7,875,660
—	22,430	1,402,023	—	—	—	1,958,705
—	1,613,811	—	—	—	—	1,624,759
—	4,224	—	—	—	—	61,393
—	13	—	—	—	—	21
5,762	131,934	—	—	119	—	210,948
175,361	4,783,025	1,402,023	4,560,920	125	36,958	11,731,486
—	31,463	—	—	—	6,256	50,890
\$ 175,361	\$ 4,814,488	\$ 1,402,023	\$ 4,560,920	\$ 125	\$ 43,214	\$ 11,782,376

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

A. Fund Balances

Table 53 shows the composition of the governmental fund balances.

Table 53

Schedule of Fund Balances by Function

June 30, 2020

(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds
Nonspendable						
Long-term interfund receivables	\$ 2,122,322	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	13,702
Total nonspendable	2,129,227	—	—	—	—	13,702
Restricted						
General government	23,193	—	—	3,779	1	4,346,769
Education	174,133	106	1,226	—	94,174	1,320,217
Health and human services	291,015	62,197	—	76,669	1,551,629	2,787,822
Natural resources and environmental protection	558	1,497	—	5,355,297	—	265,674
Business, consumer services, and housing	1,981	234,835	234,744	23,419	—	4,391,455
Transportation	—	—	8,995,309	—	—	21,884
Corrections and rehabilitation	102,480	—	—	—	—	28,197
Budget stabilization	16,116,422	—	—	—	—	—
Total restricted	16,709,782	298,635	9,231,279	5,459,164	1,645,804	13,162,018
Committed						
General government	1,964,721	—	—	22,479	—	423,925
Education	84,775	—	—	—	—	77,646
Health and human services	904,043	—	260	—	52,158	239,009
Natural resources and environmental protection	4,807	—	3	8,427,480	—	559,063
Business, consumer services, and housing	—	—	—	85,768	—	127,124
Transportation	—	—	45,889	—	—	4,742
Corrections and rehabilitation	7,316	—	—	—	—	595
Total committed	2,965,662	—	46,152	8,535,727	52,158	1,432,104
Assigned						
General government	579,332	—	—	—	—	49,868
Education	83,505	—	—	—	—	—
Health and human services	1,315,656	—	—	—	—	—
Natural resources and environmental protection	724,339	—	—	—	—	—
Business, consumer services, and housing	8,354	—	—	—	—	—
Transportation	1,758	—	—	—	—	—
Corrections and rehabilitation	367,428	—	—	—	—	—
Total assigned	3,080,372	—	—	—	—	49,868
Unassigned	3,616,557	(2,474,960)	—	—	—	—
Total fund balances	\$ 28,501,600	\$ (2,176,325)	\$ 9,277,431	\$ 13,994,891	\$ 1,697,962	\$ 14,657,692

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54

Schedule of Net Position Deficits

June 30, 2020

(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	\$ 2,176,325	\$ —	\$ —
Architecture Revolving Fund	—	112,360	—
Service Revolving Fund	—	1,095,871	—
Technology Services Revolving Fund	—	433,145	—
Water Resources Revolving Fund	—	8,789	—
Other Internal Service Programs Fund	—	982,997	—
Electric Power Fund	—	—	2,115
State Lottery Fund	—	—	81,457
Unemployment Programs Fund	—	—	1,015,885
California State University Fund	—	—	17,068,868
Total net position deficits	\$ 2,176,325	\$ 2,633,162	\$ 18,168,325

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2020, the value of restricted endowments and gifts totaled \$20.0 billion, and unrestricted endowments and gifts totaled \$6.1 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to \$2.8 billion at June 30, 2020. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of \$1.4 billion and \$13 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$3.8 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

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

Table 55

Schedule of Deferred Outflows and Deferred Inflows of Resources

June 30, 2020

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	\$ 849,767	\$ 249,490	\$ 1,099,257	\$ 292,579
Decrease in fair value of hedging derivatives	—	—	—	259,944
Net pension liability	24,010,037	2,099,100	26,109,137	7,052,672
Net other postemployment benefits liability	5,361,954	1,194,202	6,556,156	7,046,817
Deferred asset retirement obligation	—	—	—	87,599
Other deferred outflows	—	—	—	6,354
Total deferred outflows of resources	\$ 30,221,758	\$ 3,542,792	\$ 33,764,550	\$ 14,745,965
Deferred inflows of resources:				
Gain on refunding of debt	\$ 410,369	\$ 3,825	\$ 414,194	\$ 2,700
Service concession arrangements	55,447	—	55,447	243,271
Irrevocable split-interest agreements	—	—	—	326,998
Net pension liability	5,620,554	307,813	5,928,367	262,212
Net other postemployment benefits liability	10,808,346	2,584,053	13,392,399	6,350,737
Other deferred inflows	—	1,346,262	1,346,262	406,603
Total deferred inflows of resources	\$ 16,894,716	\$ 4,241,953	\$ 21,136,669	\$ 7,592,521

NOTE 21: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2020, the CalHFA had \$2.0 billion of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2020, these component units had approximately \$4.3 billion of debt outstanding, which is not debt of the State.

NOTE 22: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2020; those in progress as of June 30, 2020, and settled or decided against the primary government as of January 26, 2022; and those having a high probability of resulting in a decision against the primary government as of January 26, 2022, and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

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

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

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA-Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs assert class action and declaratory relief, and seek attorney fees based on alleged violations of the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. On January 30, 2013, Franchise Tax Board's petition to coordinate these cases was granted. The trial court denied class certification and the plaintiffs appealed. On December 17, 2014, the briefing of the appeal was completed. On August 27, 2018, the Court of Appeal reversed the trial court decision, directing the trial court to certify one or more classes. The State filed a petition for review in the California Supreme Court challenging the Court of Appeal's decision. On October 31, 2018, the California Supreme Court denied the State's petition for review. The plaintiffs' underlying challenge to the LLC fee will be tried. On July 2, 2019, the plaintiffs filed a motion for an award of interim attorneys' fees, which was denied. The plaintiffs filed a motion for class certification, which was granted. The parties filed cross-motions for summary judgment, which were denied on September 17, 2020. A trial date is set for April 4, 2022. Actual and expected future claims for refunds from LLCs are estimated to be as high as \$1.2 billion.

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

A writ petition, *Bekkerman et al. v. California Department of Tax and Fee Administration (formerly the California Board of Equalization)*, was filed against the primary government challenging the validity of a California Department of Tax and Fee Administration (CDTFA) sales tax regulation (California Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone to be based on the full retail price of the phone, rather than any discounted price that is contingent on a service plan contract. A companion class action has been filed. The primary government filed a demurrer that was sustained on September 5, 2017, which resulted in the dismissal of the state defendants from the class action. The plaintiffs appealed that order and subsequently dismissed that appeal voluntarily. In the writ action, plaintiffs amended the writ petition to add class action claims for refunds of sales tax. On September 14, 2018, the court granted the State's motion to strike the class action claims for refunds from the writ petition. CDTFA filed an answer to the amended petition on September 20, 2018. In the writ action, the Court granted the writ on September 4, 2020, and ordered that Rule 1585 may not be applied to bundled sales in which the retailer is also the service carrier. The State appealed on March 17, 2021. CDTFA's opening brief is due February 11, 2022. Briefing should be concluded on or about September 29, 2022. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring CDTFA to refund up to \$1.0 billion in sales tax collections.

The primary government is a defendant in a case, *Coast Community College District (District), et al. v. Commission on State Mandates (Commission)*, regarding a claim that various laws and regulations prescribing standards for the formation and basic operation of California community colleges created reimbursable state mandates under Government Code section 17514 and article XII B, section 6, of the California Constitution. The District filed a test claim before the Commission and on May 26, 2011, the Commission ruled that the test claim did not constitute a reimbursable state-mandated program. On May 22, 2014, the District filed a petition for administrative mandate, seeking review of the Commission's decision. On June 12, 2015, the Superior Court held a hearing and denied the petition. On September 15, 2015, the District filed a notice of appeal. In February 2017, the briefing of the appeal was completed. On April 3, 2020, the Court of Appeal reversed and remanded much of the matter to the Commission on State Mandates to determine whether several minimum conditions for state aid constitute new programs or higher levels of service requiring state reimbursement. The Supreme Court granted review and republished the Court of Appeal's opinion on August 12, 2020. Merits briefing was completed in April 2021, and the parties are awaiting a date for oral argument. The estimated range of loss is not possible to ascertain at this time. As this case is a test claim, other districts could also bring claims for reimbursement for the same reason.

The primary government is a defendant in a case, *640 Tenth LLP, et al. v. Gavin Newsom*, regarding a putative class action complaint filed by a group of Southern California restaurants and gyms against the Governor and state public health officials challenging COVID-19 orders that required them to cease indoor operations. Under an amended complaint, the putative class includes all businesses affected by such orders. Plaintiffs allege that the Governor and health officials violated various state and federal provisions, and that the restrictions on the operation of their businesses constitutes both a regulatory and physical taking of plaintiffs' property without just compensation. Plaintiffs seek appropriate monetary damages to compensate plaintiffs' injuries. In July 2021, the Court sustained the State's demurrer and dismissed the case. Plaintiffs have appealed the dismissal and separately sought relief from the Court of Appeal by filing a writ petition, which the Court of Appeal denied. This case has not been certified as a class action. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in two similar cases: *Atkins v. State of California* and *Reyes v. State of California*, alleging that Senate Bill (SB) 98 and SB 820 unfairly restrict new enrollment at charter schools by requiring schools to be funded according to their average daily attendance during the 2019-20 fiscal year, and by requiring charter schools to offer 175 days of instruction compared to

180 days for public schools. The plaintiffs allege that the bills violate various provisions of the California Constitution, including students' rights to education, equal protection, and due process. SB 98 was amended by SB 820, and the amended law provides that fiscal year 2020-21 budgets be used to determine fiscal year 2020-21 funding for the plaintiffs' schools instead of the 2019-20 average daily attendance. The plaintiff for the *Atkins v. State of California* case amended the complaint and filed the amended complaint on October 9, 2020. On May 4, 2021, petitioners and respondents filed cross opening briefs addressing the merits of the case. By stipulation, the briefing in *Atkins v. State of California* will be case dispositive and in *Reyes v. State of California* will be non-evidentiary. Hearings were set for July 2, 2021. The parties briefed the merits of the case and the court ruled without an evidentiary hearing. On July 27, 2021, the court issued a final decision in favor of respondents on all claims. Respondents lodged a proposed judgment on August 10, 2021. On October 15, 2021, plaintiffs appealed. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *People of the State of California (Butte County D.A.) v. Department of Water Resources (DWR)*, regarding the claims that the debris deposited into the Feather River due to the failure of the Oroville Dam spillway in 2017 was harmful to fish and wildlife. This case is one of eight coordinated cases concerning the Oroville Dam spillway failure. A motion for summary judgment was granted on December 18, 2020. The appellate record is being prepared prior to the appellant's opening brief being filed. It is uncertain when the appeal will resolve and whether the matter will be remanded to the trial court for trial. The summary judgment is currently on appeal. The Butte County District Attorney seeks to impose up to \$51.0 billion in civil penalties for alleged pollution that violates Fish and Game Code section 5650.

The primary government is a defendant in seven other coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs are seeking relief for business losses, property damage (personal and real property), evacuation and relocation costs, and other damages, resulting from the flooding and debris. Class certification motions were filed seeking to certify putative classes, and an opposition was filed. On May 17, 2019, a hearing on the class certification motions was held. On September 25, 2019, the class certification motion was denied and was appealed. Class certification discovery was completed and liability discovery closed on October 30, 2020. On February 18, 2021, plaintiffs filed an opening brief for class certification. The State filed its brief on July 15, 2021. The plaintiffs' reply brief was due on October 4, 2021. Oral argument on the appeal is set for February 23, 2022. It is uncertain if the class representatives' claims will go to trial. Liability and damages on the inverse condemnation claims, alleged by certain plaintiffs in the coordinated matter, will be heard in separate trials prior to any tort claims. On April 16, 2021, expert discovery on inverse condemnation liability and causation was completed. The first liability trial, consisting of eight plaintiffs from this case, was submitted to the court on July 20, 2021. Liability discovery closed October 30, 2020, but for certain cases, the parties agreed to keep discovery open until October 15, 2021. On November 29, 2021, the court issued its statement of decision in the first inverse condemnation trial, finding the State not liable and did not cause plaintiffs' damages asserted under their inverse condemnation cause of action. The court ordered all parties to either a mandatory settlement conference or private mediation with the parties to notify the court of their choices by January 28, 2022. The court continued the stay of further damages discovery, and will not set any new trial dates until the parties have completed settlement conferences or private mediation. The parties have elected to pursue private mediation, which will commence April 27-28, 2022. The estimated range of loss for the coordinated cases is not possible to ascertain at this time.

The primary government is a defendant in two similar cases: *Perea, et al. v. Dooley, et al.*, and *Deuschel v. California Health & Human Services Agency*. The petitioners sued the primary government alleging that reimbursements paid to providers under the Medi-Cal program are too low and therefore impaired access to care and services for Medi-Cal patients. The petitioners argue that this constitutes

discrimination against Latinos, senior citizens, and persons with disabilities. The petitioners do not seek damages but seek prospective declaratory and injunctive relief that would require the State to increase the reimbursement rates paid to providers by the Medi-Cal program. The State filed a demurrer to petitioners' Third and First Amended Complaints in 2019. A hearing for the First Amended Complaint was held on February 13, 2020. The Third Amended Complaint was overruled on June 21, 2019, and the matter was actively litigated until April 2020, when the parties stipulated to a stay in light of the COVID-19 pandemic. The stay was lifted on April 10, 2021, and the parties have resumed prepounding and responding to written discovery. A demurrer for the First Amended Complaint was scheduled for a hearing on November 24, 2020; however, following the court's tentative favorable ruling to the State prior to the hearing, the petitioner proceeded in pro per, and filed a series of Americans with Disabilities Act accommodation requests that continued until December 2020. A demurrer hearing was scheduled for September 14, 2021. On October 25, 2021, judgment was entered in favor of defendants. The deadline for petitioners to move for class certification was December 10, 2021. Defendants filed their motion for judgment on the pleadings on November 19, 2021. Plaintiffs filed their Opposition on December 6, 2021 and the State's Reply Brief was filed on December 10, 2021. The hearing on the motion for judgment on the pleadings and the next case management conference has been continued to February 2, 2022. The deadline for petitioners to move for class certification is January 31, 2022 or 30 days after the court rules on the motion for judgment on the pleadings, whichever is later. The estimated impact to prospective rates is not possible to ascertain at this time. The estimated potential loss in the case of *Perea, et al. v. Dooley, et al.* is \$1.0 billion annually.

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

The primary government is a defendant in three similar cases: *Metropolitan Water District of Southern California, et al. v. Dept. of Fish and Wildlife, et al.*; *State Water Contractors, et al. v. Dept. of Fish and Wildlife, et al.*; *San Bernardino Valley Municipal Water Dist. v. Cal. Dept. of Water Resources, et al.* The plaintiffs filed lawsuits against the primary government seeking to rescind an incidental take permit under the California Endangered Species Act issued by Department of Fish and Wildlife to DWR concerning its operation of the State Water Project, and to rescind DWR's environmental review of the same under the California Environmental Quality Act. The plaintiffs also claimed that DWR breached its water supply contracts by accepting the permit. One plaintiff asserts that the permit constitutes taking without just compensation. Five other consolidated cases are seeking non-contract-based (writ of mandamus) relief. DWR and the Department of Fish and Wildlife are preparing the administrative records relative to their administrative decisions that are being challenged. On May 7, 2021, the court granted DWR's motion to bifurcate the writ of mandamus claims from the non-writ of mandamus claims, and ordered the writ of mandamus claims tried first. Discovery is stayed until after completion of the writ of mandamus trial. No trial date has been set for the writ of mandamus trial, and the administrative records are not yet certified. The estimated range of loss is not possible to ascertain at this time. One plaintiff has estimated damages at \$100 million, and the other plaintiffs have not estimated their claimed damages.

The primary government is a defendant in a case, *Amalgamated Transit Union International, et al. v. U.S. Department of Labor, et al.* Under federal law, as a condition of receiving certain federal transit grants, transit agencies must demonstrate to the Department of Labor's (DOL) satisfaction that they

provide fair and equitable labor arrangements for transit workers, including arrangements that ensure the “continuation of collective bargaining rights.” After California enacted PEPRA in 2012, DOL issued a certification decision finding that PEPRA interfered with the continuation of transit workers’ bargaining rights. The State successfully challenged this determination as violating the Administrative Procedure Act, and the Eastern District of California permanently enjoined DOL from relying on PEPRA as a basis to deny grants to two transit agencies. In 2019, DOL began certifying grants in conformity with the district court’s orders. A transit union objected to these certifications and filed the pending case, asking the same federal judge to reconsider the earlier ruling and reach the opposite conclusion. The State of California intervened in the case to defend DOL’s certification decision. The parties filed and briefed cross-motions for summary judgment, but after the change in presidential administrations in 2020, DOL sought and obtained a voluntary remand of proceedings so it could reconsider its position. In October 2021, DOL issued a new decision reverting to its prior view that PEPRA precludes certification under section 13(c) of the Urban Mass Transportation Act of 1964. The October 2021 reconsideration again finds, in spite of the court’s prior contrary rulings, that PEPRA interferes with the collective bargaining rights of transit workers. The reconsideration states that DOL will decline to certify any future grant applications from local transit agencies who are subject to PEPRA. Media reports have estimated the anticipated loss to California transit agencies of funds under the American Rescue Plan Act to be around \$2.5 billion, along with around \$9.5 billion of anticipated funds under the Infrastructure Improvement and Jobs Act. The State recently filed a cross-complaint against DOL challenging the reconsidered certification decision as arbitrary and capricious in violation of the Administrative Procedure Act, and it obtained a preliminary injunction staying implementation of the reconsidered determination pending the issuance of a final decision on the merits. The Attorney General represents the State of California. The State expeditiously asserted cross-claims challenging the reconsidered determination and moved quickly to stay its implementation. The State will vigorously pursue its cross claims through dispositive motions and, if necessary, on appeal. The State moved for leave to file a cross-complaint on November 12, 2021; leave was granted on December 3, 2021, with the cross-complaint deemed filed. The Court preliminary enjoined implementation of the reconsidered determination on December 20, 2021. Cross-motions for summary judgment will be heard on February 11, 2022. DOL’s policy could cost California transit agencies several billion dollars in federal grant funds each year.

The primary government is a defendant in a case, *Bear Mountain Development Company, LLC v. State of California*, for breach of contract regarding cancellation of a contract for delivery of Personal Protective Equipment (PPE). The State filed a demurrer on August 13, 2021. The court heard the demurrer on December 15, 2021 and the demurrer was granted with leave to amend. The State expects to file a renewed demurrer to the amended complaint. The plaintiff is seeking damages of \$799 million for the State’s cancellation of a contract for delivery of PPE.

The primary government is aware of one unasserted claim against the State of California by Blue Flame Medical, LLC for cancellation of contracts for delivery of PPE. The estimated potential loss of the claim could be in excess of \$300 million.

B. Federal Audit Exceptions

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

NOTE 23: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2020, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2020 and February and March 2021, the University of California, a major component unit, through its conduit, issued \$5.6 billion in revenue bonds to finance or refinance certain improvements to the University and construction projects, to refund outstanding bonds, and to pay certain working capital projects and related issuance costs.

In July 2020 and May 2021, the Department of Water Resources issued a total of \$1.6 billion in revenue bonds to fund construction of water system projects; to repay commercial papers; to refund certain outstanding water system revenue bonds; to fund capitalized interest; to fund a deposit to the debt service reserve account; and to pay related issuance costs.

In August 2020 and July 2021, the California State University (CSU) issued \$3.2 billion in revenue bonds to finance and refinance projects; to acquire, construct, improve, and renovate certain CSU facilities; to refund certain outstanding system-wide revenue bonds; and to pay related issuance costs.

In September 2020 and August 2021, the primary government issued \$206 million in veterans home purchase revenue bonds and \$97 million in veterans general obligation bonds to build bond reserve accounts and to finance the purchase of homes and farms for California military veterans.

In September and October 2020, and March, April, October, and November 2021, the State Public Works Board issued a total of \$2.5 billion in lease revenue bonds to finance and refinance the design and construction costs of various projects; to refund and defease lease revenue bonds; to reimburse interim loans; to fund capitalized interest; to fund a contribution to the Master Indenture Reserve Fund, if necessary; and to pay related issuance costs.

In September, October, and November 2020, and March, April, September, and November 2021, the primary government issued a total of \$10.7 billion in general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes; to pay certain commercial paper notes as they mature; to current refund certain outstanding bonds; and to pay related issuance costs.

In October 2020, the California Health Facilities Financing Authority issued \$450 million in revenue bonds under the No Place Like Home Program to provide housing for persons experiencing homelessness, chronic homelessness, or who are in need of mental health services; to fund capitalized interest; and to pay issuance costs.

In December 2020, the California Infrastructure and Economic Development Bank, a component unit, issued \$324 million in revenue bonds to advance refund and defease all of the outstanding Infrastructure State Revolving Fund bonds and to pay related issuance costs.

In March, September, and December 2021, the Golden State Tobacco Securitization Corporation, a blended component unit, issued \$6.5 billion in asset-backed bonds to refund a portion of its outstanding Tobacco Settlement Asset-backed bonds, to refund and defease Refunded bonds, and to pay issuance costs.

B. COVID-19

In March 2020, the Governor of California proclaimed a state of emergency in response to the worldwide outbreak of the disease caused by the novel coronavirus (COVID-19). In a continued effort to address the COVID-19 outbreak, the State allocated \$1.5 billion in its 2020-21 Budget Act to fund expected COVID-19 response at various departments. In addition, the State, in its 2020-21 budget, reserved \$716 million in the Special Fund for Economic Uncertainties for response to COVID-19. The COVID-19 emergency quickly developed into an economic crisis that has impacted the State's financial position in three main ways:

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

The Governor's 2020-21 Budget took concerted steps to address the estimated \$54.3 billion budget shortfall from the COVID-19 challenges. The Budget's plan to reduce the shortfall included utilizing \$8.8 billion in reserves and \$9.3 billion in special fund borrowing and transfers, obtaining \$10.1 billion in federal funds, generating \$4.4 billion in new revenues, reducing or deferring \$11.1 billion in school funding, and suspending \$10.6 billion in government program expansions.

In response to the nationwide impact of COVID-19, the federal government enacted six federal stimulus bills totaling over \$600 billion to help pay for emergency response, testing, tracing, health care, and vaccinations. Included in these bills is \$191 billion for the American Rescue Plan Act of 2021, from which California will receive \$43 billion in recovery funds to cover costs sustained between March 2021 and December 2024. The 2021-22 State budget will allocate \$27 billion of the Coronavirus State Fiscal Recovery Fund in four main ways:

- \$1.8 billion – to provide support to state and local health care facilities and assist California citizens suffering from emotional and behavioral health concerns due to COVID-19.
- \$12.2 billion – to address various negative economic impacts of COVID-19 on households, individuals, businesses, and industry.
- \$9.2 billion – to restore revenue the State lost as a result of the COVID-19 pandemic.
- \$3.8 billion – to invest in infrastructure projects that promote access to and affordability of broadband.

Due to the COVID-19 pandemic, California experienced unemployment rates of 14.1% in June 2020 and 7.7% in June 2021. As of January 26, 2022, the State had \$19.7 billion in outstanding loans from the U.S. Department of Labor.

The state of emergency proclaimed by the Governor in March 2020 in response to the COVID-19 pandemic has remained in effect and is scheduled to end March 31, 2022.

C. Other

California continues to face a lengthy fire season and catastrophic wildfires. The record-setting 2020 fire season saw nearly 10,000 fires resulting in 10,488 structures damaged or destroyed, and over 4.2 million acres burned. The 2021 fire season saw over 8,800 fires and 2.6 million acres burned. The estimated losses due to these wildfires is not available at this time.

On November 3, 2020, California voters approved Proposition 14, which authorizes \$5.5 billion in general obligation bonds primarily for stem cell research and the development of new medical treatments in California.

With the enactment of the 2021-22 Budget in June 2021, the State invested \$1.5 billion over the next three years to improve public safety across California's most wildfire-vulnerable communities as part of the Forest Management Task Force's Wildfire and Forest Resilience Action Plan.

In April 2021, the Governor proclaimed a drought emergency for two counties, and later expanded the drought emergency proclamation to cover 50 of the 58 counties in California. The 2021-22 Budget allocated \$5.1 billion over four years to combat California's severe drought conditions by funding emergency drought relief, protecting water supplies, investing in flood management, supporting restoration of natural areas and ecosystems, and sustaining groundwater and water conveyance projects.

In September 2021, the State's contracted actuary published the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020*, which will be used to measure the State's net OPEB liability as of June 30, 2021. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2021 of \$95.2 billion, a \$3.3 billion increase over the net OPEB liability reported as of June 30, 2020. The report is available on the State Controller's Office website, at www.sco.ca.gov.

Required Supplementary Information



Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Six Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE MISCELLANEOUS²		
Total pension liability		
Service cost	\$ 1,477,762	\$ 1,576,695
Interest on total pension liability	6,670,928	6,970,837
Differences between expected and actual experience	—	693,639
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net change in total pension liability	3,304,059	4,142,949
Total pension liability – beginning	88,885,115	92,189,174
Total pension liability – ending (a)	\$ 92,189,174	\$ 96,332,123
Plan fiduciary net position		
Contributions – employer	\$ 2,156,312	\$ 2,608,785
Contributions – employee	766,896	771,046
Net investment income	10,370,838	1,505,042
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net plan to plan resource movement	—	(354)
Administrative expense	(86,473)	(76,678)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,362,942	(290,381)
Plan fiduciary net position – beginning	60,017,620	68,380,562
Plan fiduciary net position – ending (b)	\$ 68,380,562	\$ 68,090,181
State's net pension liability – ending (a) – (b)	\$ 23,808,612	\$ 28,241,942
Plan fiduciary net position as a percentage of the total pension liability	74.17 %	70.68 %
Covered payroll	\$ 10,019,739	\$ 10,640,884
State's net pension liability as a percentage of covered payroll	237.62 %	265.41 %

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

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

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

2016 ³	2017 ³	2018 ³	2019 ³
\$ 1,668,682	\$ 1,927,531	\$ 1,953,761	\$ 2,042,862
7,220,961	7,381,049	7,571,997	7,970,572
(101,381)	(387,041)	445,743	2,032,459
—	5,667,561	(1,377,556)	—
(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)
3,441,398	9,016,393	2,728,096	5,855,155
96,332,123	99,773,521	108,789,914	111,518,010
\$ 99,773,521	\$ 108,789,914	\$ 111,518,010	\$ 117,373,165
\$ 2,818,406	\$ 3,094,941	\$ 7,044,360	\$ 3,777,484
801,023	843,772	870,402	942,980
339,588	7,329,859	6,127,761	5,163,147
(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)
(1,154)	(2,737)	(1,340)	(1,344)
(41,497)	(98,419)	(112,592)	(57,163)
—	—	(213,815)	185
(1,430,498)	5,594,709	7,848,927	3,634,551
68,090,181	66,659,683	72,254,392	80,103,319
\$ 66,659,683	\$ 72,254,392	\$ 80,103,319	\$ 83,737,870
\$ 33,113,838	\$ 36,535,522	\$ 31,414,691	\$ 33,635,295
66.81 %	66.42 %	71.83 %	71.34 %
\$ 11,189,932	\$ 11,591,576	\$ 12,254,527	\$ 12,913,195
295.93 %	315.19 %	256.35 %	260.47 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE INDUSTRIAL²		
Total pension liability		
Service cost	\$ 92,324	\$ 100,006
Interest on total pension liability	241,278	257,527
Differences between expected and actual experience	—	26,976
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net change in total pension liability	186,625	227,480
Total pension liability – beginning	3,181,282	3,367,907
Total pension liability – ending (a)	\$ 3,367,907	\$ 3,595,387
Plan fiduciary net position		
Contributions – employer	\$ 88,516	\$ 107,238
Contributions – employee	44,459	49,482
Net investment income	423,076	62,385
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net plan to plan resource movement	—	30
Administrative expense	(3,583)	(3,252)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	405,491	58,854
Plan fiduciary net position – beginning	2,420,958	2,826,449
Plan fiduciary net position – ending (b)	\$ 2,826,449	\$ 2,885,303
State's net pension liability – ending (a) – (b)	\$ 541,458	\$ 710,084
Plan fiduciary net position as a percentage of the total pension liability	83.92 %	80.25 %
Covered payroll	\$ 532,490	\$ 577,711
State's net pension liability as a percentage of covered payroll	101.68 %	122.91 %

2016 ³	2017 ³	2018 ³	2019 ³
\$ 107,868	\$ 124,792	\$ 119,521	\$ 127,006
273,308	290,058	301,134	324,909
7,009	21,516	(19,063)	106,233
—	245,450	(54,062)	—
(167,359)	(177,654)	(190,683)	(205,544)
220,826	504,162	156,847	352,604
3,595,387	3,816,213	4,320,375	4,477,222
\$ 3,816,213	\$ 4,320,375	\$ 4,477,222	\$ 4,829,826
\$ 116,730	\$ 123,163	\$ 241,062	\$ 148,494
52,775	54,114	58,404	61,338
14,444	322,150	272,379	233,027
(167,359)	(177,654)	(190,683)	(205,544)
216	(141)	268	(754)
(1,758)	(4,282)	(5,014)	(2,558)
—	—	(9,522)	8
15,048	317,350	366,894	234,011
2,885,303	2,900,351	3,217,701	3,584,595
\$ 2,900,351	\$ 3,217,701	\$ 3,584,595	\$ 3,818,606
\$ 915,862	\$ 1,102,674	\$ 892,627	\$ 1,011,220
76.00 %	74.48 %	80.06 %	79.06 %
\$ 625,220	\$ 643,295	\$ 695,014	\$ 728,609
146.49 %	171.41 %	128.43 %	138.79 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE SAFETY²		
Total pension liability		
Service cost	\$ 402,902	\$ 422,634
Interest on total pension liability	663,219	734,333
Differences between expected and actual experience	—	(4,150)
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net change in total pension liability	636,768	683,542
Total pension liability – beginning	8,682,750	9,626,597 *
Total pension liability – ending (a)	\$ 9,319,518	\$ 10,310,139
Plan fiduciary net position		
Contributions – employer	\$ 339,232	\$ 393,925
Contributions – employee	196,148	215,482
Net investment income	1,162,050	175,677
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net plan to plan resource movement	—	499
Administrative expense	(9,945)	(9,200)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	1,258,132	307,108
Plan fiduciary net position – beginning	6,583,260	7,841,392
Plan fiduciary net position – ending (b)	\$ 7,841,392	\$ 8,148,500
State's net pension liability – ending (a) – (b)	\$ 1,478,126	\$ 2,161,639
Plan fiduciary net position as a percentage of the total pension liability	84.14 %	79.03 %
Covered payroll	\$ 1,901,235	\$ 2,003,777
State's net pension liability as a percentage of covered payroll	77.75 %	107.88 %

* Restated

2016 ³	2017 ³	2018 ³	2019 ³
\$ 438,147	\$ 497,129	\$ 504,383	\$ 536,173
786,096	827,412	877,944	951,075
(2,235)	(109,901)	(21,592)	227,078
—	673,183	(41,225)	—
(502,427)	(538,735)	(578,504)	(626,451)
719,581	1,349,088	741,006	1,087,875
10,310,139	11,029,720	12,378,808	13,119,814
\$ 11,029,720	\$ 12,378,808	\$ 13,119,814	\$ 14,207,689
\$ 401,108	\$ 433,232	\$ 774,759	\$ 523,076
221,615	231,364	245,021	257,071
42,258	926,106	797,214	691,911
(502,427)	(538,735)	(578,504)	(626,451)
548	295	532	1,482
(4,966)	(12,264)	(14,565)	(7,524)
—	—	(27,658)	24
158,136	1,039,998	1,196,799	839,589
8,148,500	8,306,636	9,346,634	10,543,433
\$ 8,306,636	\$ 9,346,634	\$ 10,543,433	\$ 11,383,022
\$ 2,723,084	\$ 3,032,174	\$ 2,576,381	\$ 2,824,667
75.31 %	75.51 %	80.36 %	80.12 %
\$ 2,100,295	\$ 2,167,429	\$ 2,339,642	\$ 2,468,018
129.65 %	139.90 %	110.12 %	114.45 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE PEACE OFFICERS AND FIREFIGHTERS²		
Total pension liability		
Service cost	\$ 816,836	\$ 838,628
Interest on total pension liability	2,622,406	2,759,982
Differences between expected and actual experience	—	288,526
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net change in total pension liability	1,870,504	2,189,460
Total pension liability – beginning	34,655,771	36,219,196 *
Total pension liability – ending (a)	\$ 36,526,275	\$ 38,408,656
Plan fiduciary net position		
Contributions – employer	\$ 959,741	\$ 1,146,192
Contributions – employee	331,956	366,419
Net investment income	3,964,754	584,142
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net plan to plan resource movement	—	194
Administrative expense	(33,334)	(30,069)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	3,654,379	369,202
Plan fiduciary net position – beginning	22,713,610	26,367,989
Plan fiduciary net position – ending (b)	\$ 26,367,989	\$ 26,737,191
State's net pension liability – ending (a) – (b)	\$ 10,158,286	\$ 11,671,465
Plan fiduciary net position as a percentage of the total pension liability	72.19 %	69.61 %
Covered payroll	\$ 3,030,525	\$ 3,115,287
State's net pension liability as a percentage of covered payroll	335.20 %	374.65 %

* Restated

2016 ³	2017 ³	2018 ³	2019 ³
\$ 861,694	\$ 980,897	\$ 1,011,482	\$ 1,044,955
2,902,900	3,018,186	3,185,628	3,381,608
18,316	(286,527)	354,089	664,430
—	2,608,752	(25,104)	—
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)
1,960,069	4,383,281	2,461,088	2,881,436
38,408,656	40,368,725	44,752,006	47,213,094
\$ 40,368,725	\$ 44,752,006	\$ 47,213,094	\$ 50,094,530
\$ 1,265,145	\$ 1,427,240	\$ 3,068,270	\$ 1,665,872
381,185	399,946	421,662	437,937
137,927	2,954,170	2,522,044	2,175,528
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)
114	1,628	(104)	350
(16,295)	(39,395)	(45,950)	(23,765)
—	—	(87,261)	77
(54,765)	2,805,562	3,813,654	2,046,442
26,737,191	26,682,426	29,487,988	33,301,642
\$ 26,682,426	\$ 29,487,988	\$ 33,301,642	\$ 35,348,084
\$ 13,686,299	\$ 15,264,018	\$ 13,911,452	\$ 14,746,446
66.10 %	65.89 %	70.53 %	70.56 %
\$ 3,241,895	\$ 3,416,627	\$ 3,557,011	\$ 3,676,854
422.17 %	446.76 %	391.10 %	401.06 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

2016 ³	2017 ³	2018 ³	2019 ³
\$ 210,619	\$ 237,064	\$ 248,531	\$ 257,384
809,691	833,062	878,113	926,056
125,614	(158,392)	103,283	135,148
—	721,972	12,213	—
(516,723)	(543,456)	(579,080)	(612,298)
629,201	1,090,250	663,060	706,290
10,611,630	11,240,831	12,331,081	12,994,141
\$ 11,240,831	\$ 12,331,081	\$ 12,994,141	\$ 13,700,431
\$ 375,928	\$ 426,603	\$ 978,060	\$ 507,055
86,111	91,116	95,482	100,080
33,918	747,272	639,591	556,379
(516,723)	(543,456)	(579,080)	(612,298)
292	1,050	330	265
(4,111)	(9,923)	(11,583)	(6,090)
—	—	(21,997)	20
(24,585)	712,662	1,100,803	545,411
6,745,342	6,720,757	7,433,419	8,534,222
\$ 6,720,757	\$ 7,433,419	\$ 8,534,222	\$ 9,079,633
\$ 4,520,074	\$ 4,897,662	\$ 4,459,919	\$ 4,620,798
59.79 %	60.28 %	65.68 %	66.27 %
\$ 808,032	\$ 851,427	\$ 884,197	\$ 933,689
559.39 %	575.23 %	504.40 %	494.90 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

2016 ³	2017 ³	2018 ³	2019 ³
\$ 29,314	\$ 22,733	\$ 19,131	\$ 20,073
107,514	115,067	109,395	99,427
(59,421)	(366,200)	(121,259)	86,873
384,306	(107,670)	(20,879)	153,651
(199,349)	(200,440)	(207,823)	(221,954)
262,364	(536,510)	(221,435)	138,070
3,532,580	3,794,944	3,258,434	3,036,999
\$ 3,794,944	\$ 3,258,434	\$ 3,036,999	\$ 3,175,069
\$ 192,287	\$ 204,475	\$ 199,241	\$ 195,903
3,559	3,398	3,061	2,679
193	424	846	1,166
(199,349)	(200,440)	(207,823)	(221,954)
(642)	(1,771)	(2,106)	(10,032)
2,568	2,395	(1,863)	2,776
(1,384)	8,481	(8,644)	(29,462)
41,178	39,794	48,275	39,631
\$ 39,794	\$ 48,275	\$ 39,631	\$ 10,169
\$ 3,755,150	\$ 3,210,159	\$ 2,997,368	\$ 3,164,900
1.05 %	1.48 %	1.30 %	0.32 %
\$ 23,537	\$ 26,102	\$ 24,007	\$ 22,117
15954.24 %	12298.52 %	12485.39 %	14309.81 %
			(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

2016 ³	2017 ³	2018 ³	2019 ³
\$ 86,635	\$ 97,679	\$ 95,843	\$ 103,791
78,412	85,654	91,418	103,889
(4,546)	(26,382)	(26,875)	30,292
—	69,233	(41,763)	—
(21,704)	(22,406)	(31,795)	(36,204)
138,797	203,778	86,828	201,768
1,068,752	1,207,549	1,411,327	1,498,154
\$ 1,207,549	\$ 1,411,327	\$ 1,498,155	\$ 1,699,922
\$ 65,839	\$ 67,102	\$ 79,699	\$ 84,099
24,598	25,076	27,514	31,375
20,810	115,057	101,820	106,781
(21,704)	(22,406)	(31,795)	(36,204)
(732)	(1,682)	(2,370)	(1,477)
—	—	(5,451)	—
88,811	183,147	169,417	184,574
1,084,141	1,172,952	1,356,099	1,525,515
\$ 1,172,952	\$ 1,356,099	\$ 1,525,516	\$ 1,710,089
\$ 34,597	\$ 55,228	\$ (27,361)	\$ (10,167)
97.13 %	96.09 %	101.83 %	100.60 %
\$ 192,739	\$ 192,786	\$ 202,433	\$ 220,742
17.95 %	28.65 %	-13.52 %	-4.61 %

(continued)

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

2016 ³	2017 ³	2018 ³	2019 ³
\$ 608	\$ 639	\$ 542	\$ 268
5,978	5,291	4,987	4,873
(3,530)	(5,998)	(2,061)	(427)
—	7,857	(2,529)	—
(7,407)	(7,249)	(6,918)	(7,350)
(4,351)	540	(5,979)	(2,636)
106,571	102,220	102,760	96,780
\$ 102,220	\$ 102,760	\$ 96,781	\$ 94,144
\$ 549	\$ 517	\$ 467	\$ 250
96	94	82	92
4,545	5,047	5,486	7,860
(7,407)	(7,249)	(6,918)	(7,350)
(202)	(575)	(670)	(324)
—	—	(1,454)	—
(2,419)	(2,166)	(3,007)	528
121,469	119,050	116,884	113,876
\$ 119,050	\$ 116,884	\$ 113,877	\$ 114,404
\$ (16,830)	\$ (14,124)	\$ (17,096)	\$ (20,260)
116.46 %	113.74 %	117.66 %	121.52 %
\$ 1,298	\$ 1,270	\$ 1,121	\$ 684
-1296.61 %	-1112.13 %	-1525.07 %	-2961.99 % (concluded)

Schedule of State Pension Contributions

For the Past Six Fiscal Years¹

(amounts in thousands)

	2015	2016
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE MISCELLANEOUS²		
Actuarially determined contribution.....	\$ 2,421,157	\$ 2,718,895
Contributions in relation to the actuarially determined contribution.....	(2,583,400)	(2,814,126)
Contribution deficiency (excess).....	\$ (162,243)	\$ (95,231)
Covered payroll	\$ 10,655,117	\$ 11,197,607
Contributions as a percentage of covered payroll	24.25 %	25.13 %
STATE INDUSTRIAL²		
Actuarially determined contribution.....	\$ 92,024	\$ 103,293
Contributions in relation to the actuarially determined contribution.....	(104,769)	(116,594)
Contribution deficiency (excess).....	\$ (12,745)	\$ (13,301)
Covered payroll	\$ 577,713	\$ 625,220
Contributions as a percentage of covered payroll	18.14 %	18.65 %
STATE SAFETY²		
Actuarially determined contribution.....	\$ 341,509	\$ 368,444
Contributions in relation to the actuarially determined contribution.....	(387,508)	(404,595)
Contribution deficiency (excess).....	\$ (45,999)	\$ (36,151)
Covered payroll	\$ 2,003,716	\$ 2,100,289
Contributions as a percentage of covered payroll	19.34 %	19.26 %
STATE PEACE OFFICERS AND FIREFIGHTERS²		
Actuarially determined contribution.....	\$ 1,086,102	\$ 1,197,160
Contributions in relation to the actuarially determined contribution.....	(1,148,597)	(1,263,436)
Contribution deficiency (excess).....	\$ (62,495)	\$ (66,276)
Covered payroll	\$ 3,115,364	\$ 3,241,763
Contributions as a percentage of covered payroll	36.87 %	38.97 %

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

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

2017	2018	2019	2020
\$ 3,078,232	\$ 3,397,736	\$ 3,631,721	\$ 4,006,672
(3,098,305)	(3,482,291)	(3,794,379)	(5,032,209)
\$ (20,073)	\$ (84,555)	\$ (162,658)	\$ (1,025,537)
\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610
26.73 %	28.42 %	29.38 %	37.06 %
\$ 116,880	\$ 131,131	\$ 134,969	\$ 153,724
(123,789)	(141,832)	(148,790)	(245,757)
\$ (6,909)	\$ (10,701)	\$ (13,821)	\$ (92,033)
\$ 643,295	\$ 695,014	\$ 728,609	\$ 765,840
19.24 %	20.41 %	20.42 %	32.09 %
\$ 400,379	\$ 435,662	\$ 466,765	\$ 526,375
(431,991)	(481,479)	(531,360)	(759,505)
\$ (31,612)	\$ (45,817)	\$ (64,595)	\$ (233,130)
\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403
19.93 %	20.58 %	21.53 %	29.59 %
\$ 1,343,177	\$ 1,462,630	\$ 1,581,049	\$ 1,755,306
(1,431,851)	(1,573,299)	(1,667,839)	(3,234,348)
\$ (88,674)	\$ (110,669)	\$ (86,790)	\$ (1,479,042)
\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615
41.91 %	44.23 %	45.36 %	82.83 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Six Fiscal Years¹

(amounts in thousands)

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

2017	2018	2019	2020
\$ 414,975	\$ 447,376	\$ 484,056	\$ 532,159
(426,014)	(478,354)	(514,683)	(560,538)
\$ (11,039)	\$ (30,978)	\$ (30,627)	\$ (28,379)
\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000
50.04 %	54.10 %	55.12 %	59.13 %
\$ 448,636	\$ 438,156	\$ 415,110	\$ 414,849
(202,368)	(197,017)	(194,189)	(241,993)
\$ 246,268	\$ 241,139	\$ 220,921	\$ 172,856
\$ 23,822	\$ 27,003	\$ 25,748	\$ 16,017
849.50 %	729.61 %	754.19 %	1,510.85 %
\$ 66,951	\$ 79,181	\$ 75,862	\$ 81,782
(55,965)	(73,916)	(76,155)	(83,872)
\$ 10,986	\$ 5,265	\$ (293)	\$ (2,090)
\$ 195,066	\$ 199,438	\$ 217,112	\$ 246,968
28.69 %	37.06 %	35.08 %	33.96 %
\$ —	\$ 20	\$ —	\$ 101
(516)	(467)	(261)	(100)
\$ (516)	\$ (447)	\$ (261)	\$ 1
\$ 1,270	\$ 1,121	\$ 684	\$ 284
40.63 %	41.66 %	38.16 %	35.21 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered payroll:	Pensionable earnings provided by the employer.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2018.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2017 Actuarial Valuation Report.
Asset valuation method	PERF – Fair value of assets; for details see plan's June 30, 2017 Actuarial Valuation Report. Judges' – Market value of assets Judges' II – Market value of assets Legislators' – Market value of assets
Inflation	PERF – 2.625% Judges' – 2.50% Judges' II – 2.50% Legislators' – 2.50%
Salary increases	PERF – varies by entry age and service Judges' – 2.75% Judges' II – 2.75% Legislators' – 2.75%
Payroll growth	PERF – 2.875% Judges' – 2.75% Judges' II – 2.75% Legislators' – 2.75%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation: PERF – 7.25%, which is used for contribution purposes Judges' – 3.00% Judges' II – 6.50% Legislators' – 5.00%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 adopted by the CalPERS Board and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

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

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

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

Schedule of the State's Contributions – CalSTRS

For the Past Six Fiscal Years¹

(amounts in thousands)

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

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

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

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954, 22955 and 22955.1, as well as California Public Resources Code section 6217. Additionally, contributions for fiscal year 2019-20 include a supplemental contribution of \$1.1 billion for the State, pursuant to Senate Bill 90.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2018.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 30 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.00%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

2016 ²	2017 ²	2018 ²	2019 ²
36.28 %	37.17 %	36.41 %	35.30 %
\$ 29,343,626	\$ 34,374,816	\$ 33,462,419	\$ 31,880,645
70.04 %	69.46 %	70.99 %	72.56 %

2017	2018	2019	2020
\$ 2,472,993	\$ 2,790,444	\$ 3,082,316	\$ 4,446,836
2,472,993	2,790,444	3,082,316	4,446,836
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Fiscal Years¹

(amounts in thousands)

	2019 ^{2,6}
RETIREE HEALTH BENEFITS PROGRAM	
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)³	
Total OPEB liability	
Service cost	\$ 1,078,364
Interest on total OPEB liability	1,201,673
Differences between expected and actual experiences ⁵	(525,007)
Changes in assumptions	1,213,332
Benefit payments	(856,494)
Net change in total OPEB liability	2,111,868
Total OPEB liability – beginning	29,485,488
Total OPEB liability – ending (a)	\$ 31,597,356
Plan fiduciary net position	
Contributions – employer	\$ 856,494
Contributions – prefunding	71,712
Contributions – employee	71,712
Net investment income	8,202
Benefit payments	(856,494)
Administrative expense	(14)
Other expenses	—
Net change in plan fiduciary net position	151,612
Plan fiduciary net position – beginning	—
Plan fiduciary net position – ending (b)	\$ 151,612
State’s net OPEB liability – ending (a) – (b)	\$ 31,445,744
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %
Covered payroll	\$ 7,317,203
State’s net OPEB liability as a percentage of covered payroll	429.75 %

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

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

³ This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

⁴ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

⁵ Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program - GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, and the actual pay-as-you-go contributions allocated to plans.

⁶ This is the first year the SEIU valuation group is presented as it began prefunding in the 2018-19 measurement period and shifted from the Unfunded plan from the prior year.

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 5 PLAN		
Total OPEB liability		
Service cost.....	\$ 168,057	\$ 146,042
Interest on total OPEB liability	179,397	195,713
Differences between expected and actual experiences ⁵	—	(108,271)
Changes in assumptions	(474,646)	(137,150)
Benefit payments	(95,517)	(77,897)
Net change in total OPEB liability	(222,709)	18,437
Total OPEB liability – beginning	4,764,812	4,542,103
Total OPEB liability – ending (a)	\$ 4,542,103	\$ 4,560,540
Plan fiduciary net position		
Contributions – employer	\$ 95,517	\$ 77,897
Contributions – prefunding	77,454	59,697
Contributions – employee	12,783	4,089
Net investment income	21,109	20,988
Benefit payments	(95,517)	(77,897)
Administrative expense	(95)	(144)
Other expenses	(290)	—
Net change in plan fiduciary net position	110,961	84,630
Plan fiduciary net position – beginning	135,701	246,662
Plan fiduciary net position – ending (b)	\$ 246,662	\$ 331,292
State’s net OPEB liability – ending (a) – (b)	\$ 4,295,441	\$ 4,229,248
Plan fiduciary net position as a percentage of the total OPEB liability	5.43 %	7.26 %
Covered payroll	\$ 866,040	\$ 895,430
State’s net OPEB liability as a percentage of covered payroll	495.99 %	472.31 %

* Restated

2019²

\$	140,545
	199,637
	41,288
	318,292
	(78,501)
	621,261
	4,560,540
\$	5,181,801

\$	78,501
	57,567
	3,943
	23,834
	(78,501)
	(77)
	—
	85,267
	331,052 *
\$	416,319

\$ 4,765,482

8.03 %

\$ 942,765

505.48 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 6 PLAN		
Total OPEB liability		
Service cost	\$ 609,551	\$ 531,916
Interest on total OPEB liability	574,853	634,360
Differences between expected and actual experiences ⁵	—	(1,186,530)
Changes in assumptions	(1,637,897)	(164,236)
Benefit payments	(325,344)	(327,604)
Net change in total OPEB liability	(778,837)	(512,094)
Total OPEB liability – beginning	15,990,189	15,211,352
Total OPEB liability – ending (a)	\$ 15,211,352	14,699,258
Plan fiduciary net position		
Contributions – employer	\$ 325,344	\$ 327,604
Contributions – prefunding	146,933	65,245
Contributions – employee	23,181	65,245
Net investment income	15,089	17,235
Benefit payments	(325,344)	(327,604)
Administrative expense	(48)	(128)
Other expenses	—	—
Net change in plan fiduciary net position	185,155	147,597
Plan fiduciary net position – beginning	—	185,155
Plan fiduciary net position – ending (b)	\$ 185,155	\$ 332,752
State’s net OPEB liability – ending (a) – (b)	\$ 15,026,197	\$ 14,366,506
Plan fiduciary net position as a percentage of the total OPEB liability	1.22 %	2.26 %
Covered payroll	\$ 2,653,404	\$ 2,726,616
State’s net OPEB liability as a percentage of covered payroll	566.30 %	526.90 %

* Restated

2019²

\$	503,829
	622,325
	(460,414)
	912,754
	(294,213)
	<u>1,284,281</u>
	14,699,258
\$	<u>15,983,539</u>

\$	294,213
	106,592
	106,592
	33,447
	(294,213)
	(94)
	<u>—</u>
	<u>246,537</u>
	332,511 *
\$	<u>579,048</u>

\$ 15,404,491

3.62 %

\$ 2,819,233

546.41 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 9 PLAN³		
Total OPEB liability		
Service cost	\$ 166,173	\$ 142,954
Interest on total OPEB liability	154,495	174,062
Differences between expected and actual experiences ⁵	—	(334,650)
Changes in assumptions	(475,991)	(200,549)
Benefit payments	(82,449)	(85,278)
Net change in total OPEB liability	(237,772)	(303,461)
Total OPEB liability – beginning	4,640,159	4,402,387
Total OPEB liability – ending (a)	\$ 4,402,387	\$ 4,098,926
Plan fiduciary net position		
Contributions – employer	\$ 82,449	\$ 85,278
Contributions – prefunding	35,210	5,688
Contributions – employee	—	5,688
Net investment income	3,630	3,246
Benefit payments	(82,449)	(85,278)
Administrative expense	(11)	(22)
Other expenses	—	—
Net change in plan fiduciary net position	38,829	14,600
Plan fiduciary net position – beginning	—	38,829
Plan fiduciary net position – ending (b)	\$ 38,829	\$ 53,429
State’s net OPEB liability – ending (a) – (b)	\$ 4,363,558	\$ 4,045,497
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %
Covered payroll	\$ 1,366,302	\$ 1,376,743
State’s net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %

* Restated

2019²

\$	127,060
	165,399
	(88,806)
	145,634
	(84,522)
	<u>264,765</u>
	4,098,926
\$	<u>4,363,691</u>

\$	84,522
	13,311
	13,311
	4,789
	(84,522)
	(14)
	<u>—</u>
	<u>31,397</u>
	53,391 *
\$	<u>84,788</u>

\$ 4,278,903

1.94 %

\$ 1,502,529

284.78 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 12 PLAN³		
Total OPEB liability		
Service cost	\$ 167,689	\$ 146,732
Interest on total OPEB liability	154,036	172,744
Differences between expected and actual experiences ⁵	—	(362,455)
Changes in assumptions	(433,966)	(166,573)
Benefit payments	(110,860)	(114,235)
Net change in total OPEB liability	(223,101)	(323,787)
Total OPEB liability – beginning	4,540,951	4,317,850
Total OPEB liability – ending (a)	\$ 4,317,850	\$ 3,994,063
Plan fiduciary net position		
Contributions – employer	\$ 110,860	\$ 114,235
Contributions – prefunding	1,076	8,280
Contributions – employee	1,076	8,280
Net investment income	872	1,051
Benefit payments	(110,860)	(114,235)
Administrative expense	(4)	(9)
Other expenses	—	—
Net change in plan fiduciary net position	3,020	17,602
Plan fiduciary net position – beginning	7,186	10,206
Plan fiduciary net position – ending (b)	\$ 10,206	\$ 27,808
State’s net OPEB liability – ending (a) – (b)	\$ 4,307,644	\$ 3,966,255
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %
Covered payroll	\$ 627,283	\$ 676,752
State’s net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %

* Restated

2019²

\$	129,311
	162,948
	(97,510)
	152,849
	(120,833)
	226,765
	3,994,063
\$	4,220,828

\$	120,833
	16,268
	16,268
	3,552
	(120,833)
	(9)
	—
	36,079
	27,788
	*
\$	63,867

\$ 4,156,961

1.51 %

\$ 723,964

574.19 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
OTHER FUNDED PLANS³		
Total OPEB liability		
Service cost	\$ 92,991	\$ 501,028
Interest on total OPEB liability	74,923	523,258
Differences between expected and actual experiences ⁵	—	(1,033,520)
Changes in assumptions	(197,059)	(304,299)
Benefit payments	(46,820)	(288,774)
Net change in total OPEB liability	(75,965)	(602,307)
Total OPEB liability – beginning	2,116,405	12,699,917
Total OPEB liability – ending (a)	\$ 2,040,440	\$ 12,097,610
Plan fiduciary net position		
Contributions – employer	\$ 46,820	\$ 288,774
Contributions – prefunding	10,442	32,759
Contributions – employee	2,323	32,759
Net investment income	1,589	5,578
Benefit payments	(46,820)	(288,774)
Administrative expense	(7)	(47)
Other expenses	—	—
Net change in plan fiduciary net position	14,347	71,049
Plan fiduciary net position – beginning	4,836	57,956 *
Plan fiduciary net position – ending (b)	\$ 19,183	\$ 129,005
State’s net OPEB liability – ending (a) – (b)	\$ 2,021,257	\$ 11,968,605
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %
Covered payroll	\$ 851,868	\$ 3,469,855
State’s net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %

* Restated

2019^{2,4}

\$	528,502
	581,170
	(221,816)
	506,543
	(364,207)
	<u>1,030,192</u>
	14,074,765
\$	<u>15,104,957</u>

\$	364,207
	71,376
	71,376
	16,116
	(364,207)
	(43)
	<u>—</u>
	<u>158,825</u>
	128,914 *
\$	<u>287,739</u>

\$ 14,817,218

1.90 %

\$ 4,162,765

355.95 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
UNFUNDED PLAN³		
Total OPEB liability		
Service cost.....	\$ 2,805,040	\$ 2,008,794
Interest on total OPEB liability	2,112,139	1,959,522
Differences between expected and actual experiences ⁵	—	(4,164,211)
Changes in assumptions	(6,610,919)	(1,766,620)
Benefit payments	(1,457,705)	(1,352,652)
Net change in total OPEB liability	(3,151,445)	(3,315,167)
Total OPEB liability – beginning	64,144,931	50,334,009
Total OPEB liability – ending (a)	\$ 60,993,486	\$ 47,018,842
Plan fiduciary net position		
Contributions – employer	\$ 1,457,705	\$ 1,352,652
Contributions – prefunding	—	—
Contributions – employee	—	—
Net investment income	—	—
Benefit payments	(1,457,705)	(1,352,652)
Administrative expense	—	—
Other expenses	—	—
Net change in plan fiduciary net position	—	—
Plan fiduciary net position – beginning	—	—
Plan fiduciary net position – ending (b)	\$ —	\$ —
State’s net OPEB liability – ending (a) – (b)	\$ 60,993,486	\$ 47,018,842
Plan fiduciary net position as a percentage of the total OPEB liability	— %	— %
Covered payroll	\$ 12,525,617	\$ 10,825,049
State’s net OPEB liability as a percentage of covered payroll	486.95 %	434.35 %
	(concluded)	(concluded)

2019^{2,4,6}

\$	651,082
	576,896
	(41,161)
	863,523
	(546,742)
	<u>1,503,598</u>
	15,556,199
\$	<u>17,059,797</u>

\$	546,742
	—
	—
	—
	(546,742)
	—
	—
	<u>—</u>
\$	<u>—</u>

\$ 17,059,797

— %

\$ 3,366,371

506.77 %
(concluded)

Schedule of OPEB Contributions

For the Past Fiscal Years¹

(amounts in thousands)

	2018	2019 ³
RETIREE HEALTH BENEFITS PROGRAM		
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN²		
Actuarially determined contribution	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—
Contribution deficiency	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ —	\$ —
Contributions as a percentage of covered payroll	—	—
BARGAINING UNIT 5 PLAN		
Actuarially determined contribution	\$ 204,361	\$ 210,625
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)
Contribution deficiency	<u>\$ 19,905</u>	<u>\$ 73,150</u>
Covered payroll	\$ 915,549	\$ 942,765
Contributions as a percentage of covered payroll	20.15 %	14.58 %
BARGAINING UNIT 6 PLAN		
Actuarially determined contribution	\$ 743,757	\$ 671,262
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)
Contribution deficiency	<u>\$ 240,121</u>	<u>\$ 226,201</u>
Covered payroll	\$ 2,805,093	\$ 2,819,233
Contributions as a percentage of covered payroll	17.95 %	15.79 %
BARGAINING UNIT 9 PLAN²		
Actuarially determined contribution	\$ 207,027	\$ 191,109
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)
Contribution deficiency	<u>\$ 81,556</u>	<u>\$ 88,138</u>
Covered payroll	\$ 1,444,410	\$ 1,502,529
Contributions as a percentage of covered payroll	8.69 %	6.85 %

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

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

³ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

2020³

\$	1,543,231
	(1,077,554)
\$	465,677

\$ 7,701,525

13.99 %

\$	229,183
	(139,230)
\$	89,953

\$ 958,694

14.52 %

\$	676,241
	(477,342)
\$	198,899

\$ 2,989,457

15.97 %

\$	194,353
	(131,031)
\$	63,322

\$ 1,596,949

8.21 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Years¹

(amounts in thousands)

	2018	2019 ³
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 12 PLAN²		
Actuarially determined contribution	\$ 217,883	\$ 197,202
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)
Contribution deficiency	<u><u>\$ 98,515</u></u>	<u><u>\$ 59,444</u></u>
Covered payroll	\$ 663,143	\$ 723,870
Contributions as a percentage of covered payroll	18.00 %	19.03 %
OTHER FUNDED PLANS²		
Actuarially determined contribution	\$ 109,630	\$ 608,960
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)
Contribution deficiency	<u><u>\$ 48,566</u></u>	<u><u>\$ 242,910</u></u>
Covered payroll	\$ 900,567	\$ 3,595,234
Contributions as a percentage of covered payroll	6.78 %	10.18 %
UNFUNDED PLAN²		
Actuarially determined contribution	\$ 3,199,223	\$ 2,552,923
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)
Contribution deficiency	<u><u>\$ 1,651,234</u></u>	<u><u>\$ 1,059,900</u></u>
Covered payroll	\$ 13,241,681	\$ 11,391,811
Contributions as a percentage of covered payroll	11.69 %	13.11 %

2020³

\$	198,316
	(153,368)
\$	44,948

\$ 748,801

20.48 %

\$	707,352
	(492,373)
\$	214,979

\$ 4,363,200

11.28 %

\$	977,820
	(512,702)
\$	465,118

\$ 3,536,386

14.50 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

(amounts in thousands)

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

Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets; for details see the June 30, 2019 Actuarial Valuation Report
Inflation	2.25%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years. Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years. Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter.
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board. Post-retirement mortality rates include 15 years of projected on-going mortality improvements using the Society of Actuaries 90% Scale MP 2016.

(concluded)

Infrastructure Assets Using the Modified Approach

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

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2020, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$79.6 billion; land purchased for highway projects totaling \$14.8 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling \$10.0 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling \$3.5 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2020, there were no donations of infrastructure land, and relinquishments were \$50 million of state highway infrastructure (completed highway projects) and \$10 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation (FAST) Act required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection* and the *Caltrans Bridge Element Inspection Manual*.

The State's established condition baseline for fiscal year 2019-20 is to have at least 90% of the State's bridge deck area in fair or better condition.

The following table shows the State's established condition baseline and actual statewide bridge condition for the last three fiscal years:

Fiscal Year Ended June 30	Established Condition¹	Actual Condition
2018	90.0% Fair or Better	95.3% Fair or Better
2019	90.0% Fair or Better	95.4% Fair or Better
2020	90.0% Fair or Better	95.7% Fair or Better

¹ The actual statewide bridge conditions should not be lower than the baseline condition established by the State.

The following table provides details on the State's actual bridge condition as of June 30, 2020:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	7,468	132,533,858	51.09 %
Fair	5,402	115,766,558	44.63
Poor	440	11,109,895	4.28
Total	13,310	259,410,311	100.00 %

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway's pavement condition by the following descriptions:

- Excellent/good condition – few potholes or cracks
- Fair condition – moderate number of potholes or cracks
- Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered “distressed lane miles” if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State's established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date²	Established Condition Baseline Distressed Lane Miles (maximum)³	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
December 2018 ¹	18,000	8,975	17.8 %
August 2019 ³	18,000	6,166	12.3
September 2020 ¹	18,000	5,890	11.9

¹ Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

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

³ Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported in the *Automated Pavement Condition Survey* report as of the end of 2020.

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

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	35,139	—
Fair	8,643	—
Poor	5,890	5,890
Total	49,672	5,890

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State's scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

1. Bridges

The following table shows the State's budgeted and actual preservation cost information for the State's bridges for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2016	\$ 150	\$ 150
2017	200	200
2018	268	266
2019	271	244
2020	212	171

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

2. Roadways

The following table shows the State's budgeted and actual preservation cost information for the State's roadways for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2016	\$ 4,550	\$ 3,765
2017	3,949	3,805
2018	4,065	3,803
2019	4,959	3,795
2020	5,246	2,440

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

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2020

(amounts in thousands)

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ 15,304,879	\$ 13,870,000	\$ 10,195,787	\$ (3,674,213)
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	59,923	58,000	59,755	1,755
Insurance gross premiums tax	3,022,936	3,052,000	3,134,591	82,591
Vehicle license fees	34,989	34,989	33,995	(994)
Motor vehicle fuel tax	—	—	—	—
Personal income tax	101,681,968	94,773,000	82,426,860	(12,346,140)
Retail sales and use taxes	27,185,012	24,941,000	25,507,779	566,779
Other major taxes and licenses	383,305	385,000	383,758	(1,242)
Other revenues	2,725,535	3,721,011	2,466,744	(1,254,267)
Total revenues	150,398,547	140,835,000	124,209,269	(16,625,731)
EXPENDITURES				
Business, consumer services, and housing	674,527	1,237,599	1,233,101	(4,498)
Transportation	15,794	57,009	34,909	(22,100)
Natural resources and environmental protection	2,482,498	3,185,266	2,540,747	(644,519)
Health and human services	40,021,842	42,497,652	41,143,380	(1,354,272)
Corrections and rehabilitation	12,578,650	13,317,511	13,190,294	(127,217)
Education	73,129,193	73,970,466	73,448,096	(522,370)
General government:				
Tax relief	405,565	413,706	404,270	(9,436)
Debt service	4,815,670	5,238,504	4,815,670	(422,834)
Other general government	6,615,547	8,736,298	7,851,592	(884,706)
Total expenditures	140,739,286	148,654,011	144,662,059	(3,991,952)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	1,590,985	—
Transfers to other funds	—	—	(8,044,700)	—
Other additions (deductions)	—	—	(857,178)	—
Total other financing sources (uses)	—	—	(7,310,893)	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(27,763,683)	—
Fund balances – beginning	—	—	10,205,786	—
Fund balances – ending	\$ —	\$ —	\$ (17,557,897)	\$ —

Federal				Transportation			
Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
93,454,934	93,454,934	93,454,934	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	8,452,789	7,804,021	7,604,608	(199,413)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	6,609,702	6,656,515	6,769,100	112,585
104	104	104	—	495,748	607,376	573,229	(34,147)
93,455,038	93,455,038	93,455,038	—	15,558,239	15,067,912	14,946,937	(120,975)
141,503	141,503	141,503	—	119,597	124,750	124,027	(723)
4,701,506	4,701,506	4,701,506	—	15,783,323	14,397,667	13,395,323	(1,002,344)
482,359	482,359	482,359	—	189,344	196,080	177,598	(18,482)
75,327,055	75,327,055	75,327,055	—	3,017	3,135	2,620	(515)
72,787	72,787	72,787	—	—	—	—	—
8,060,559	8,060,559	8,060,559	—	9,876	9,876	9,376	(500)
—	—	—	—	—	—	—	—
—	—	—	—	7,248	6,965	6,520	(445)
3,312,277	3,312,277	3,312,277	—	330,982	332,692	323,407	(9,285)
92,098,046	92,098,046	92,098,046	—	16,443,387	15,071,165	14,038,871	(1,032,294)
—	—	43,163,015	—	—	—	20,772,326	—
—	—	(44,520,574)	—	—	—	(20,240,113)	—
—	—	488	—	—	—	94,022	—
—	—	(1,357,071)	—	—	—	626,235	—
—	—	(79)	—	—	—	1,534,301	—
—	—	693	—	—	—	7,223,243	—
\$ —	\$ —	\$ 614	\$ —	\$ —	\$ —	\$ 8,757,544	\$ —

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2020

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	185,195	185,195	185,195	—
Other revenues	5,930,595	5,930,595	5,930,595	—
Total revenues	6,115,790	6,115,790	6,115,790	—
EXPENDITURES				
Business, consumer services, and housing	192,530	192,954	186,522	(6,432)
Transportation	875,988	876,020	875,700	(320)
Natural resources and environmental protection	7,441,094	7,394,569	6,173,749	(1,220,820)
Health and human services	94,577	95,725	80,601	(15,124)
Corrections and rehabilitation	—	—	—	—
Education	2,815	2,816	2,814	(2)
General government:				
Tax relief	—	—	—	—
Debt service	2,300	2,300	2,300	—
Other general government	258,822	251,728	227,484	(24,244)
Total expenditures	8,868,126	8,816,112	7,549,170	(1,266,942)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	780,389	—
Transfers to other funds	—	—	(463,873)	—
Other additions (deductions)	—	—	1,472,052	—
Total other financing sources (uses)	—	—	1,788,568	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	355,188	—
Fund balances – beginning	—	—	13,737,140	—
Fund balances – ending	\$ —	\$ —	\$ 14,092,328	\$ —

Health Care Related Programs			
Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
350,402	350,402	350,402	—
7,278,225	7,278,225	7,278,225	—
7,628,627	7,628,627	7,628,627	—
—	—	—	—
—	—	—	—
214	241	214	(27)
7,296,455	7,363,140	7,343,434	(19,706)
—	—	—	—
152,998	152,998	152,998	—
—	—	—	—
127	127	127	—
(23,982)	(23,981)	(23,982)	(1)
7,425,812	7,492,525	7,472,791	(19,734)
—	—	6,551	—
—	—	(991)	—
—	—	616,408	—
—	—	621,968	—
—	—	777,804	—
—	—	2,109,549	—
\$ —	\$ —	\$ 2,887,353	\$ —
(concluded)			

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

June 30, 2020

(amounts in thousands)

	Major Special Revenue Funds				
	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs
Budgetary fund balance reclassified into GAAP statement fund structure	\$ (17,557,897)	\$ 614	\$ 8,757,544	\$ 14,092,328	\$ 2,887,353
Basis difference:					
Interfund receivables	2,114,323	—	11,448	—	—
Loans receivable	31,197	235,780	—	324,058	23,000
Interfund payables	(2,582,938)	—	(985,375)	(361,093)	(4,230)
Escheat property	(987,288)	—	—	—	—
Tax revenues	26,751,626	—	—	—	—
Fund classification changes	18,267,233	8,802,510	—	—	—
Other	3,093,459	—	2,063,397	(57,148)	—
Timing difference:					
Liabilities budgeted in subsequent years	(628,115)	(11,215,229)	(569,583)	(3,254)	(1,208,161)
GAAP fund balance – ending	\$ 28,501,600	\$ (2,176,325)	\$ 9,277,431	\$ 13,994,891	\$ 1,697,962

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State's budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs' expenditures on a budgetary basis, adjustments for encumbrances are made under "other general government," except for Environmental and Natural Resources where adjustments for encumbrances are made under each program's expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance

with Government Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of \$2.1 billion in the General Fund and \$11 million in the Transportation Fund. The adjustments related to loans receivable caused increases of \$31 million in the General Fund, \$236 million in the Federal Fund, \$324 million in the Environmental and Natural Resources Fund, and \$23 million in the Health Care Related Programs Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of \$2.6 billion in the General Fund, \$985 million in the Transportation Fund, \$361 million in the Environmental and Natural Resources Fund, and \$4 million in the Health Care Related Programs Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused a \$987 million decrease in the General Fund.

Tax Revenues: Adjustments related to tax revenues caused an increase of \$26.8 billion in the General Fund (GAAP fund balance). Of this amount, \$22.2 billion pertains to amounts that would normally have been accrued on a budgetary basis but were omitted, therefore affecting the ending budgetary fund balance. This amount will be restated in the state's 2020-21 budgetary basis financial statements. Additionally, the budgetary fund balance reflects estimated tax revenues, whereas actual tax revenues were accrued on a GAAP basis. Finally, estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008; however, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of \$18.3 billion in the General Fund and \$8.8 billion in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused an increase of \$3.1 billion in the General Fund, an increase of \$2.1 billion in the Transportation Fund, and a decrease of \$57 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of \$11.2 billion in the Federal Fund, \$1.2 billion in the Health Care Related Programs Fund, \$628 million in the General Fund, \$570 million in the Transportation Fund, and \$3 million in the Environmental and Natural Resources Fund. The large decrease in the Federal Fund consists of \$8.8 billion for coronavirus relief and \$2.4 billion for unemployment programs. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds

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Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

The **No Place Like Home Fund** accounts for bond proceeds and other revenues used to implement and administer the No Place Like Home Program to reduce homelessness and provide affordable housing for individuals with mental illness.

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

(continued)

(continued)

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

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

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

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

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

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

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
ASSETS			
Cash and pooled investments	\$ 1,251,480	\$ 1,895,875	\$ 1,717,078
Investments	—	—	—
Receivables (net)	134,589	7,228	635,328
Due from other funds	349,438	595,573	1,463
Due from other governments	10,055	841	240
Interfund receivables	—	105,950	45,988
Loans receivable	157,702	2,898,555	27,195
Other assets	—	—	—
Total assets	\$ 1,903,264	\$ 5,504,022	\$ 2,427,292
LIABILITIES			
Accounts payable	\$ 112,540	\$ 127,496	\$ 48,114
Due to other funds	126,979	15,781	102,465
Due to component units	—	295	18,795
Due to other governments	6,411	432,743	120,267
Interfund payables	12,581	—	—
Revenues received in advance	49,702	1,075	—
Deposits	—	—	—
Other liabilities	36,910	229	1
Total liabilities	345,123	577,619	289,642
DEFERRED INFLOWS OF RESOURCES	—	—	315,010
Total liabilities and deferred inflows of resources	345,123	577,619	604,652
FUND BALANCES			
Nonspendable	—	—	—
Restricted	891,627	4,684,657	1,822,640
Committed	666,514	241,746	—
Assigned	—	—	—
Total fund balances	1,558,141	4,926,403	1,822,640
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,903,264	\$ 5,504,022	\$ 2,427,292

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ 2,393,707	\$ 997,293	\$ 414,937	\$ 2,520,699	\$ 11,191,069
—	326,034	126,408	—	452,442
482,264	198,551	199,967	373,464	2,031,391
126,309	185,601	—	730,185	1,988,569
—	44,383	—	37,747	93,266
40,337	71,283	—	253,491	517,049
21,889	40,204	—	213,312	3,358,857
—	17,048	—	—	17,048
\$ 3,064,506	\$ 1,880,397	\$ 741,312	\$ 4,128,898	\$ 19,649,691
\$ 1	\$ 194,570	\$ 1	\$ 384,067	\$ 866,789
48,482	46,501	—	44,372	384,580
—	—	—	8,842	27,932
2,941,987	86,212	—	333,226	3,920,846
—	—	—	13,071	25,652
—	52,660	—	92,651	196,088
—	415,650	—	34,799	450,449
—	92,376	—	16,750	146,266
2,990,470	887,969	1	927,778	6,018,602
—	—	—	174,840	489,850
2,990,470	887,969	1	1,102,618	6,508,452
—	13,702	—	—	13,702
12,712	877,968	741,311	2,689,458	11,720,373
61,324	50,890	—	336,822	1,357,296
—	49,868	—	—	49,868
74,036	992,428	741,311	3,026,280	13,141,239
\$ 3,064,506	\$ 1,880,397	\$ 741,312	\$ 4,128,898	\$ 19,649,691

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2020

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	\$ 54,091	\$ 95,512	\$ 149,603
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	162	345,780	345,942
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	\$ 54,253	\$ 441,292	\$ 495,545
LIABILITIES			
Accounts payable	\$ 1	\$ —	\$ 1
Due to other funds	52	441,292	441,344
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	53	441,292	441,345
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	53	441,292	441,345
FUND BALANCES			
Nonspendable	—	—	—
Restricted	54,200	—	54,200
Committed	—	—	—
Assigned	—	—	—
Total fund balances	54,200	—	54,200
Total liabilities, deferred inflows of resources, and fund balances	\$ 54,253	\$ 441,292	\$ 495,545

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ 219,620	\$ 14,834	\$ 891,818	\$ 17,357	\$ 219,573	\$ 1,363,202	\$ 12,703,874
—	—	—	—	—	—	452,442
—	1	—	—	13	14	2,031,405
718	79	2,590	19,981	7,957	31,325	2,365,836
235	—	2,508	—	—	2,743	96,009
—	—	—	—	4,770	4,770	521,819
—	—	—	—	87,071	87,071	3,445,928
—	—	—	—	—	—	17,048
\$ 220,573	\$ 14,914	\$ 896,916	\$ 37,338	\$ 319,384	\$ 1,489,125	\$ 21,634,361
\$ 1	\$ 100	\$ 215	\$ —	\$ 1,220	\$ 1,536	\$ 868,326
918	—	6,737	—	4,892	12,547	838,471
—	—	—	—	—	—	27,932
12,524	—	—	—	15	12,539	3,933,385
—	—	—	—	—	—	25,652
—	—	—	—	—	—	196,088
—	—	—	—	—	—	450,449
—	—	—	250	—	250	146,516
13,443	100	6,952	250	6,127	26,872	6,486,819
—	—	—	—	—	—	489,850
13,443	100	6,952	250	6,127	26,872	6,976,669
—	—	—	—	—	—	13,702
207,130	14,814	889,964	37,088	238,449	1,387,445	13,162,018
—	—	—	—	74,808	74,808	1,432,104
—	—	—	—	—	—	49,868
207,130	14,814	889,964	37,088	313,257	1,462,253	14,657,692
\$ 220,573	\$ 14,914	\$ 896,916	\$ 37,338	\$ 319,384	\$ 1,489,125	\$ 21,634,361

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
REVENUES			
Personal income taxes	\$ —	\$ 1,478,947	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	67,398	50,768	—
Other taxes	1,291	633,751	2,411,480
Intergovernmental	—	—	—
Licenses and permits	664,711	16,187	211
Charges for services	56,241	2,608	—
Fees	1,402,991	366,225	14
Penalties	16,097	2	—
Investment and interest	70,781	19,514	8,767
Escheat	—	—	—
Other	11,921	71,580	184
Total revenues	2,291,431	2,639,582	2,420,656
EXPENDITURES			
Current:			
General government	943,978	674,570	50,654
Education	25,328	5,820	110,681
Health and human services	552,816	1,850,176	1,945,581
Natural resources and environmental protection	61,367	90,364	32,982
Business, consumer services, and housing	689,951	617,940	15,590
Transportation	8,793	130	2,871
Corrections and rehabilitation	—	113,308	179
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	—	199,295	—
Interest and fiscal charges	2,681	4,188	73
Total expenditures	2,284,914	3,555,791	2,158,611
Excess (deficiency) of revenues over (under) expenditures	6,517	(916,209)	262,045
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	279,300	—
Revenue bonds issued	—	493,700	—
Refunding debt issued	—	19,770	—
Premium on bonds issued	—	16,593	—
Transfers in	71,476	850,201	287
Transfers out	(8,731)	(85,722)	(71,644)
Total other financing sources (uses)	62,745	1,573,842	(71,357)
Net change in fund balances	69,262	657,633	190,688
Fund balances – beginning	1,488,879	4,268,770	1,631,952
Fund balances – ending	\$ 1,558,141	\$ 4,926,403	\$ 1,822,640

* Restated

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ 1,478,947
14,317,229	—	—	—	14,317,229
—	—	—	—	118,166
—	—	—	—	3,046,522
—	824,833	—	—	824,833
2,944,924	—	—	10,190	3,636,223
—	65,594	—	210,758	335,201
—	500,103	—	1,423,644	3,692,977
—	319,563	—	245,577	581,239
10,085	29,761	11,383	54,391	204,682
—	1,326	—	—	1,326
—	168,469	411,986	679,981	1,344,121
17,272,238	1,909,649	423,369	2,624,541	29,581,466
4,881,734	3,684,891	530	1,475,251	11,711,608
—	—	—	12,497	154,326
10,796,973	—	—	884,237	16,029,783
—	—	—	52,554	237,267
—	—	—	32,508	1,355,989
—	—	—	1,979	13,773
1,553,360	—	—	18	1,666,865
—	—	—	—	—
—	—	154,190	—	353,485
1	58	265,519	1,360	273,880
17,232,068	3,684,949	420,239	2,460,404	31,796,976
40,170	(1,775,300)	3,130	164,137	(2,215,510)
—	—	—	—	279,300
—	—	—	—	493,700
—	—	—	—	19,770
—	—	—	—	16,593
1	1,714,240	—	405,844	3,042,049
—	(359)	—	(43,518)	(209,974)
1	1,713,881	—	362,326	3,641,438
40,171	(61,419)	3,130	526,463	1,425,928
33,865	1,053,847	738,181	2,499,817	11,715,311
\$ 74,036	\$ 992,428	\$ 741,311	\$ 3,026,280	\$ 13,141,239

(continued)

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

Nonmajor Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	Debt Service		Total Nonmajor Debt Service
	No Place Like Home Debt Service	Transportation Debt Service	
REVENUES			
Personal income taxes	\$ —	\$ —	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	—	—	—
Other taxes	—	—	—
Intergovernmental	—	—	—
Licenses and permits	—	—	—
Charges for services	—	—	—
Fees	—	—	—
Penalties	—	—	—
Investment and interest	321	—	321
Escheat	—	—	—
Other	—	—	—
Total revenues	321	—	321
EXPENDITURES			
Current:			
General government	53	—	53
Education	—	—	—
Health and human services	—	—	—
Natural resources and environmental protection	—	—	—
Business, consumer services, and housing	—	—	—
Transportation	—	—	—
Corrections and rehabilitation	—	—	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	—	814,317	814,317
Interest and fiscal charges	6,300	791,930	798,230
Total expenditures	6,353	1,606,247	1,612,600
Excess (deficiency) of revenues over (under) expenditures	(6,032)	(1,606,247)	(1,612,279)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Revenue bonds issued	6,300	—	6,300
Refunding debt issued	—	—	—
Premium on bonds issued	—	—	—
Transfers in	53,932	1,606,247	1,660,179
Transfers out	—	—	—
Total other financing sources (uses)	60,232	1,606,247	1,666,479
Net change in fund balances	54,200	—	54,200
Fund balances – beginning	—	—	—
Fund balances – ending	\$ 54,200	\$ —	\$ 54,200

Capital Projects						
Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,478,947
—	—	—	—	—	—	14,317,229
—	—	—	—	—	—	118,166
—	—	—	—	—	—	3,046,522
—	—	—	—	—	—	824,833
—	—	—	—	710	710	3,636,933
—	—	—	—	413	413	335,614
—	—	—	—	—	—	3,692,977
—	—	—	—	—	—	581,239
2,663	554	11,529	—	646	15,392	220,395
—	—	—	—	—	—	1,326
—	—	—	—	5,544	5,544	1,349,665
2,663	554	11,529	—	7,313	22,059	29,603,846
—	178,694	—	—	—	178,694	11,890,355
—	—	858,947	—	—	858,947	1,013,273
—	—	—	—	—	—	16,029,783
—	—	—	—	2,525	2,525	239,792
—	—	—	—	—	—	1,355,989
—	—	—	—	—	—	13,773
—	—	—	—	—	—	1,666,865
62,248	752	10,872	—	52,521	126,393	126,393
266,300	451,980	1,639,190	33,215	33,110	2,423,795	3,591,597
4,163	5,629	18,049	4,383	277	32,501	1,104,611
332,711	637,055	2,527,058	37,598	88,433	3,622,855	37,032,431
(330,048)	(636,501)	(2,515,529)	(37,598)	(81,120)	(3,600,796)	(7,428,585)
132,565	176,345	1,967,530	—	61,995	2,338,435	2,617,735
—	—	—	—	—	—	500,000
214,125	273,320	899,495	—	7,960	1,394,900	1,414,670
46,328	81,414	286,280	—	1,790	415,812	432,405
192	63	540	35,546	75,919	112,260	4,814,488
—	—	(974)	—	—	(974)	(210,948)
393,210	531,142	3,152,871	35,546	147,664	4,260,433	9,568,350
63,162	(105,359)	637,342	(2,052)	66,544	659,637	2,139,765
143,968	120,173	252,622	39,140	246,713	802,616	12,517,927
\$ 207,130	\$ 14,814	\$ 889,964	\$ 37,088	\$ 313,257	\$ 1,462,253	\$ 14,657,692

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds¹

Year Ended June 30, 2020

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	\$ 358,319	\$ 358,319	\$ —
Vehicle license fees	2,218,399	2,218,399	—
Personal income tax	1,478,947	1,478,947	—
Retail sales and use taxes	14,317,620	14,317,620	—
Other major taxes and licenses	16,831	16,831	—
Other revenues	7,846,966	7,846,966	—
Total revenues	26,237,082	26,237,082	—
EXPENDITURES			
Business, consumer services, and housing	1,437,459	1,272,935	(164,524)
Transportation	1,622,056	1,621,378	(678)
Natural resources and environmental protection	375,546	311,424	(64,122)
Health and human services	19,343,274	18,814,868	(528,406)
Corrections and rehabilitation	813	793	(20)
Education	1,759,082	1,668,973	(90,109)
General government:			
Tax relief	4,061	4,061	—
Other general government	7,439,096	7,081,274	(357,822)
Total expenditures	31,981,387	30,775,706	(1,205,681)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	32,712,701	—
Transfers to other funds	—	(28,124,864)	—
Other additions	—	2,233,917	—
Total other financing sources (uses)	—	6,821,754	—
Excess of revenues and other sources over expenditures and other uses	—	2,283,130	—
Fund balances – beginning, restated	—	8,068,849	—
Fund balances – ending	\$ —	\$ 10,351,979	\$ —

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

Internal Service Funds

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

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

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

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

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

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

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

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

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

Combining Statement of Net Position

Internal Service Funds

June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 701,129
Restricted assets:		
Cash and pooled investments	930,291	—
Net investment in direct financing leases	517,067	—
Receivables (net)	—	1
Due from other funds	259,915	141,562
Due from other governments	—	—
Prepaid items	—	45,490
Inventories	—	—
Total current assets	1,707,273	888,182
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	143,195	—
Net investment in direct financing leases	7,729,792	—
Interfund receivables	—	—
Loans receivable	—	—
Long-term prepaid charges	380	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	271
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(271)
Construction/development in progress	1,479,167	—
Total noncurrent assets	9,352,534	—
Total assets	11,059,807	888,182
DEFERRED OUTFLOWS OF RESOURCES	145,464	14,374
Total assets and deferred outflows of resources	\$ 11,205,271	\$ 902,556

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 170,154	\$ 324,284	\$ 12,480	\$ 47,682	\$ 47,928	\$ 211,694	\$ 1,515,351
—	—	—	—	—	—	930,291
—	—	—	—	—	—	517,067
6,279	1,975	—	9,678	1,278	93,391	112,602
96,621	1,476	—	56,367	142,260	182,999	881,200
1,076	100	—	1,976	—	22,506	25,658
119,942	1,777	4,491	803	6,137	1,700	180,340
2,288	51,940	—	—	1,457	18,501	74,186
396,360	381,552	16,971	116,506	199,060	530,791	4,236,695
—	—	—	—	—	—	143,195
—	—	—	—	—	—	7,729,792
—	—	—	—	—	42,940	42,940
—	—	—	3,224	—	16,883	20,107
—	—	—	—	—	—	380
—	—	—	—	—	2,080	2,080
181,743	228,938	2,977	150,471	41,094	83,262	688,756
13,213	4,554	2,764	7,511	5,352	1,882	35,276
(123,654)	(150,753)	(4,425)	(109,190)	(39,860)	(75,986)	(504,139)
—	2,870	344,743	—	—	645	1,827,425
71,302	85,609	346,059	52,016	6,586	71,706	9,985,812
467,662	467,161	363,030	168,522	205,646	602,497	14,222,507
148,797	73,533	—	64,612	—	157,254	604,034
\$ 616,459	\$ 540,694	\$ 363,030	\$ 233,134	\$ 205,646	\$ 759,751	\$ 14,826,541

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 34,539	\$ 6,918
Due to other funds	127,968	17,415
Due to other governments	9,460	29
Revenues received in advance	—	858,685
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	93,327	—
Current portion of long-term obligations	579,723	—
Other liabilities	13,194	926
Total current liabilities	858,211	883,973
Noncurrent liabilities:		
Interfund payables	1,865,048	3,838
Compensated absences payable	—	8,281
Workers' compensation benefits payable	—	180
Revenue bonds payable	8,311,261	—
Net other postemployment benefits liability	—	57,387
Net pension liability	—	50,950
Other noncurrent liabilities	—	—
Total noncurrent liabilities	10,176,309	120,636
Total liabilities	11,034,520	1,004,609
DEFERRED INFLOWS OF RESOURCES	6,755	10,307
Total liabilities and deferred inflows of resources	11,041,275	1,014,916
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	163,996	—
Total expendable	163,996	—
Unrestricted	—	(112,360)
Total net position (deficit)	163,996	(112,360)
Total liabilities, deferred inflows of resources, and net position	\$ 11,205,271	\$ 902,556

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 559	\$ 15,173	\$ 86	\$ 17,197	\$ 34,265	\$ 289,739	\$ 398,476
67,040	7,001	2,756	2,937	1,555	92,954	319,626
2,720	—	—	—	3	2,095	14,307
75,542	6,040	—	—	701	84,986	1,025,954
2,339	—	—	—	—	—	2,339
5,917	—	—	9,982	5,651	—	21,550
—	—	—	—	—	—	93,327
—	3,499	—	—	—	2,107	585,329
636	420	—	—	20	38	15,234
154,753	32,133	2,842	30,116	42,195	471,919	2,476,142
60,708	4,555	37,650	13,827	162,702	2,473	2,150,801
57,030	12,933	—	32,935	—	42,241	153,420
27,736	18,064	—	21	—	1,761	47,762
—	—	—	—	—	—	8,311,261
831,472	299,482	—	312,125	—	594,534	2,095,000
440,672	72,582	—	206,036	—	528,710	1,298,950
—	—	—	14,816	9,538	—	24,354
1,417,618	407,616	37,650	579,760	172,240	1,169,719	14,081,548
1,572,371	439,749	40,492	609,876	214,435	1,641,638	16,557,690
139,959	50,542	—	56,403	—	101,110	365,076
1,712,330	490,291	40,492	666,279	214,435	1,742,748	16,922,766
71,302	85,609	346,058	24,510	—	11,883	539,362
—	—	—	—	—	—	163,996
—	—	—	—	—	—	163,996
(1,167,173)	(35,206)	(23,520)	(457,655)	(8,789)	(994,880)	(2,799,583)
(1,095,871)	50,403	322,538	(433,145)	(8,789)	(982,997)	(2,096,225)
\$ 616,459	\$ 540,694	\$ 363,030	\$ 233,134	\$ 205,646	\$ 759,751	\$ 14,826,541

(concluded)

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

Internal Service Funds

Year Ended June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	\$ —	\$ 957,552
Investment and interest	24,155	—
Rent	397,252	—
Total operating revenues	421,407	957,552
OPERATING EXPENSES		
Personal services	—	38,386
Supplies	—	—
Services and charges	4,430	917,877
Depreciation	—	—
Interest expense	353,371	—
Amortization of long-term prepaid charges	84	—
Total operating expenses	357,885	956,263
Operating income (loss)	63,522	1,289
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	1,207	—
Interest expense and fiscal charges	—	—
Other	(108,832)	—
Total nonoperating revenues (expenses)	(107,625)	—
Income (loss) before transfers	(44,103)	1,289
Transfers in	—	6,256
Transfers out	—	—
Change in net position	(44,103)	7,545
Total net position (deficit) – beginning	208,099	(119,905)
Total net position (deficit) – ending	\$ 163,996	\$ (112,360)

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 754,445	\$ 427,279	\$ 6,000	\$ 413,630	\$ 614,387	\$ 1,076,278	\$ 4,249,571
—	—	—	—	—	—	24,155
—	—	—	—	—	—	397,252
754,445	427,279	6,000	413,630	614,387	1,076,278	4,670,978
278,113	126,818	—	119,223	—	350,904	913,444
—	4,270	—	—	27,547	—	31,817
390,129	202,632	4,045	249,089	588,483	756,977	3,113,662
19,093	10,887	429	17,522	3,807	1,459	53,197
—	—	—	450	—	—	353,821
—	—	—	—	—	—	84
687,335	344,607	4,474	386,284	619,837	1,109,340	4,466,025
67,110	82,672	1,526	27,346	(5,450)	(33,062)	204,953
—	396	—	1,453	—	2,130	5,186
(684)	(133)	—	(285)	—	(478)	(1,580)
—	(316)	—	(741)	—	—	(109,889)
(684)	(53)	—	427	—	1,652	(106,283)
66,426	82,619	1,526	27,773	(5,450)	(31,410)	98,670
25,113	—	—	—	—	11,845	43,214
(37,612)	—	—	—	—	(13,278)	(50,890)
53,927	82,619	1,526	27,773	(5,450)	(32,843)	90,994
(1,149,798)	(32,216)	321,012	(460,918)	(3,339)	(950,154)	(2,187,219)
\$ (1,095,871)	\$ 50,403	\$ 322,538	\$ (433,145)	\$ (8,789)	\$ (982,997)	\$ (2,096,225)

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 11,889	\$ —
Receipts from interfund services provided	875,367	973,857
Payments to suppliers	(1,210)	(886,855)
Payments to employees	—	(37,763)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(409,675)	(636)
Net cash provided by (used in) operating activities	476,371	48,603
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	981,771	(6,950)
Interest paid	—	—
Transfers in	—	6,256
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	981,771	(694)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,073,916)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	599,379	—
Retirement of revenue bonds	(635,985)	—
Interest paid	—	—
Net cash used in capital and related financing activities	(1,110,522)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	1,207	—
Net cash provided by (used in) investing activities	1,207	—
Net increase (decrease) in cash and pooled investments	348,827	47,909
Cash and pooled investments – beginning	724,659	653,220
Cash and pooled investments – ending	\$ 1,073,486	\$ 701,129

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,889
—	432,358	—	413,545	561,571	995,349	4,252,047
673,565	(203,366)	—	(272,907)	(17,490)	(717,021)	(1,425,284)
(405,146)	(113,212)	—	(128,821)	—	(354,923)	(1,039,865)
(283,731)	(18,501)	(1,198)	—	—	(91,533)	(394,963)
—	—	—	—	(588,483)	—	(588,483)
4,712	(189)	—	(16,129)	5,550	(9,874)	(426,241)
(10,600)	97,090	(1,198)	(4,312)	(38,852)	(178,002)	389,100
—	—	—	975	—	(63,954)	(62,979)
(175)	(874)	—	(939)	67,910	(15,078)	1,025,665
(684)	(57)	—	—	—	(392)	(1,133)
25,113	—	—	—	—	12,018	43,387
(37,612)	—	—	—	—	(13,451)	(51,063)
(13,358)	(931)	—	36	67,910	(80,857)	953,877
(21,605)	(10,530)	(5,456)	(14,847)	(3,849)	(2,450)	(1,132,653)
1,274	506	—	11	—	1,216	3,007
—	—	—	—	—	—	599,379
—	—	—	—	—	—	(635,985)
—	—	—	(285)	—	—	(285)
(20,331)	(10,024)	(5,456)	(15,121)	(3,849)	(1,234)	(1,166,537)
—	493	—	1,453	—	2,130	5,283
—	493	—	1,453	—	2,130	5,283
(44,289)	86,628	(6,654)	(17,944)	25,209	(257,963)	181,723
214,443	237,656	19,134	65,626	22,719	469,657	2,407,114
\$ 170,154	\$ 324,284	\$ 12,480	\$ 47,682	\$ 47,928	\$ 211,694	\$ 2,588,837

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2020

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 63,522	\$ 1,289
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(88,945)	—
Amortization of long-term prepaid charges	84	—
Other	14,219	—
Change in account balances:		
Receivables	—	52
Due from other funds	1,453	(49,126)
Due from other governments	—	—
Prepaid items	—	29,990
Inventories	—	—
Net investment in direct financing leases	491,492	—
Deferred outflow of resources	—	(338)
Accounts payable	(275)	1,032
Due to other funds	(486)	8,548
Due to other governments	—	29
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(3,211)	—
Revenues received in advance	—	56,831
Other current liabilities	(1,482)	(665)
Benefits payable	—	—
Compensated absences payable	—	628
Other noncurrent liabilities	—	1,937
Deferred inflow of resources	—	(1,604)
Total adjustments	412,849	47,314
Net cash provided by (used in) operating activities	\$ 476,371	\$ 48,603
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 67,110	\$ 82,672	\$ 1,526	\$ 27,346	\$ (5,450)	\$ (33,062)	\$ 204,953
19,093	10,887	429	17,522	3,807	1,459	53,197
—	—	—	—	—	—	(88,945)
—	—	—	—	—	—	84
—	(189)	—	—	—	(86)	13,944
(4,523)	(207)	5	387	4,742	(17,306)	(16,850)
(55,270)	(305)	515	543	(60,566)	(36,190)	(198,946)
(708)	1	—	(1,596)	—	(9,348)	(11,651)
5,865	(1,007)	36	260	955	352	36,451
3,450	(8,651)	—	—	(398)	1,382	(4,217)
—	—	—	—	—	—	491,492
(25,426)	(40,783)	—	(10,093)	—	(27,315)	(103,955)
(24,332)	1,312	(974)	(24,078)	9,499	38,308	492
8,913	(6,563)	(2,735)	(1,015)	2,874	(104,543)	(95,007)
2,441	—	—	—	(31)	(178)	2,261
1,057	—	—	—	—	—	1,057
1,336	—	—	(4,152)	925	—	(1,891)
—	—	—	—	—	—	(3,211)
(30,000)	5,222	—	—	134	(14,423)	17,764
586	(32)	—	—	—	(348)	(1,941)
—	—	—	—	—	(8)	(8)
(859)	1,531	—	3,673	—	563	5,536
46,463	55,647	—	(2,197)	4,657	49,477	155,984
(25,796)	(2,445)	—	(10,912)	—	(26,736)	(67,493)
(77,710)	14,418	(2,724)	(31,658)	(33,402)	(144,940)	184,147
\$ (10,600)	\$ 97,090	\$ (1,198)	\$ (4,312)	\$ (38,852)	\$ (178,002)	\$ 389,100
						(concluded)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 117,460	\$ 117,460

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

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

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

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

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ 532,437	\$ 211,341
Restricted assets:		
Cash and pooled investments	341,425	17,981
Due from other governments	156,656	26,183
Receivables (net)	—	6,386
Due from other funds	6,214	12,774
Due from other governments	112,676	98,469
Prepaid items	—	—
Inventories	—	—
Total current assets	1,149,408	373,134
Noncurrent assets:		
Restricted assets:		
Loans receivable	1,872,124	113,910
Investments	—	—
Interfund receivables	4,490	—
Loans receivable	2,725,468	1,593,859
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	—
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	—
Construction/development in progress	—	—
Other noncurrent assets	—	—
Total noncurrent assets	4,602,082	1,707,769
Total assets	5,751,490	2,080,903
DEFERRED OUTFLOWS OF RESOURCES	—	—
Total assets and deferred outflows of resources	\$ 5,751,490	\$ 2,080,903

Housing Loan	Other Enterprise Programs	Total
\$ 243,897	\$ 260,779	\$ 1,248,454
—	—	359,406
—	—	182,839
37,844	663	44,893
—	3,270	22,258
—	492	211,637
—	20	20
—	5,000	5,000
281,741	270,224	2,074,507
—	—	1,986,034
20,024	—	20,024
—	4,702	9,192
1,012,090	93,789	5,425,206
443	829	1,272
16,260	9,761	26,021
—	1,761	1,761
(16,259)	(4,980)	(21,239)
—	106	106
6,741	—	6,741
1,039,299	105,968	7,455,118
1,321,040	376,192	9,529,625
3,720	11,503	15,223
\$ 1,324,760	\$ 387,695	\$ 9,544,848

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ —	\$ —
Due to other funds	—	8,064
Due to other governments	—	5
Revenues received in advance	3	—
Interest payable	14,461	997
Current portion of long-term obligations	104,341	7,496
Other current liabilities	—	—
Total current liabilities	118,805	16,562
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,225,508	87,737
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,225,508	87,737
Total liabilities	1,344,313	104,299
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	1,344,313	104,299
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	341,425	—
Security for revenue bonds	2,028,780	—
Other purposes	—	1,976,604
Total expendable	2,370,205	1,976,604
Unrestricted	2,036,972	—
Total net position	4,407,177	1,976,604
Total liabilities, deferred inflows of resources, and net position	\$ 5,751,490	\$ 2,080,903

Housing Loan	Other Enterprise Programs	Total
\$ 352	\$ 11,295	\$ 11,647
3,566	1,170	12,800
—	176	181
—	30	33
14,850	—	30,308
38,390	11,887	162,114
—	—	—
57,158	24,558	217,083
1,502	21,220	22,722
—	6,611	6,611
—	2,802	2,802
751,127	—	751,127
363,026	—	1,676,271
8,032	28,877	36,909
13,571	25,203	38,774
1,704	9,796	11,500
1,138,962	94,509	2,546,716
1,196,120	119,067	2,763,799
20,515	5,426	25,941
1,216,635	124,493	2,789,740
444	2,799	3,243
—	—	341,425
—	—	2,028,780
107,681	197,369	2,281,654
107,681	197,369	4,651,859
—	63,034	2,100,006
108,125	263,202	6,755,108
\$ 1,324,760	\$ 387,695	\$ 9,544,848
(concluded)		

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

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	\$ 6,482	\$ —
Investment and interest	66,601	25,343
Other	—	—
Total operating revenues	73,083	25,343
OPERATING EXPENSES		
Personal services	—	14,141
Supplies	—	—
Services and charges	9,761	—
Depreciation	—	—
Interest expense	—	—
Other	353	9,138
Total operating expenses	10,114	23,279
Operating income (loss)	62,969	2,064
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	132,847	87,990
Investment and interest income	14,027	4,374
Interest expense and fiscal charges	(35,174)	(1,728)
Other	—	—
Total nonoperating revenues (expenses)	111,700	90,636
Income (loss) before capital contributions and transfers	174,669	92,700
Transfers in	—	—
Transfers out	—	—
Change in net position	174,669	92,700
Total net position – beginning	4,232,508	1,883,904
Total net position – ending	\$ 4,407,177	\$ 1,976,604

Housing Loan	Other Enterprise Programs	Total
\$ 1,952	\$ 99,676	\$ 108,110
56,880	1,130	149,954
2,756	1,264	4,020
61,588	102,070	262,084
1,565	33,839	49,545
—	49,189	49,189
13,898	22,255	45,914
—	1,704	1,704
38,193	—	38,193
—	—	9,491
53,656	106,987	194,036
7,932	(4,917)	68,048
—	—	220,837
—	3,804	22,205
—	(36)	(36,938)
402	—	402
402	3,768	206,506
8,334	(1,149)	274,554
—	125	125
—	—	—
8,334	(1,024)	274,679
99,791	264,226	6,480,429
\$ 108,125	\$ 263,202	\$ 6,755,108

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ 60,699	\$ 26,721
Receipts from interfund services provided	488	—
Payments to suppliers	(10,122)	(31,812)
Payments to employees	—	—
Payments for interfund services used	—	—
Other receipts (payments)	(12,585)	(130,086)
Net cash provided by (used in) operating activities	38,480	(135,177)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	(184)	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(77,170)	(3,065)
Interest paid	(59,206)	(3,855)
Transfers in	—	—
Transfers out	—	—
Grants received	132,810	92,800
Net cash provided by (used in) noncapital financing activities	(3,750)	85,880
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Net cash provided by (used in) capital and related financing activities	—	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	—
Proceeds from maturity and sale of investments	—	—
Earnings on investments	16,185	4,938
Net cash provided by (used in) investing activities	16,185	4,938
Net increase (decrease) in cash and pooled investments	50,915	(44,359)
Cash and pooled investments – beginning	822,947	273,681
Cash and pooled investments – ending	\$ 873,862	\$ 229,322

Housing Loan	Other Enterprise Programs	Total
\$ 228,035	\$ 102,364	\$ 417,819
—	1,215	1,703
(12,774)	(65,227)	(119,935)
(1,565)	(28,455)	(30,020)
(1,502)	(2,079)	(3,581)
(217,054)	(14,180)	(373,905)
(4,860)	(6,362)	(107,919)
—	(1,385)	(1,569)
1,502	1,070	2,572
—	—	—
(44,930)	—	(44,930)
—	—	—
(17,980)	—	(98,215)
—	(36)	(63,097)
—	125	125
—	—	—
—	—	225,610
(61,408)	(226)	20,496
—	(59)	(59)
—	—	—
—	(59)	(59)
(2,344)	—	(2,344)
1,902	—	1,902
—	3,804	24,927
(442)	3,804	24,485
(66,710)	(2,843)	(62,997)
310,607	263,622	1,670,857
\$ 243,897	\$ 260,779	\$ 1,607,860

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 62,969	\$ 2,064
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(14,383)	—
Change in account balances:		
Receivables	—	—
Due from other funds	488	—
Due from other governments	3,521	1,377
Prepaid items	—	—
Inventories	—	—
Other current assets	—	—
Other noncurrent assets	—	—
Loans receivable	(14,107)	(130,086)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	(8)	(8,532)
Due to other governments	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	—
Deferred inflows of resources	—	—
Total adjustments	(24,489)	(137,241)
Net cash provided by (used in) operating activities	\$ 38,480	\$ (135,177)
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

Housing Loan	Other Enterprise Programs	Total
\$ 7,932	\$ (4,917)	\$ 68,048
—	1,704	1,704
192	—	192
(649)	—	(649)
—	—	(14,383)
172	(136)	36
—	51	539
—	137	5,035
—	9	9
—	(1,760)	(1,760)
(5,016)	—	(5,016)
—	—	—
(3,732)	1,684	(146,241)
(3,076)	(1,384)	(4,460)
1,053	3,742	4,795
347	(2,151)	(10,344)
—	(426)	(426)
(651)	—	(651)
—	(17)	(17)
—	566	566
—	5,657	5,657
—	(2,972)	(2,972)
(3,663)	(6,135)	(9,798)
2,231	(14)	2,217
<u>(12,792)</u>	<u>(1,445)</u>	<u>(175,967)</u>
<u>(4,860)</u>	<u>(6,362)</u>	<u>(107,919)</u>
		(concluded)
\$ 1,058	\$ —	\$ 1,058

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Private Purpose Trust Funds

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

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

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

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

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2020

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	\$ 4,428	\$ 1	\$ 12,118	\$ 16,547
Investments, at fair value:				
Equity securities	4,672,286	—	—	4,672,286
Debt securities	2,969,038	—	—	2,969,038
Real estate	246,390	—	—	246,390
Other	2,103,711	—	28,161	2,131,872
Total investments	9,991,425	—	28,161	10,019,586
Receivables (net)	1,246	135,542	178	136,966
Due from other funds	—	—	37	37
Other assets	—	196,502	—	196,502
Total assets	9,997,099	332,045	40,494	10,369,638
LIABILITIES				
Accounts payable	5,830	49,834	9,819	65,483
Deposits	—	196,502	—	196,502
Other liabilities	—	2	1,358	1,360
Total liabilities	5,830	246,338	11,177	263,345
NET POSITION				
Held in trust for individuals, organizations, or other governments	<u>\$ 9,991,269</u>	<u>\$ 85,707</u>	<u>\$ 29,317</u>	<u>\$ 10,106,293</u>

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2020

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ —	\$ —	\$ 269	\$ 269
Interest, dividends, and other investment income	394,762	—	223	394,985
Less: investment expense	(3,397)	—	(15)	(3,412)
Net investment income	391,365	—	477	391,842
Receipts from depositors	3,525,654	805,970	35,588	4,367,212
Total additions	3,917,019	805,970	36,065	4,759,054
DEDUCTIONS				
Administrative expenses	—	5,295	43	5,338
Interest expense	—	121	—	121
Payments to and for depositors	3,283,771	800,623	13,888	4,098,282
Total deductions	3,283,771	806,039	13,931	4,103,741
Change in net position	633,248	(69)	22,134	655,313
Net position – beginning	9,358,021	85,776	7,183 *	9,450,980
Net position – ending	\$ 9,991,269	\$ 85,707	\$ 29,317	\$ 10,106,293

* Restated

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Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

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The **Defined Benefit Other Postemployment Benefits (OPEB) Plan** provides defined benefit OPEB, other than pensions, to employees after separation from service:

The **Annuitants' Health Care Coverage Fund** is administered by CalPERS as the California Employers' Retiree Benefit Trust Fund (CERBTf), an agent multiple-employer plan for employers to prefund health, dental, and other nonpension postemployment benefits for state and local government annuitants, and to pay related administrative costs.

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Teachers' Health Benefits Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2020

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ASSETS			
Cash and pooled investments	\$ 2,814,166	\$ 194,168	\$ 2,281
Investments, at fair value:			
Short-term	25,896,518	11,738,484	45,562
Equity securities	196,036,941	113,421,440	—
Debt securities	102,063,458	41,713,439	—
Real estate	43,008,182	34,827,385	—
Securities lending collateral	1,225,270	24,026,405	—
Other	26,496,420	48,025,249	—
Total investments	394,726,789	273,752,402	45,562
Receivables (net)	2,966,321	4,398,304	1,551
Due from other funds	937,109	—	62
Loans receivable	—	2,493,274	—
Other assets	343,158	385,685	—
Total assets	401,787,543	281,223,833	49,456
DEFERRED OUTFLOWS OF RESOURCES	128,697	77,097	540
Total assets and deferred outflows of resources	401,916,240	281,300,930	49,996
LIABILITIES			
Accounts payable	8,154	4,496,400	221
Due to other governments	—	1	—
Benefits payable	2,180,130	1,615,087	—
Securities lending obligations	1,225,672	24,057,981	—
Loans payable	—	2,497,447	—
Other liabilities	5,949,207	1,533,476	5,590
Total liabilities	9,363,163	34,200,392	5,811
DEFERRED INFLOWS OF RESOURCES	100,536	116,794	458
Total liabilities and deferred inflows of resources	9,463,699	34,317,186	6,269
NET POSITION			
Restricted for pension and other postemployment benefits	392,452,541	246,983,744	43,727
Held in trust for:			
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	\$ 392,452,541	\$ 246,983,744	\$ 43,727

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 9,709	\$ 1,897	\$ 23,899	\$ 14,336	\$ 18,713	\$	3,079,169
84	7	36,784	2,917,988	11,276		40,646,703
1,231,610	42,977	7,971,301	10,180,111	69,484		328,953,864
635,275	71,279	3,668,775	2,267,313	44,204		150,463,743
—	—	—	—	—		77,835,567
—	—	—	—	—		25,251,675
—	—	—	3,349,196	—		77,870,865
1,866,969	114,263	11,676,860	18,714,608	124,964		701,022,417
9,348	54	86,700	40,236	2,356		7,504,870
44	—	49	653	623		938,540
—	—	—	5,671	—		2,498,945
—	—	—	—	—		728,843
1,886,070	116,214	11,787,508	18,775,504	146,656		715,772,784
677	187	1,198	848	168		209,412
1,886,747	116,401	11,788,706	18,776,352	146,824		715,982,196
272	65	863	3,122	6,190		4,515,287
—	—	—	—	—		1
—	582	71,928	618	751		3,869,096
—	—	—	—	—		25,283,653
—	—	—	—	8		2,497,455
5,951	1,589	10,804	13,305	3,393		7,523,315
6,223	2,236	83,595	17,045	10,342		43,688,807
517	117	1,172	1,564	589		221,747
6,740	2,353	84,767	18,609	10,931		43,910,554
1,880,007	114,048	11,703,939	—	124,368		653,302,374
—	—	—	18,757,743	—		18,757,743
—	—	—	—	11,525		11,525
\$ 1,880,007	\$ 114,048	\$ 11,703,939	\$ 18,757,743	\$ 135,893	\$	672,071,642

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2020

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer	\$ 22,943,561	\$ 6,080,060	\$ 243,131
Plan member	4,901,000	3,735,042	2,843
Non-employer	—	4,446,836	—
Total contributions	27,844,561	14,261,938	245,974
Investment income:			
Net appreciation (depreciation) in fair value of investments	12,041,606	5,165,995	—
Interest, dividends, and other investment income	7,605,180	5,607,446	891
Less: investment expense	(1,034,533)	(670,363)	(6)
Net investment income (loss)	18,612,253	10,103,078	885
Other	13,845	101,423	2,202
Total additions	46,470,659	24,466,439	249,061
DEDUCTIONS			
Distributions to beneficiaries	25,781,920	15,921,966	212,775
Refunds of contributions	323,180	102,711	458
Administrative expense	524,451	225,217	2,270
Interest expense	—	94,689	—
Payments to and for depositors	—	—	—
Total deductions	26,629,551	16,344,583	215,503
Change in net position	19,841,108	8,121,856	33,558
Net position – beginning	372,611,433	238,861,888	10,169
Net position – ending	\$ 392,452,541	\$ 246,983,744	\$ 43,727

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 91,147	\$ 98	\$ 4,634,449	\$ 716	\$ 38,208	\$	34,031,370
35,796	22	—	983,926	45,643		9,704,272
—	—	—	—	—		4,446,836
126,943	120	4,634,449	984,642	83,851		48,182,478
80,569	7,051	406,742	496,921	5,909		18,204,793
474	23	691	26,754	158		13,241,617
(969)	(63)	(4,824)	(675)	(45)		(1,711,478)
80,074	7,011	402,609	523,000	6,022		29,734,932
—	2	9,094	25,225	2,307		154,098
207,017	7,133	5,046,152	1,532,867	92,180		78,071,508
34,547	6,939	3,139,646	66,352	76,360		45,240,505
—	—	—	6,122	—		432,471
2,552	550	5,161	28,756	3,029		791,986
—	—	—	—	—		94,689
—	—	12,711	514,179	6,138		533,028
37,099	7,489	3,157,518	615,409	85,527		47,092,679
169,918	(356)	1,888,634	917,458	6,653		30,978,829
1,710,089	114,404	9,815,305	17,840,285	129,240		641,092,813
\$ 1,880,007	\$ 114,048	\$ 11,703,939	\$ 18,757,743	\$ 135,893	\$	672,071,642

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Agency Funds

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Following are brief descriptions of agency funds.

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

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

Other agency activity funds account for other assets held by the State, which acts as an agent for individuals, private organizations, and other governments.

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2020

(amounts in thousands)

	Receiving and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	\$ 2,291,070	\$ 1,502,298	\$ 34,461	\$ 3,827,829
Receivables (net)	4,562,287	443,517	1,033	5,006,837
Due from other funds	33,917,840	56,439	1,060	33,975,339
Due from other governments	79,298	19	—	79,317
Interfund receivable	7,345	136,646	1,958	145,949
Loans receivable	4,805	74,024	3,751	82,580
Other assets	—	39,822	—	39,822
Total assets	\$ 40,862,645	\$ 2,252,765	\$ 42,263	\$ 43,157,673
LIABILITIES				
Accounts payable	\$ 27,855,862	\$ 65,011	\$ 4,666	\$ 27,925,539
Due to other governments	12,950,189	20,952	7,201	12,978,342
Tax overpayments	4,298	—	—	4,298
Revenues received in advance	—	679	—	679
Deposits	34,941	1,373,216	15,440	1,423,597
Other liabilities	17,355	792,907	14,956	825,218
Total liabilities	\$ 40,862,645	\$ 2,252,765	\$ 42,263	\$ 43,157,673

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2020

(amounts in thousands)

Receipting and Disbursing Fund

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 3,068,160	\$ 188,609,819	\$ 189,386,909	\$ 2,291,070
Receivables (net)	3,869,318	7,159,499	6,466,530	4,562,287
Due from other funds	27,260,281	45,776,625	39,119,066	33,917,840
Due from other governments	140,365	79,298	140,365	79,298
Prepaid Expenses	—	26,764	26,764	—
Interfund receivable	15,874	7,345	15,874	7,345
Loan receivable	933	4,805	933	4,805
Total assets	\$ 34,354,931	\$ 241,664,155	\$ 235,156,441	\$ 40,862,645
LIABILITIES				
Accounts payable	\$ 21,144,521	\$ 70,804,908	\$ 64,093,567	\$ 27,855,862
Due to other governments	13,155,916	17,141,501	17,347,228	12,950,189
Tax overpayments	7,613	196,347	199,662	4,298
Deposits	31,262	174,364	170,685	34,941
Other liabilities	15,619	30,315	28,579	17,355
Total liabilities	\$ 34,354,931	\$ 88,347,435	\$ 81,839,721	\$ 40,862,645

Deposit Fund

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 1,186,990	\$ 28,429,761	\$ 28,114,453	\$ 1,502,298
Receivables (net)	713,812	2,732,727	3,003,022	443,517
Due from other funds	60,665	177,968	182,194	56,439
Due from other governments	—	19	—	19
Prepaid Expenses	—	3,160	3,160	—
Interfund receivable	181,491	—	44,845	136,646
Loan receivables	10,663	63,361	—	74,024
Other assets	805,929	—	766,107	39,822
Total assets	\$ 2,959,550	\$ 31,406,996	\$ 32,113,781	\$ 2,252,765
LIABILITIES				
Accounts payable	\$ 87,615	\$ 3,711,211	\$ 3,733,815	\$ 65,011
Due to other governments	21,573	8,428	9,049	20,952
Revenues received in advance	679	—	—	679
Deposits	2,066,654	15,750,234	16,443,672	1,373,216
Other liabilities	783,029	9,755,810	9,745,932	792,907
Total liabilities	\$ 2,959,550	\$ 29,225,683	\$ 29,932,468	\$ 2,252,765

Other Agency Activity Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 29,366	\$ 29,704	\$ 24,609	\$ 34,461
Receivables (net)	1,487	1	455	1,033
Due from other funds	1,414	104	458	1,060
Interfund receivable	1,698	260	—	1,958
Loans receivable	3,549	987	785	3,751
Total assets	\$ 37,514	\$ 31,056	\$ 26,307	\$ 42,263
LIABILITIES				
Accounts payable	\$ 3,265	\$ 3,730	\$ 2,329	\$ 4,666
Due to other governments	7,060	12,494	12,353	7,201
Deposits	11,899	5,539	1,998	15,440
Other liabilities	15,290	726	1,060	14,956
Total liabilities	\$ 37,514	\$ 22,489	\$ 17,740	\$ 42,263

Total Agency Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	\$ 4,284,516	\$ 217,069,284	\$ 217,525,971	\$ 3,827,829
Receivables (net)	4,584,617	9,892,227	9,470,007	5,006,837
Due from other funds	27,322,360	45,954,697	39,301,718	33,975,339
Due from other governments	140,365	79,317	140,365	79,317
Prepaid Expense	—	29,924	29,924	—
Interfund receivable	199,063	7,605	60,719	145,949
Loans receivable	15,145	69,153	1,718	82,580
Other assets	805,929	—	766,107	39,822
Total assets	\$ 37,351,995	\$ 273,102,207	\$ 267,296,529	\$ 43,157,673
LIABILITIES				
Accounts payable	\$ 21,235,401	\$ 74,519,849	\$ 67,829,711	\$ 27,925,539
Due to other governments	13,184,549	17,162,423	17,368,630	12,978,342
Tax overpayments	7,613	196,347	199,662	4,298
Revenues received in advance	679	—	—	679
Deposits	2,109,815	15,930,137	16,616,355	1,423,597
Other liabilities	813,938	9,786,851	9,775,571	825,218
Total liabilities	\$ 37,351,995	\$ 117,595,607	\$ 111,789,929	\$ 43,157,673

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

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

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2019.

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	\$ 6,084	\$ 510,781
Investments	—	672,043
Restricted assets:		
Cash and pooled investments	302,486	—
Investments	22,650	—
Receivables (net)	26,091	461,572
Prepaid items	313	—
Other current assets	—	34,061
Total current assets	357,624	1,678,457
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	56,075
Investments	92,970	—
Investments	—	2,224,255
Receivables (net)	—	338,486
Loans receivable	408,551	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	135,503
Collections – nondepreciable	—	12,922
Buildings and other depreciable property	9	1,312,200
Intangible assets – amortizable	—	7,786
Less: accumulated depreciation/amortization	(8)	(675,000)
Construction/development in progress	—	71,398
Intangible assets – nonamortizable	—	6,637
Other noncurrent assets	—	41,642
Total noncurrent assets	501,522	3,531,904
Total assets	859,146	5,210,361
DEFERRED OUTFLOWS OF RESOURCES	5,485	36,209
Total assets and deferred outflows of resources	\$ 864,631	\$ 5,246,570

District Agricultural Associations	Other Component Units	Total
\$ 103,405	\$ 740,941	\$ 1,361,211
—	—	672,043
33,756	64	336,306
3,296	—	25,946
8,995	26,688	523,346
1,842	1,130	3,285
1,900	—	35,961
153,194	768,823	2,958,098
—	—	56,075
3,333	—	96,303
—	81,549	2,305,804
—	2,501	340,987
—	74	408,625
—	126	126
22,246	5,089	162,838
—	421	13,343
786,193	180,675	2,279,077
—	1,087	8,873
(523,818)	(55,361)	(1,254,187)
31,787	20,332	123,517
—	116	6,753
—	11,354	52,996
319,741	247,963	4,601,130
472,935	1,016,786	7,559,228
28,827	36,220	106,741
\$ 501,762	\$ 1,053,006	\$ 7,665,969

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,607	\$ 113,300
Revenues received in advance	400	94,989
Deposits	—	—
Contracts and notes payable	—	11,515
Interest payable	3,356	—
Current portion of long-term obligations	14,647	191,818
Other current liabilities	52,930	114,302
Total current liabilities	73,940	525,924
Noncurrent liabilities:		
Compensated absences payable	397	7,013
Workers' compensation benefits payable	—	17,851
Loans payable	739	—
Commercial paper and other borrowings	—	1,782
Capital lease obligations	—	236,004
Revenue bonds payable	306,297	57,641
Net other postemployment benefits liability	8,595	119,543
Net pension liability	9,265	99,240
Revenues received in advance	—	—
Other noncurrent liabilities	31,988	537,529
Total noncurrent liabilities	357,281	1,076,603
Total liabilities	431,221	1,602,527
DEFERRED INFLOWS OF RESOURCES	2,281	59,507
Total liabilities and deferred inflows of resources	433,502	1,662,034
NET POSITION		
Net investment in capital assets	—	329,264
Restricted:		
Nonexpendable – endowments	—	1,414,654
Expendable:		
Endowments and gifts	—	—
Education	—	1,184,530
Statute	431,514	—
Other purposes	4	—
Total expendable	431,518	1,184,530
Unrestricted	(389)	656,088
Total net position	431,129	3,584,536
Total liabilities, deferred inflows of resources, and net position	\$ 864,631	\$ 5,246,570

District Agricultural Associations	Other Component Units	Total
\$ 12,713	\$ 746,311	\$ 874,931
12,160	1,101	108,650
1,545	273	1,818
26	—	11,541
492	—	3,848
1,949	3,964	212,378
5,386	3,963	176,581
34,271	755,612	1,389,747
10,374	—	17,784
215	—	18,066
11,354	—	12,093
—	—	1,782
—	—	236,004
40,621	72,937	477,496
20,988	83,652	232,778
104,076	74,745	287,326
6,157	—	6,157
30,334	10,507	610,358
224,119	241,841	1,899,844
258,390	997,453	3,289,591
14,775	31,082	107,645
273,165	1,028,535	3,397,236
257,179	77,104	663,547
—	25,327	1,439,981
—	13,279	13,279
—	17,527	1,202,057
—	—	431,514
17,876	—	17,880
17,876	30,806	1,664,730
(46,458)	(108,766)	500,475
228,597	24,471	4,268,733
\$ 501,762	\$ 1,053,006	\$ 7,665,969
		(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	\$ 2,351	\$ 358,355
Scholarships and fellowships	—	87,380
Supplies	—	—
Services and charges	2,223	1,188,182
Depreciation	1	58,140
Interest expense and fiscal charges	10,506	20,301
Other	—	47,853
Total operating expenses	15,081	1,760,211
PROGRAM REVENUES		
Charges for services	2,347	680,209
Operating grants and contributions	50,861	696,319
Capital grants and contributions	—	8,447
Total program revenues	53,208	1,384,975
Net revenues (expenses)	38,127	(375,236)
GENERAL REVENUES		
Investment and interest income	20,027	78,637
Other	2,731	442,971
Total general revenues	22,758	521,608
Change in net position	60,885	146,372
Net position – beginning	370,244	3,438,164
Net position – ending	\$ 431,129	\$ 3,584,536

District Agricultural Associations	Other Component Units	Total
\$ —	\$ 48,678	\$ 409,384
—	7,779	95,159
—	14,236	14,236
82,227	38,981	1,311,613
21,608	2,998	82,747
1,755	648	33,210
432	10,227	58,512
106,022	123,547	2,004,861
271,914	60,243	1,014,713
—	20,215	767,395
3,370	1,042	12,859
275,284	81,500	1,794,967
169,262	(42,047)	(209,894)
294	10,162	109,120
5,903	20,498	472,103
6,197	30,660	581,223
175,459	(11,387)	371,329
53,138	35,858	3,897,404
\$ 228,597	\$ 24,471	\$ 4,268,733

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Statistical Section

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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. This section includes the following financial trend schedules.

Schedule of Net Position by Component

Schedule of Changes in Net Position

Schedule of Fund Balances – Governmental Funds

Schedule of Changes in Fund Balances – Governmental Funds

Source: The information in the following schedules is derived from the State's Annual Comprehensive Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2011 ²	2012	2013	2014 ³
Governmental activities				
Net investment in capital assets	\$ 85,460,957	\$ 80,768,527	\$ 84,931,030	\$ 94,001,659
Restricted – Expendable	27,865,821	24,871,510	24,315,913	24,950,740
Unrestricted ¹	(123,783,314)	(123,897,753)	(117,383,903)	(116,948,128)
Total governmental activities net position (deficit)	\$ (10,456,536)	\$ (18,257,716)	\$ (8,136,960)	\$ 2,004,271
Business-type activities				
Net investment in capital assets	\$ 1,382,957	\$ 1,561,258	\$ 1,718,648	\$ 2,065,550
Restricted – Nonexpendable	21,812	21,584	20,627	16,219
Restricted – Expendable	3,615,945	4,571,036	5,151,915	4,897,314
Unrestricted	(4,214,494)	(3,346,849)	(2,824,738)	(1,661,692)
Total business-type activities net position (deficit)	\$ 806,220	\$ 2,807,029	\$ 4,066,452	\$ 5,317,391
Primary government				
Net investment in capital assets	\$ 86,843,914	\$ 82,329,785	\$ 86,649,678	\$ 96,067,209
Restricted – Nonexpendable	21,812	21,584	20,627	16,219
Restricted – Expendable	31,481,766	29,442,546	29,467,828	29,848,054
Unrestricted	(127,997,808)	(127,244,602)	(120,208,641)	(118,609,820)
Total primary government net position (deficit)	\$ (9,650,316)	\$ (15,450,687)	\$ (4,070,508)	\$ 7,321,662

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

² In fiscal year 2011, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the \$1.2 billion beginning net position of the California State University Fund from a governmental fund to an enterprise fund.

³ In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the \$380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

⁴ In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

⁵ In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.

2015 ⁴	2016	2017	2018 ⁵	2019	2020
\$ 100,694,652	\$ 104,596,917	\$ 107,042,274	\$ 109,614,321	\$ 112,279,950	\$ 116,773,259
26,632,502	29,060,971	33,832,232	35,053,202	41,371,805	46,670,678
(169,744,967)	(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)
<u><u>\$ (42,417,813)</u></u>	<u><u>\$ (34,884,973)</u></u>	<u><u>\$ (28,625,177)</u></u>	<u><u>\$ (68,648,510)</u></u>	<u><u>\$ (54,725,510)</u></u>	<u><u>\$ (44,524,586)</u></u>
\$ 2,278,252	\$ 2,520,621	\$ 2,295,270	\$ 2,469,723	\$ 2,534,257	\$ 2,907,066
13,448	8,653	1,746	1,708	1,693	1,677
4,523,496	5,750,634	6,307,218	12,083,737	12,945,567	7,722,116
(5,360,817)	(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)
<u><u>\$ 1,454,379</u></u>	<u><u>\$ 4,572,502</u></u>	<u><u>\$ 7,283,102</u></u>	<u><u>\$ (1,909,405)</u></u>	<u><u>\$ (1,237,343)</u></u>	<u><u>\$ (10,317,752)</u></u>
\$ 102,972,904	\$ 107,117,538	\$ 109,337,544	\$ 112,084,044	\$ 114,814,207	\$ 119,680,325
13,448	8,653	1,746	1,708	1,693	1,677
31,155,998	34,811,605	40,139,450	47,136,939	54,317,372	54,392,794
(175,105,784)	(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)
<u><u>\$ (40,963,434)</u></u>	<u><u>\$ (30,312,471)</u></u>	<u><u>\$ (21,342,075)</u></u>	<u><u>\$ (70,557,915)</u></u>	<u><u>\$ (55,962,853)</u></u>	<u><u>\$ (54,842,338)</u></u>

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2011 ⁴	2012	2013	2014 ⁵
Governmental activities				
Expenses				
General government	\$ 13,520,557	\$ 14,411,737	\$ 15,390,100	\$ 14,292,179
Education	56,486,944	51,288,647	50,586,387	54,719,677
Health and human services	92,475,364	89,939,730	94,069,749	105,037,102
Natural resources and environmental protection	5,853,278	5,950,635	5,670,922	5,854,685
Business, consumer services, and housing	1,405,019	1,241,269	1,475,486	589,715
Transportation	11,119,644	13,719,927	12,836,192	13,427,229
Corrections and rehabilitation	10,295,564	10,343,574	10,081,736	11,234,705
Interest on long-term debt	4,377,064	4,365,181	4,349,632	4,699,265
Total expenses	195,533,434	191,260,700	194,460,204	209,854,557
Program revenues				
Charges for services:				
General government	5,057,082	6,841,334	6,196,586	5,994,608
Education	110,423	81,212	64,480	67,165
Health and human services	8,471,261	4,940,650	8,761,781	7,961,897
Natural resources and environmental protection	2,797,264	2,866,232	3,269,315	3,403,524
Business, consumer services, and housing	660,196	724,222	682,503	586,055
Transportation	4,010,433	4,342,668	4,082,616	4,247,258
Corrections and rehabilitation	14,981	16,757	45,153	13,645
Operating grants/contributions	67,849,215	58,777,006	60,943,536	69,861,130
Capital grants/contributions	1,272,326	2,193,189	1,669,021	1,515,890
Total program revenues	90,243,181	80,783,270	85,714,991	93,651,172
Total governmental activities net program expenses	(105,290,253)	(110,477,430)	(108,745,213)	(116,203,385)
General revenues and other changes in net position				
General revenues:				
Personal income taxes	51,719,107	54,368,347	67,502,738	68,793,292
Sales and use taxes	33,521,221	31,216,438	33,839,065	36,477,724
Corporation taxes	9,384,416	8,629,935	7,289,910	9,102,128
Motor vehicle excise taxes ¹	—	5,263,435	5,219,605	5,777,167
Insurance taxes	2,311,880	2,408,473	2,295,579	3,359,043
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	7,768,010	2,368,748	2,498,248	2,302,231
Investment and interest	62,946	72,237	57,285	80,969
Escheat	229,146	372,215	551,580	487,937
Gain (loss) on early extinguishment of debt ³	—	—	—	(54,537)
Transfers	(3,251,598)	(2,031,032)	(1,997,759)	(2,296,010)
Total general revenues and other changes in net position	101,745,128	102,668,796	117,256,251	124,029,944
Total governmental activities change in net position	\$ (3,545,125)	\$ (7,808,634)	\$ 8,511,038	\$ 7,826,559

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with "insurance taxes" in prior years.

³ In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds.

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

⁵ In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

⁶ In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

2015	2016	2017	2018 ⁶	2019	2020
\$ 15,804,281	\$ 16,686,037	\$ 17,400,482	\$ 18,378,216	\$ 17,900,629	\$ 23,489,012
59,521,018	65,467,497	67,377,805	70,280,444	75,643,779	75,803,990
122,063,805	127,543,288	135,090,171	137,828,737	144,936,676	192,576,208
6,419,591	6,988,442	7,342,079	8,304,162	9,774,290	10,110,777
903,782	814,676	1,163,511	1,258,104	2,133,480	2,603,823
12,897,591	12,120,820	12,947,296	14,259,461	17,022,071	18,424,746
11,483,573	11,875,294	13,086,499	14,921,295	15,153,502	16,861,994
4,880,625	4,231,581	4,191,283	4,154,485	3,995,597	3,841,351
233,974,266	245,727,635	258,599,126	269,384,904	286,560,024	343,711,901
6,502,363	6,525,736	5,825,533	5,726,900	5,755,165	5,847,276
53,498	66,298	74,548	37,147	78,445	49,780
8,259,696	10,630,859	11,638,503	12,968,379	13,874,296	13,836,881
4,546,413	4,823,861	3,998,751	6,319,879	6,644,917	5,551,029
626,960	823,189	844,445	957,885	1,206,126	1,378,181
4,382,901	4,532,300	4,611,244	6,053,140	7,093,122	7,244,317
18,557	19,411	17,988	39,887	10,993	14,753
84,896,237	86,628,827	89,497,290	87,812,627	94,501,862	143,670,642
1,319,430	1,480,351	3,027,780	1,882,595	1,561,483	2,107,963
110,606,055	115,530,832	119,536,082	121,798,439	130,726,409	179,700,822
(123,368,211)	(130,196,803)	(139,063,044)	(147,586,465)	(155,833,615)	(164,011,079)
78,098,865	80,303,076	85,712,013	94,460,551	100,657,551	108,308,455
38,224,080	39,121,061	38,726,332	39,784,494	41,006,121	40,703,239
10,720,647	9,213,173	11,128,198	12,608,756	14,625,724	13,180,402
5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545
3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634
—	—	2,282,313	2,397,531	2,562,919	1,031,357
2,235,498	2,158,874	2,574,456	3,573,848	3,790,987	3,789,610
58,016	131,615	149,135	297,782	706,637	690,169
400,807	304,960	325,755	378,180	447,401	614,394
—	40,516	30,986	—	—	—
(2,554,970)	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)
136,503,256	137,705,648	145,444,193	158,596,061	170,232,867	173,392,737
\$ 13,135,045	\$ 7,508,845	\$ 6,381,149	\$ 11,009,596	\$ 14,399,252	\$ 9,381,658

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2011	2012	2013	2014
Business-type activities				
Expenses				
Electric Power	\$ 2,317,000	\$ 915,000	\$ 488,000	\$ 835,000
Water Resources	1,115,793	1,047,574	1,127,195	983,048
Public Buildings Construction ⁵	390,173	403,853	410,404	—
State Lottery	3,507,524	4,431,709	4,499,451	5,078,935
Unemployment Programs	25,619,138	21,111,658	17,599,219	13,673,403
California State University ⁴	5,851,355	6,181,397	6,196,541	6,544,936
High Technology Education	9,590	7,778	6,568	847
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	10,953	8,780	3,698	5,072
Safe Drinking Water State Revolving ⁶	—	—	—	—
Housing Loan	104,667	89,570	70,356	57,206
Other enterprise programs	118,006	78,601	58,578	79,641
Total expenses	39,044,199	34,275,920	30,460,010	27,258,088
Program revenues				
Charges for services:				
Electric Power	2,317,000	915,000	488,000	835,000
Water Resources	1,115,793	1,047,574	1,127,195	983,048
Public Buildings Construction ⁵	456,467	428,260	616,041	—
State Lottery	3,484,689	4,484,291	4,445,921	5,077,976
Unemployment Programs	24,678,783	21,947,781	18,597,962	15,167,258
California State University ⁴	2,505,545	2,915,123	2,891,432	3,014,030
High Technology Education	10,498	8,452	5,585	424
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	55,957	57,540	60,173	62,985
Safe Drinking Water State Revolving ⁶	—	—	—	—
Housing Loan	89,224	84,830	66,050	65,247
Other enterprise programs	105,676	74,693	80,540	77,671
Operating grants/contributions	1,216,808	1,249,995	1,323,345	1,491,559
Capital grants/contributions	86,272	106,057	142,304	80,903
Total program revenues	36,122,712	33,319,596	29,844,548	26,856,101
Total business-type activities net program revenues (expenses)	(2,921,487)	(956,324)	(615,462)	(401,987)
Other changes in net position				
Gain (loss) on early extinguishment of debt ³	—	—	—	(26,913)
Transfers	3,251,598	2,031,032	1,997,759	2,296,010
Total business-type activities change in net position	330,111	1,074,708	1,382,297	1,867,110
Total primary government change in net position	\$ (3,215,014)	\$ (6,733,926)	\$ 9,893,335	\$ 9,693,669

2015	2016	2017	2018 ⁶	2019	2020
\$ 799,000	\$ 728,000	\$ 945,000	\$ 952,000	\$ 913,000	\$ 905,115
1,019,378	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458
—	—	—	—	—	—
5,560,299	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062
11,390,227	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023
6,847,789	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814
—	—	—	—	—	—
—	—	—	—	—	—
9,082	11,814	17,112	32,335	49,860	45,288
—	—	—	21,994	19,371	25,007
58,280	55,627	62,885	57,088	54,402	53,656
77,475	84,188	75,397	96,078	109,113	148,450
25,761,530	26,940,479	28,504,628	31,327,597	32,789,740	43,241,873
799,000	728,000	945,000	952,000	913,000	903,000
1,019,378	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001
—	—	—	—	—	—
5,553,418	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321
13,402,902	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665
3,113,988	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307
—	—	—	—	—	—
—	—	—	—	—	—
65,959	70,245	75,912	86,789	95,703	87,110
—	—	—	22,675	25,762	29,717
57,742	53,617	52,842	52,735	60,002	61,990
78,625	82,029	93,177	86,911	106,687	105,874
1,666,292	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383
107,746	66,914	61,027	—	—	—
25,865,050	27,258,501	28,131,791	30,512,274	29,540,215	27,559,368
103,520	318,022	(372,837)	(815,323)	(3,249,525)	(15,682,505)
—	—	—	—	—	—
2,554,970	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068
2,658,490	3,118,123	2,710,600	3,524,672	681,381	(9,719,437)
\$ 15,793,535	\$ 10,626,968	\$ 9,091,749	\$ 14,534,268	\$ 15,080,633	\$ (337,779)
					(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2011 ¹	2012	2013	2014
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable	148,019	7,614	140,107	128,609
Restricted	156,496	80,849	178,643	394,246
Committed	29,850	19,600	22,879	125,120
Assigned	—	—	—	—
Unassigned	(20,273,606)	(23,069,351)	(14,596,085)	(8,092,571)
Total General Fund	\$ (19,939,241)	\$ (22,961,288)	\$ (14,254,456)	\$ (7,444,596)
All other governmental funds				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Nonspendable	39,448	—	15,022	27,260
Restricted	27,709,325	24,790,661	24,137,270	24,269,093
Committed	2,701,702	2,109,089	2,318,035	2,914,747
Assigned	268,888	3	209,171	18,857
Unassigned	(21,847)	(103,177)	(176,066)	(20,145)
Total all other governmental funds	\$ 30,697,516	\$ 26,796,576	\$ 26,503,432	\$ 27,209,812

¹ In fiscal year 2011, the California State University Fund, which consisted of a \$1.2 billion beginning fund balance, was reclassified from a governmental fund to an enterprise fund.

2015	2016	2017	2018	2019	2020
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
53,431	75,939	103,903	559,644	1,180,575	2,129,227
2,266,635	4,044,911	7,429,825	9,807,729	14,834,597	16,709,782
102,793	68,102	180,755	171,020	1,787,142	2,965,662
—	—	—	—	—	3,080,372
(4,651,491)	(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557
\$ (2,228,632)	\$ 361,728	\$ 5,810,386	\$ 12,186,904	\$ 18,567,882	\$ 28,501,600
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
5,620	11,188	20,172	69,868	12,760	13,702
24,224,167	24,885,166	26,233,389	25,051,548	26,329,109	29,796,900
4,090,563	5,652,478	5,847,879	7,897,362	9,994,978	10,066,141
16,767	14,622	12,033	26,346	19,247	49,868
(6,456)	(1,037)	(15,152)	—	—	(2,474,960)
\$ 28,330,661	\$ 30,562,417	\$ 32,098,321	\$ 33,045,124	\$ 36,356,094	\$ 37,451,651

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2011 ³	2012	2013	2014
Revenues				
Personal income taxes	\$ 51,691,153	\$ 54,442,733	\$ 67,424,576	\$ 68,771,667
Sales and use taxes	33,488,805	31,205,183	33,869,961	36,409,311
Corporation taxes	9,433,416	8,609,935	7,261,910	9,242,454
Motor vehicle excise taxes ¹	—	5,263,435	5,219,605	5,777,167
Insurance taxes	2,311,881	2,408,473	2,295,579	3,359,043
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	7,829,662	2,306,717	2,425,184	2,297,025
Intergovernmental	69,160,916	62,235,671	64,418,808	73,000,600
Licenses and permits	6,767,437	6,600,001	6,659,078	6,957,117
Charges for services	1,008,647	728,980	741,201	769,302
Fees and penalties	10,262,387	8,315,452	10,673,104	9,757,476
Investment and interest	212,116	175,898	135,928	137,754
Escheat	229,146	372,215	551,580	488,945
Other	2,941,484	2,542,505	3,227,347	2,903,335
Total revenues	195,337,050	185,207,198	204,903,861	219,871,196
Expenditures				
General government	12,997,651	13,484,305	15,748,069	14,778,214
Education	55,547,139	50,362,337	49,692,763	53,309,436
Health and human services	91,941,309	89,473,391	94,621,630	104,781,494
Natural resources and environmental protection	5,254,757	5,358,575	5,318,332	5,508,860
Business, consumer services, and housing	1,183,536	1,219,499	1,259,392	621,037
Transportation	13,181,390	15,684,611	15,008,671	15,721,532
Corrections and rehabilitation	9,253,791	9,805,846	9,681,086	10,395,234
Capital outlay	1,128,011	1,296,413	1,222,342	1,909,010
Debt service:				
Bond and commercial paper retirement	3,118,906	4,435,992	5,189,150	7,002,941
Interest and fiscal charges	4,355,110	4,453,643	4,363,260	4,321,040
Total expenditures	197,961,600	195,574,612	202,104,695	218,348,798
Excess (deficiency) of revenues over (under) expenditures ..	(2,624,550)	(10,367,414)	2,799,166	1,522,398
Other financing sources (uses)				
General obligation bonds and commercial paper issued	4,525,000	4,165,515	4,038,095	5,082,305
Revenue bonds issued	—	—	—	—
Refunding/remarketing debt issued	—	4,300,555	4,634,365	2,077,330
Payment to refund/remarket long-term debt	—	(4,508,834)	(3,174,613)	(328,024)
Premium on bonds issued	32,607	667,931	964,211	505,026
Proceeds from loans	35,538	—	—	—
Capital leases	204,631	528,804	710,440	1,486,204
Transfers in	8,705,229	5,523,644	2,957,762	4,041,250
Transfers out	(11,902,800)	(7,499,131)	(4,898,754)	(6,304,047)
Total other financing sources	1,600,205	3,178,484	5,231,506	6,560,044
Total change in fund balance	\$ (1,024,345)	\$ (7,188,930)	\$ 8,030,672	\$ 8,082,442
Debt service as a percentage of noncapital expenditures	3.9 %	4.7 %	4.9 %	5.3 %

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with “insurance taxes” in prior years.

³ In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

2015	2016	2017	2018	2019	2020
\$ 78,245,616	\$ 79,934,285	\$ 85,737,905	\$ 94,484,443	\$ 96,801,076	\$ 111,831,167
38,389,972	39,136,040	38,741,715	39,777,069	41,085,626	40,709,462
10,780,647	9,214,173	11,125,198	12,597,928	14,038,348	13,722,735
5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545
3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634
—	—	2,282,313	2,397,531	2,562,919	1,031,357
2,312,875	2,185,690	2,565,928	3,548,182	3,688,531	3,862,045
87,740,667	91,069,753	95,709,784	92,904,469	99,867,750	148,951,650
7,270,994	7,612,551	8,113,542	8,761,620	9,186,945	9,256,454
849,895	870,142	860,241	975,314	956,032	972,805
10,510,727	11,882,699	11,571,934	13,548,471	14,187,698	14,322,983
119,690	232,285	318,502	607,418	1,321,143	1,328,956
406,899	305,394	327,614	382,793	448,756	615,720
3,975,144	4,049,789	2,934,157	5,318,739	5,594,587	4,595,386
249,923,439	255,725,275	267,887,275	284,738,891	300,105,844	362,238,899
16,202,395	16,715,892	17,250,720	18,978,389	19,263,146	27,393,107
62,952,621	65,213,542	67,224,796	69,902,627	75,071,188	76,347,719
122,259,036	127,201,314	134,372,094	138,018,275	144,543,589	191,819,998
6,006,446	6,278,363	6,712,838	7,987,878	9,069,777	9,244,813
670,774	1,130,213	1,103,694	1,189,365	2,013,409	2,457,248
15,137,217	14,814,829	15,007,639	17,169,040	17,893,338	20,025,848
11,182,926	11,450,980	12,276,391	14,665,524	14,055,766	14,680,705
1,019,335	1,492,442	1,238,700	612,769	287,487	401,066
8,482,380	6,929,866	9,364,550	8,598,856	10,444,825	10,276,581
4,473,799	4,057,907	3,986,270	3,961,704	3,971,353	3,856,390
248,386,929	255,285,348	268,537,692	281,084,427	296,613,878	356,503,475
1,536,510	439,927	(650,417)	3,654,464	3,491,966	5,735,424
4,343,165	4,074,980	4,325,075	5,283,365	3,626,765	5,085,590
—	—	—	—	—	500,000
5,086,100	5,220,320	7,074,225	6,681,855	5,683,865	4,384,895
(3,865,093)	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—
1,116,811	1,037,920	1,309,254	1,036,320	1,003,337	1,217,615
—	—	—	—	—	—
625,282	1,148,774	988,680	405,930	50,506	24,082
5,344,134	4,385,123	4,586,199	4,266,596	4,414,250	5,776,094
(7,934,754)	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)
4,715,645	4,358,647	7,693,525	5,392,268	6,069,288	5,256,790
\$ 6,252,155	\$ 4,798,574	\$ 7,043,108	\$ 9,046,732	\$ 9,561,254	\$ 10,992,214
5.4 %	4.4 %	5.1 %	4.6 %	5.0 %	4.0 %

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State's capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

Schedule of Revenue Base

Schedule of Revenue Payers by Income Level/Industry

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2010	2011	2012	2013
Personal Income by Industry				
(items restated as footnoted) ¹				
Farm earnings	\$ 13,158,193	\$ 15,198,140	\$ 17,356,593	\$ 20,049,107
Forestry, fishing, and other natural resources	6,400,497	6,693,485	7,504,590	7,928,931
Mining	4,620,076	5,251,493	6,041,129	6,522,865
Construction and utilities	64,196,131	62,972,017	67,862,415	75,578,567
Manufacturing	115,565,437	119,852,946	124,666,659	126,302,825
Wholesale trade	52,651,124	56,488,847	59,067,338	61,598,279
Retail trade	69,564,024	72,732,632	77,323,055	79,202,104
Transportation and warehousing	33,579,755	36,376,555	37,949,820	39,849,739
Information, finance, and insurance	130,737,220	135,321,324	144,204,507	157,149,112
Real estate and rental and leasing	36,963,992	47,395,981	55,245,202	52,971,172
Services	439,206,312	467,337,237	506,565,209	515,553,620
Federal, civilian	25,736,809	26,083,443	26,157,961	25,771,225
Military	16,264,215	16,062,725	15,933,633	15,353,761
State and local government	177,461,935	181,063,132	179,834,589	190,303,808
Other ²	442,351,917	489,110,047	526,684,790	512,241,484
Total personal income	\$ 1,628,457,637	\$ 1,737,940,004	\$ 1,852,397,490	\$ 1,886,376,599
Average effective rate ³	4.7 %	5.3 %	5.0 %	6.1 %

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

¹ Prior years were updated based on more current information.

² Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

³ The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

2014	2015	2016	2017	2018	2019
\$ 22,100,446	\$ 21,155,703	\$ 18,493,470	\$ 20,098,245	\$ 18,154,900	\$ 22,674,112
8,378,306	9,301,786	9,976,464	10,260,965	10,793,603	11,407,399
6,770,753	5,047,379	3,790,842	3,238,577	3,750,366	3,745,836
81,241,524	89,577,593	94,802,155	104,068,836	113,018,801	120,039,574
133,278,056	139,589,740	145,582,547	153,803,556	159,111,088	163,087,069
65,993,637	70,438,231	70,410,649	73,935,295	71,944,629	73,053,356
82,432,879	86,320,236	86,226,639	88,819,947	91,513,139	94,414,798
42,802,161	46,649,498	50,014,894	54,573,656	60,830,516	70,961,853
160,266,822	174,885,957	191,701,160	207,515,651	219,064,254	230,274,319
50,460,373	52,970,654	55,443,901	56,934,715	62,390,320	66,068,370
553,482,528	590,416,474	613,415,996	644,014,468	684,071,202	724,612,024
26,450,856	27,477,720	28,300,545	29,207,559	30,476,460	31,168,087
15,071,057	14,953,968	15,437,149	15,152,333	15,997,463	16,701,233
200,322,926	212,523,491	223,715,226	231,365,421	238,629,558	248,631,532
571,983,266	631,621,808	666,245,831	690,141,289	734,757,073	755,440,213
\$ 2,021,035,590	\$ 2,172,930,238	\$ 2,273,557,468	\$ 2,383,130,513	\$ 2,514,503,372	\$ 2,632,279,775
5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2010	2011	2012	2013
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	\$ 47,355,568	\$ 53,303,501	\$ 61,547,848	\$ 67,986,436
Furniture and home furnishings stores	8,742,984	9,280,688	9,937,187	10,645,523
Electronics and appliance stores	13,749,019	14,297,402	14,744,723	14,765,485
Building materials, garden equipment, and supplies	24,750,865	26,064,428	27,438,083	29,680,053
Food and beverage	22,787,407	23,606,132	24,511,714	25,289,203
Health and personal care stores	9,525,910	10,309,491	10,787,801	11,294,049
Gasoline stations	45,226,491	55,210,076	58,006,168	56,860,585
Clothing and clothing accessories stores	27,267,430	29,600,057	32,357,516	34,918,036
Sporting goods, hobby, book, and music stores	10,365,480	10,602,711	10,751,814	11,113,831
General merchandise stores	46,323,804	48,219,018	49,996,451	51,431,094
Miscellaneous store retailers	16,569,690	17,187,402	17,880,765	18,382,224
Nonstore retailers	2,830,615	3,081,188	4,375,432	7,296,839
Food services and drinking places	51,282,453	54,755,944	59,037,320	62,776,360
All other outlets	150,570,269	165,050,017	177,014,427	184,399,899
Total taxable sales	\$ 477,347,985	\$ 520,568,055	\$ 558,387,249	\$ 586,839,617
Direct sales tax rate ¹	7.25 %	6.25 % ²	6.25 %	6.50 % ³

Source: California Department of Tax and Fee Administration (CDTFA)

¹ The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund. It does not include the local tax rate that is allocated to cities and counties.

² Rate change was effective on July 1, 2011.

³ Rate change was effective on January 1, 2013.

⁴ Rate change was effective on January 1, 2017.

2014	2015	2016	2017	2018	2019
\$ 73,232,242	\$ 80,346,595	\$ 84,225,652	\$ 86,983,280	\$ 89,696,669	\$ 88,526,877
11,408,837	12,169,888	12,790,041	13,035,340	13,578,685	13,427,029
15,148,893	16,349,542	17,120,030	17,170,671	17,520,474	16,999,111
31,299,110	33,601,538	35,238,333	37,504,347	39,469,798	40,313,948
26,298,414	27,134,034	27,678,056	28,799,044	29,697,424	30,216,432
11,640,870	12,364,559	13,163,569	13,669,415	14,384,602	15,160,891
55,733,384	48,203,175	43,273,182	47,434,923	54,302,232	54,141,178
36,822,241	38,438,074	39,698,156	40,206,581	42,233,560	43,130,842
11,056,024	11,341,328	11,441,556	10,900,749	10,467,200	10,407,608
52,013,855	53,119,200	53,032,357	54,684,182	56,416,293	58,066,003
19,024,905	19,852,685	19,617,820	19,719,301	20,503,078	20,952,870
8,292,788	9,531,606	11,717,407	13,599,808	15,663,789	20,276,518
67,864,614	73,889,708	78,494,623	82,355,474	85,226,197	89,403,960
195,985,698	202,290,022	206,365,477	211,760,378	217,675,199	231,733,635
\$ 615,821,875	\$ 638,631,954	\$ 653,856,259	\$ 677,823,493	\$ 706,835,200	\$ 732,756,902
6.50 %	6.50 %	6.50 %	6.00 % ⁴	6.00 %	6.00 % (concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2010 and 2018

Personal Income Tax Filers and Liability by Income Level ¹

		2010			
		Number of Filers	Percent of Total	Tax Liability ²	Percent of Total
Under	\$ 50,000	9,505,508	64.2 %	\$ 1,776,066	4.0 %
50,000	to 99,999	3,066,034	20.7	6,154,040	13.8
100,000	to 149,999	1,155,151	7.8	5,863,548	13.2
150,000	to 199,999	478,533	3.2	4,318,777	9.7
200,000	to 299,999	331,659	2.2	4,901,242	11.0
300,000	to 399,999	109,959	0.7	2,608,931	5.9
400,000	to 499,999	51,790	0.4	1,723,981	3.9
500,000	to 599,999	28,870	0.2	1,214,395	2.7
600,000	to 699,999	17,537	0.1	904,305	2.0
700,000	to 799,999	12,548	0.1	746,736	1.7
800,000	to 899,999	8,879	0.1	608,471	1.4
900,000	to 999,999	6,567	0.1	505,903	1.1
1,000,000	to 1,999,999	25,630	0.2	2,971,192	6.7
2,000,000	to 2,999,999	6,510	0.0	1,412,465	3.2
3,000,000	to 3,999,999	2,959	0.0	934,026	2.1
4,000,000	to 4,999,999	1,612	0.0	659,569	1.5
\$ 5,000,000	and over	4,679	0.0	7,168,800	16.1
Total		14,814,425	100.0 %	\$ 44,472,447	100.0 %

		2018			
		Number of Filers	Percent of Total	Tax Liability ²	Percent of Total
Under	\$ 50,000	9,560,133	55.9 %	\$ 1,519,194	1.7 %
50,000	to 99,999	3,812,068	22.3	6,385,678	7.3
100,000	to 149,999	1,608,631	9.4	7,561,614	8.7
150,000	to 199,999	806,451	4.7	6,881,119	7.9
200,000	to 299,999	656,147	3.9	9,405,259	10.8
300,000	to 399,999	257,161	1.5	5,985,102	6.9
400,000	to 499,999	124,868	0.7	4,082,585	4.7
500,000	to 599,999	72,363	0.4	3,071,887	3.5
600,000	to 699,999	45,189	0.3	2,360,631	2.7
700,000	to 799,999	30,881	0.2	1,932,662	2.2
800,000	to 899,999	21,465	0.1	1,580,227	1.8
900,000	to 999,999	16,018	0.1	1,353,320	1.6
1,000,000	to 1,999,999	56,832	0.3	7,526,933	8.6
2,000,000	to 2,999,999	14,145	0.1	3,717,140	4.3
3,000,000	to 3,999,999	6,047	0.0	2,351,381	2.7
4,000,000	to 4,999,999	3,398	0.0	1,761,609	2.0
\$ 5,000,000	and over	9,956	0.1	19,691,999	22.6
Total		17,101,753	100.0 %	\$ 87,168,340	100.0 %

Source: California Franchise Tax Board

¹ For California resident tax returns. Calendar year 2018 is the most recent year for which data is available.

² Amounts are in thousands.

For Calendar Years 2010 and 2019

Sales Tax Permits and Tax Liability by Industry

	2010			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	32,727	3.4 %	\$ 3,433,279	9.9 %
Furniture and home furnishings stores	18,252	1.9	633,866	1.8
Electronics and appliance stores	21,984	2.3	996,804	2.9
Building materials, garden equipment, and supplies	17,035	1.7	1,794,438	5.2
Food and beverage	29,900	3.1	1,652,087	4.8
Health and personal care stores	21,188	2.2	690,628	2.0
Gasoline stations	10,096	1.0	3,278,921	9.5
Clothing and clothing accessories stores	65,734	6.7	1,976,889	5.7
Sporting goods, hobby, book, and music stores	27,724	2.8	751,497	2.2
General merchandise stores	15,684	1.6	3,358,476	9.7
Miscellaneous store retailers	118,369	12.1	1,201,302	3.5
Nonstore retailers	178,056	18.2	205,220	0.6
Food services and drinking places	92,370	9.4	3,717,978	10.7
All other outlets	328,928	33.6	10,916,345	31.5
Total	978,047	100.0 %	\$ 34,607,730	100.0 %

	2019			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	37,712	2.9 %	\$ 5,311,613	12.1 %
Furniture and home furnishings stores	21,030	1.6	805,622	1.8
Electronics and appliance stores	25,024	1.9	1,019,947	2.3
Building materials, garden equipment, and supplies	17,921	1.4	2,418,837	5.5
Food and beverage	37,401	2.9	1,812,986	4.1
Health and personal care stores	50,015	3.9	909,653	2.1
Gasoline stations	10,185	0.8	3,248,471	7.4
Clothing and clothing accessories stores	120,317	9.3	2,587,851	5.9
Sporting goods, hobby, book, and music stores	35,391	2.7	624,456	1.4
General merchandise stores	27,956	2.2	3,483,960	7.9
Miscellaneous store retailers	180,060	13.9	1,257,172	2.9
Nonstore retailers	73,406	5.7	1,216,591	2.8
Food services and drinking places	118,410	9.0	5,364,238	12.2
All other outlets	541,721	41.8	13,904,018	31.6
Total	1,296,549	100.0 %	\$ 43,965,415	100.0 %

Source: California Department of Tax and Fee Administration (CDTFA)

¹ Calculated by multiplying the taxable sales by industry shown on pages 306 and 307 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2010-2019

Married Filing Jointly and Surviving Spouse				
	2010	2011	2012	2013
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,248	Up to \$14,632	Up to \$14,910	Up to \$15,164
2.0	14,249 – 33,780	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952
4.0	33,781 – 53,314	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742
6.0	53,315 – 74,010	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768
8.0	74,011 – 93,532	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548
9.3	93,533 – 1,000,000	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500
10.3	\$1,000,001 and over	\$1,000,001 and over	500,001 – 600,000	508,501 – 610,200
11.3	—	—	600,001 – 1,000,000	610,201 – 1,000,000
12.3	—	—	\$1,000,001 and over	1,000,001 – 1,017,000
13.3	—	—	—	\$1,017,001 and over
Single and Married Filing Separately				
	2010	2011	2012	2013
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,124	Up to \$7,316	Up to \$7,455	Up to \$7,582
2.0	7,125 – 16,890	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976
4.0	16,891 – 26,657	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371
6.0	26,658 – 37,005	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384
8.0	37,006 – 46,766	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774
9.3	46,767 – 1,000,000	48,030 – 1,000,000	48,943 – 250,000	49,775 – 254,250
10.3	\$1,000,001 and over	\$1,000,001 and over	250,001 – 300,000	254,251 – 305,100
11.3	—	—	300,001 – 500,000	305,101 – 508,500
12.3	—	—	500,001 – 1,000,000	508,501 – 1,000,000
13.3	—	—	\$1,000,001 and over	\$1,000,001 and over
Head of Household				
	2010	2011	2012	2013
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,257	Up to \$14,642	Up to \$14,920	Up to \$15,174
2.0	14,258 – 33,780	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952
4.0	33,781 – 43,545	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346
6.0	43,546 – 53,893	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359
8.0	53,894 – 63,657	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751
9.3	63,658 – 1,000,000	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780
10.3	\$1,000,001 and over	\$1,000,001 and over	340,001 – 408,000	345,781 – 414,936
11.3	—	—	408,001 – 680,000	414,937 – 691,560
12.3	—	—	680,001 – 1,000,000	691,561 – 1,000,000
13.3	—	—	\$1,000,001 and over	\$1,000,001 and over

Source: California Franchise Tax Board (FTB)

¹ FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2010	2011	2012	2013
Personal income tax revenue ¹	\$ 43,884,798	\$ 51,691,153	\$ 54,442,733	\$ 66,220,132
Adjusted gross income ²	\$ 939,888,500	\$ 980,167,100	\$ 1,087,823,400	\$ 1,091,080,300
Average effective rate ³	4.7 %	5.3 %	5.0 %	6.1 %

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

² Source: California Franchise Tax Board. Fiscal year 2019 information reflects returns processed as of December 2020.

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

Married Filing Jointly and Surviving Spouse

2014	2015	2016	2017	2018	2019
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$15,498	Up to \$15,700	Up to \$16,030	Up to \$16,446	Up to \$17,088	Up to \$17,618
15,499 – 36,742	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766
36,743 – 57,990	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920
57,991 – 80,500	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506
80,501 – 101,738	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648
101,739 – 519,688	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746
519,689 – 623,624	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890
623,625 – 1,000,000	631,733 – 1,000,000	644,999 – 1,000,000	661,769 – 1,000,000	687,577 – 1,000,000	708,891 – 1,000,000
1,000,001 – 1,039,374	1,000,001 – 1,052,886	1,000,001 – 1,074,996	1,000,001 – 1,102,946	1,000,001 – 1,145,960	1,000,001 – 1,181,484
\$1,039,375 and over	\$1,052,887 and over	\$1,074,997 and over	\$1,102,946 and over	\$1,145,961 and over	\$1,181,485 and over

Single and Married Filing Separately

2014	2015	2016	2017	2018	2019
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$7,749	Up to \$7,850	Up to \$8,015	Up to \$8,223	Up to \$8,544	Up to \$8,809
7,750 – 18,371	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810 – 20,883
18,372 – 28,995	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960
28,996 – 40,250	29,373 – 40,773	29,990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753
40,251 – 50,869	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824
50,870 – 259,844	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373
259,845 – 311,812	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445
311,813 – 519,687	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742
519,688 – 1,000,000	526,444 – 1,000,000	537,499 – 1,000,000	551,474 – 1,000,000	572,981 – 1,000,000	590,743 – 1,000,000
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

Head of Household

2014	2015	2016	2017	2018	2019
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$15,508	Up to \$15,710	Up to \$16,040	Up to \$16,457	Up to \$16,457	Up to \$17,629
15,509 – 36,743	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991	17,630 – 41,768
36,744 – 47,366	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264	41,769 – 53,843
47,367 – 58,621	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206	53,844 – 66,636
58,622 – 69,242	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477	66,637 – 78,710
69,243 – 353,387	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478 – 375,002	78,711 – 401,705
353,388 – 424,065	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003	401,706 – 482,047
424,066 – 706,774	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003	482,048 – 803,410
706,775 – 1,000,000	715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	750,004 – 1,000,000	803,411 – 1,000,000
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

2014	2015	2016	2017	2018	2019
\$ 67,584,256	\$ 76,879,115	\$ 78,510,777	\$ 84,253,851	\$ 92,808,996	\$ 95,026,913
\$ 1,216,002,700	\$ 1,265,341,200	\$ 1,318,362,700	\$ 1,430,332,000	\$ 1,531,670,000	\$ 1,596,322,000
5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Annual Comprehensive Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2011	2012	2013	2014
Governmental activities				
General obligation bonds ¹	\$ 79,469,085	\$ 81,060,111	\$ 82,346,211	\$ 83,276,347
Revenue bonds ²	7,511,092	7,421,198	7,735,053	18,917,443
Certificates of participation and commercial paper ³	1,335,340	46,098	538,593	598,094
Capital lease obligations ⁴	4,882,233	5,176,341	5,319,487	260,088
Total governmental activities	93,197,750	93,703,748	95,939,344	103,051,972
Business-type activities				
General obligation bonds ¹	1,218,639	1,118,634	887,053	674,394
Revenue bonds ²	23,290,315	24,790,918	25,558,129	12,991,827
Commercial paper	139,974	67,325	77,560	204,647
Capital lease obligations	791,489	817,687	909,871	1,250,274
Total business-type activities	25,440,417	26,794,564	27,432,613	15,121,142
Total primary government	\$ 118,638,167	\$ 120,498,312	\$ 123,371,957	\$ 118,173,114
Debt as a percentage of personal income ⁵	7.3%	6.9%	6.7%	6.3%
Amount of debt per capita ⁶	\$ 3,179	\$ 3,202	\$ 3,251	\$ 3,089

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

¹ Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

² Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

³ All certificates of participation were retired in fiscal year 2016.

⁴ Prior to fiscal year 2014, governmental activities reported a capital lease obligation to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

⁵ Ratio calculated using personal income data shown on pages 322 and 323 for the prior calendar year.

⁶ Amount calculated using population data shown on pages 342 and 343 for the prior calendar year.

2015	2016	2017	2018	2019	2020
\$ 80,509,802	\$ 79,043,295	\$ 79,503,871	\$ 79,663,028	\$ 78,772,850	\$ 78,883,746
18,409,971	17,210,499	16,879,900	16,364,255	15,711,660	15,905,264
493,770	771,215	1,158,080	859,695	1,032,760	1,108,720
274,760	370,182	416,468	481,261	434,876	393,089
99,688,303	97,395,191	97,958,319	97,368,239	95,952,146	96,290,819
650,133	794,369	703,754	694,100	850,762	788,052
12,670,619	13,928,374	14,955,858	14,319,372	14,521,460	14,277,362
237,186	47,416	147,765	749,877	799,643	1,049,226
1,210,409	389,385	353,453	309,928	315,322	357,072
14,768,347	15,159,544	16,160,830	16,073,277	16,487,187	16,471,712
\$ 114,456,650	\$ 112,554,735	\$ 114,119,149	\$ 113,441,516	\$ 112,439,333	\$ 112,762,531
5.7%	5.2%	5.0%	4.8%	4.5%	4.3%
\$ 2,965	\$ 2,892	\$ 2,914	\$ 2,882	\$ 2,849	\$ 2,859

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2011	2012	2013	2014
Net general bonded debt				
General obligation bonds ¹	\$ 73,516,674	\$ 75,791,795	\$ 78,001,049	\$ 79,368,794
Economic Recovery bonds	7,171,050	6,386,950	5,232,215	4,581,745
Less: restricted debt service fund	143,777	330,297	278,425	318,171
Net Economic Recovery bonds ²	7,027,273	6,056,653	4,953,790	4,263,574
Net general bonded debt	\$ 80,543,947	\$ 81,848,448	\$ 82,954,839	\$ 83,632,368
Net general bonded debt as a percentage of personal income ³	4.9%	4.7%	4.5%	4.4%
Amount of net general bonded debt per capita ⁴	\$ 2,158	\$ 2,175	\$ 2,186	\$ 2,186

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

¹ Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

² In fiscal year 2016, the outstanding balance of the Economic Recovery bonds was defeased and the balance in the restricted debt service fund was transferred out.

³ Ratio calculated using personal income data shown on pages 322 and 323 for the prior calendar year.

⁴ Amount calculated using population data shown on pages 342 and 343 for the prior calendar year.

2015	2016	2017	2018	2019	2020
\$ 80,215,650	\$ 79,837,664	\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798
944,285	—	—	—	—	—
818,321	—	—	—	—	—
125,964	—	—	—	—	—
\$ 80,341,614	\$ 79,837,664	\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798
4.0%	3.7%	3.5%	3.4%	3.2%	3.0%
\$ 2,082	\$ 2,051	\$ 2,030	\$ 2,042	\$ 2,018	\$ 2,020

Schedule of General Obligation Bonds Outstanding

June 30, 2020

(amounts in thousands)

Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	\$	1,813,505
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All		25,035
California Library Construction and Renovation		208,495
California Park and Recreational Facilities		5,905
California Parklands		1,100
California Safe Drinking Water		30,325
California Stem Cell Research and Cures		960,520
California Wildlife, Coastal, and Park Land Conservation		58,770
Children's Hospital		1,299,910
Class-Size Reduction Public Education Facilities		4,156,935
Clean Air and Transportation Improvement		430,985
Clean Water		3,995
Clean Water and Water Conservation		2,335
Clean Water and Water Reclamation		10,385
Community Parklands		1,095
County Correctional Facility Capital Expenditure		5,815
County Correctional Facility Capital Expenditure and Youth Facility		26,245
Disaster Preparedness and Flood Prevention		2,791,155
Earthquake Safety and Public Buildings Rehabilitation		19,050
Fish and Wildlife Habitat Enhancement		3,375
Higher Education Facilities		174,380
Highway Safety, Traffic Reduction, Air Quality, and Port Security		15,514,345
Housing and Emergency Shelter		1,046,425
Housing and Homeless		740
Kindergarten-University Public Education Facilities		28,243,550
New Prison Construction		4,875
Passenger Rail and Clean Air		2,960
Public Education Facilities		920,605
Safe, Clean, Reliable Water Supply		392,545
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,105,205
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		3,228,805
Safe Neighborhood Parks		1,120,125
Safe, Reliable High-Speed Passenger Train		3,230,780
School Building and Earthquake		7,980
School Facilities		469,570
Seismic Retrofit		818,115
State, Urban, and Coastal Park		2,035
Veterans and Affordable Housing		99,830
Veterans Homes		31,290
Veterans Housing and Homeless Prevention		49,180
Voting Modernization		2,155
Water Conservation		10,320
Water Conservation and Water Quality		13,740
Water Quality, Supply, and Infrastructure		1,272,500
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,351,045
Total governmental activity		71,968,035
Business-type activity		
California Water Resources Development		10,685
Veterans Farm and Home Building		768,235
Total business-type activity		778,920
Total outstanding general obligation bonds		72,746,955
Unamortized bond premiums/discounts		6,924,843
Total general obligation bonds payable	\$	79,671,798

Source: California State Treasurer's Office

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Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Housing Loans	2011	\$ 89,224	\$ 15,802	\$ 73,422	\$ 130,770	\$ 32,619	\$ 163,389	0.45
	2012	84,830	20,322	64,508	88,105	24,914	113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016 ⁴	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017 ⁴	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2018 ⁴	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2019 ⁴	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2020	61,588	15,463	46,125	17,980	11,392	29,372	1.57
Water Resources	2011	\$ 1,096,196	\$ 880,540	\$ 215,656	\$ 108,870	\$ 117,668	\$ 226,538	0.95
	2012	1,045,812	852,404	193,408	116,150	121,804	237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
	2017	1,223,340	941,984	281,356	134,185	34,408	168,593	1.67
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
	2019	1,172,134	784,173	387,961	129,400	86,809	216,209	1.79
	2020	1,155,001	720,577	434,424	147,035	139,197	286,232	1.52
Water Pollution Control	2011	\$ 49,585	\$ 4,876	\$ 44,709	\$ 24,390	\$ 5,996	\$ 30,386	1.47
	2012	50,183	2,849	47,334	24,285	4,984	29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86
	2017	65,635	350	65,285	12,940	12,458	25,398	2.57
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37
	2019	86,828	435	86,393	58,845	37,384	96,229	0.90
	2020	80,627	353	80,274	77,170	35,174	112,344	0.71

Source: California State Controller's Office

¹ Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

² Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges and refunding gains/losses. Prior to fiscal year 2012, bond issuance costs were amortized over the term of the bond. Beginning fiscal year 2012, bond issuance costs are operating expenses in the fiscal year incurred.

³ Debt service requirements include principal and interest of revenue bonds.

⁴ Some prior years were updated based on more current information.

⁵ All revenue bonds have been redeemed.

⁶ In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

⁷ Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Electric Power	2011	\$ 2,317,000	\$ 1,427,000	\$ 890,000	\$ 460,000	\$ 344,000	\$ 804,000	1.11
	2012	915,000	29,000	886,000	556,000	354,000	910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
	2017	945,000	(29,000)	974,000	690,000	215,000	905,000	1.08
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
	2019	923,000	(5,000)	928,000	753,000	139,000	892,000	1.04
	2020	925,000	(11,000)	936,000	970,000	109,000	1,079,000	0.87
Public Buildings Construction	2011	\$ 423,775	\$ 507	\$ 423,268	\$ 394,490	\$ 383,185	\$ 777,675	0.54
	2012	426,960	13,211	413,749	405,585	384,400	789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
	2017	447,238	6,899	440,339	481,680	402,201	883,881	0.50
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
	2019	442,022	1,945	440,077	518,640	363,983	882,623	0.50
	2020	422,614	4,430	418,184	635,985	353,371	989,356	0.42
High Technology Education ⁵	2011	\$ 10,498	\$ 681	\$ 9,817	\$ 19,995	\$ 8,878	\$ 28,873	0.34
	2012	8,452	—	8,452	21,105	7,754	28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University ⁶	2011	\$ 3,722,414	\$ 5,455,059	\$ (1,732,645)	\$ 56,344	\$ 172,231	\$ 228,575	(7.58)
	2012	4,165,118	5,770,880	(1,605,762)	138,535	174,914	313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)
	2017	5,030,325	7,479,645	(2,449,320)	120,570	200,678	321,248	(7.62)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)
	2019	5,573,812	9,139,677	(3,565,865)	237,971	297,486	535,457	(6.66)
	2020	5,695,853	9,908,839	(4,212,986)	299,162	342,642	641,804	(6.56)

(continued)

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
					Principal	Interest	Total	
Building Authorities	2011	\$ 63,168	\$ —	\$ 63,168	\$ 51,957	\$ 20,071	\$ 72,028	0.88
	2012	57,386	—	57,386	36,473	22,889	59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
	2017	40,718	—	40,718	27,420	10,096	37,516	1.09
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
	2019	38,327	—	38,327	31,605	6,012	37,617	1.02
	2020	35,546	—	35,546	33,215	4,383	37,598	0.95
Golden State Tobacco Securitization Corporation	2011	\$ 361,974	\$ —	\$ 361,974	\$ 60,230	\$ 315,268	\$ 375,498	0.96
	2012	368,853	—	368,853	65,765	312,815	378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	394	414,598	133,900	292,173	426,073	0.97
	2016	365,300	586	364,714	70,535	299,935	370,470	0.98
	2017	370,612	462	370,150	745,888	308,638	1,054,526	0.35
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
	2019	446,462	653	445,809	878,094	288,841	1,166,935	0.38
	2020	423,369	530	422,839	154,190	265,519	419,709	1.01
Grant Anticipation Revenue Vehicles ⁷	2011	\$ 84,294	\$ —	\$ 84,294	\$ 64,785	\$ 19,509	\$ 84,294	1.00
	2012	84,290	—	84,290	67,730	16,560	84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00
	2017	11,390	—	11,390	9,360	2,030	11,390	1.00
	2018	11,393	—	11,393	9,830	1,563	11,393	1.00
	2019	11,390	—	11,390	10,320	1,070	11,390	1.00
	2020	11,390	—	11,390	10,835	555	11,390	1.00

(concluded)

Demographic and Economic Information

The *demographic and economic* schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2010	2011	2012	2013
Population (in thousands) ¹				
California	37,320	37,636	37,945	38,254
% Change	1.0%	0.8%	0.8%	0.8%
United States	309,327	311,583	313,878	316,060
% Change	0.8%	0.7%	0.7%	0.7%
Total personal income (in millions) ¹				
California	\$ 1,628,458	\$ 1,737,940	\$ 1,852,398	\$ 1,886,377
% Change	4.8%	6.7%	6.6%	1.8%
United States	\$ 12,541,995	\$ 13,315,478	\$ 13,998,383	\$ 14,175,503
% Change	4.1%	6.2%	5.1%	1.3%
Per capita personal income ^{1, 2}				
California	\$ 43,636	\$ 46,177	\$ 48,819	\$ 49,312
% Change	3.8%	5.8%	5.7%	1.0%
United States	\$ 40,546	\$ 42,735	\$ 44,598	\$ 44,851
% Change	3.2%	5.4%	4.4%	0.6%
Labor force and employment (in thousands)				
California				
Civilian labor force	18,316	18,385	18,511	18,573
Employed	16,052	16,227	16,740	17,044
Unemployed	2,265	2,158	1,771	1,530
Unemployment rate	12.4%	11.7%	9.6%	8.2%
United States employment rate	9.6%	8.9%	8.1%	7.4%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of July 2021.

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

² Calculated by dividing total personal income by population.

2014	2015	2016	2017	2018	2019
38,587	38,904	39,149	39,338	39,437	39,438
0.9%	0.8%	0.6%	0.5%	0.3%	0.0%
318,386	320,739	323,072	325,122	326,838	328,330
0.7%	0.7%	0.7%	0.6%	0.5%	0.5%
\$ 2,021,036	\$ 2,172,930	\$ 2,273,558	\$ 2,383,131	\$ 2,514,503	\$ 2,632,280
7.1%	7.5%	4.6%	4.8%	5.5%	4.7%
\$ 14,982,715	\$ 15,717,140	\$ 16,151,881	\$ 16,937,582	\$ 17,839,255	\$ 18,542,262
5.7%	4.9%	2.8%	4.9%	5.3%	3.9%
\$ 52,376	\$ 55,853	\$ 58,074	\$ 60,581	\$ 63,759	\$ 66,745
6.2%	6.6%	4.0%	4.3%	5.2%	4.7%
\$ 47,058	\$ 49,003	\$ 49,995	\$ 52,096	\$ 54,581	\$ 56,474
4.9%	4.1%	2.0%	4.2%	4.8%	3.5%
18,941	18,996	19,099	19,319	19,534	18,743
17,600	17,894	18,141	18,515	18,740	16,104
1,341	1,102	957	804	794	2,640
7.1%	5.8%	5.0%	4.2%	4.1%	14.1%
6.2%	5.3%	4.9%	4.4%	3.9%	3.7%

Schedule of Employment by Industry

For Calendar Years 2010 and 2019

Industry	2010		2019	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Services	6,200,600	42.1 %	8,141,500	45.4 %
Government				
Federal	268,400	1.8	248,200	1.4
Military	61,000	0.4	62,700	0.3
State and Local	2,180,000	14.8	2,349,200	13.1
Retail trade	1,516,500	10.3	1,657,800	9.3
Manufacturing	1,247,800	8.5	1,326,800	7.4
Information, finance, and insurance	941,000	6.4	1,100,900	6.1
Construction and utilities	617,800	4.2	941,700	5.3
Wholesale trade	629,200	4.3	691,800	3.9
Transportation and warehousing	409,000	2.8	647,700	3.6
Farming	382,900	2.6	422,700	2.4
Real estate	248,400	1.6	302,300	1.7
Natural resources and mining	24,600	0.2	22,500	0.1
Total	14,727,200	100.0 %	17,915,800	100.0 %

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The *operating information* schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
Fiscal Year								
2011	32,535	138,017	48,638	23,611	17,043	44,844	67,272	371,960
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319

	General Government ¹	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing ¹	Transportation ¹	Corrections and Rehabilitation	Total
Fiscal Year								
2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680
2017	44,844	154,479	41,350	23,880	5,153	38,375	53,662	361,743
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520
2019	44,989	164,337	40,761	24,447	5,644	39,670	57,140	376,988
2020	45,028	166,059	41,965	25,410	5,876	40,316	57,812	382,466

Source: Annual Governor's Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

¹ Effective July 1, 2013, under the Governor's 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees' Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2011	2012	2013	2014
General Government				
State Lottery				
Total revenue ¹	\$ 3,439	\$ 4,371	\$ 4,446	\$ 5,035
Allocation to Education Fund ¹	\$ 1,103	\$ 1,300	\$ 1,262	\$ 1,328
Judicial Council of California				
Supreme Court ^{2,9}				
Cases filed	10,329	9,232	8,029	7,907
Cases disposed	10,196	9,720	8,492	7,774
Courts of Appeal ⁹				
Notices of appeal filed ³				
Civil	6,258	6,505	6,052	5,983
Criminal	6,877	6,387	6,004	6,373
Juvenile	2,106	2,830	2,713	2,857
Trial Courts ⁹				
Total civil cases ⁴				
Filings	1,572,623	1,458,898	1,358,481	1,264,983
Dispositions	1,591,033	1,436,658	1,327,078	1,216,185
Department of Food and Agriculture				
Milk production (million lbs.) ^{5,9}	41,462	41,801	41,256	42,339
Farm land (thousand acres) ⁵	25,600	25,600	25,300	25,200
Education				
Public Colleges and Universities				
Fall enrollment ⁹				
Community Colleges	1,655,072	1,582,302	1,582,452	1,578,778
California State University	426,534	436,560	446,530	460,200
University of California	236,691	238,617	244,126	252,263
K-12 Schools				
Fall enrollment ⁹				
Public	6,217,002	6,220,993	6,226,989	6,236,672
Private	515,143	497,019	516,119	511,286

Sources: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; and Franchise Tax Board.

Note: This schedule presents data available as of June 2021.

¹ Dollars in millions.

² Includes death penalty cases, habeas related to automatic appeals, petitions for review, original proceedings, and State Bar matters.

³ Includes only one notice of appeal per case.

⁴ Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.

⁵ Data based on calendar year.

⁶ Total nonfarm and farm.

⁷ Data compiled from a 10% sample of California licensed drivers.

⁸ A center-line mile is measured by the yellow dividing strip that runs down the middle of the road, regardless of the number of lanes on each side.

⁹ Some prior years were updated based on more current information.

¹⁰ The amount for fiscal year 2020 is projected.

N/A = Not Available

2015		2016		2017		2018		2019		2020	
\$	5,525	\$	6,276	\$	6,233	\$	6,966	\$	7,388	\$	6,622
\$	1,364	\$	1,563	\$	1,499	\$	1,665	\$	1,825	\$	1,437
	7,860		8,081		7,317		6,812		6,894		N/A
	7,549		7,951		6,992		6,759		7,098		N/A
	6,062		5,935		5,975		6,002		5,697		N/A
	7,113		6,714		5,593		5,221		5,577		N/A
	3,036		3,025		3,029		3,068		3,332		N/A
	1,145,892		1,148,205		1,198,076		1,235,568		1,251,700		N/A
	1,118,443		1,031,105		1,115,470		985,039		1,079,372		N/A
	40,897		40,469		39,798		40,404		40,595		41,282
	24,900		24,800		24,500		24,300		24,300		24,300
	1,593,894		1,591,274		1,595,897		1,591,684		1,569,502		1,305,370
	474,571		478,638		484,297		481,210		481,929		485,550
	257,438		270,112		278,996		286,271		285,216		285,862
	6,235,520		6,226,737		6,228,235		6,220,413		6,186,278		6,163,001
	503,295		500,543		490,966		488,854		495,525		483,200

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2011	2012	2013	2014
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births ^{5, 9, 10}	502,023	503,788	494,392	502,973
Department of Social Services				
Calfresh programs households (avg. per month)	1,576,042	1,757,387	1,898,283	2,004,016
Employment Development Department				
Number of employed ^{5, 6, 9}	14,614,600	15,240,400	16,109,200	16,062,300
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold ^{5, 9}	2,484,667	2,581,840	2,540,439	2,491,578
Hunting licenses sold ^{5, 9}	1,864,005	1,989,196	2,033,573	1,980,655
California Energy Commission				
Electrical energy generation				
plus net imports (gigawatt hours) ⁹	293,775	302,180	296,259	296,150
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax ^{5, 9}				
Number of tax returns filed	15,042,359	15,152,800	15,487,100	15,877,000
Taxable income ¹	\$ 838,347	\$ 948,523	\$ 949,655	\$ 1,064,347
Total tax liability ¹	\$ 43,921	\$ 58,652	\$ 55,679	\$ 66,583
Corporation Tax ^{5, 9}				
Number of tax returns filed	754,315	784,086	801,045	828,080
Income reported for taxation ¹	\$ 93,456	\$ 96,772	\$ 101,913	\$ 122,976
Total tax liability ¹	\$ 7,808	\$ 6,921	\$ 7,166	\$ 8,593
Transportation				
California Highway Patrol				
Total number of DUI arrests ⁵	86,901	79,993	76,860	73,425
Department of Motor Vehicles				
Motor vehicle registration ^{5, 9}	31,802,483	31,946,422	32,903,847	33,550,486
License issued by age ^{5, 7, 9}				
Under age 18	227,069	224,809	221,385	223,024
Between 18-80	23,150,222	23,462,971	23,824,697	24,195,705
Over age 80	579,207	602,508	597,350	595,739
Department of Transportation				
Highway center-line miles – rural ^{5, 8, 9}	10,780	10,784	10,315	10,312
Highway center-line miles – urban ^{5, 8, 9}	4,353	4,363	4,789	4,787
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year ...	147,181	132,768	134,333	134,431
Division of Juvenile Justice				
Institution population at June 30 each year	1,263	922	712	675

2015	2016	2017	2018	2019	2020
491,789	488,925	471,806	454,244	446,548	448,758
2,102,031	2,130,583	2,032,818	1,979,526	1,782,500	2,249,323
16,474,800	16,904,100	17,240,200	17,594,500	17,853,100	16,547,900
2,485,400	2,508,490	2,502,863	2,498,077	2,371,800	2,780,355
2,131,655	2,143,146	2,143,026	2,113,888	2,043,323	2,403,174
295,930	290,792	292,083	285,675	277,933	272,576
16,257,600	16,547,100	16,868,000	17,074,000	17,524	N/A
\$ 1,107,474	\$ 1,154,906	\$ 1,254,483	\$ 1,352,592	\$ 1,406,487	N/A
\$ 68,498	\$ 71,348	\$ 79,927	\$ 86,902	\$ 89,690	N/A
865,593	900,358	936,211	974,652	N/A	N/A
\$ 140,534	\$ 129,452	\$ 127,290	\$ 172,954,424	N/A	N/A
\$ 9,235	\$ 9,276	\$ 8,822	\$ 11,624,928	N/A	N/A
65,016	60,202	58,195	60,336	65,765	55,478
34,346,325	35,310,563	35,391,347	35,707,821	35,805,757	N/A
221,250	225,569	219,572	213,402	215,084	N/A
25,089,910	25,639,270	26,078,773	26,275,559	26,439,138	N/A
603,691	619,807	659,530	647,831	650,998	N/A
10,407	10,259	10,259	10,259	10,510	N/A
4,685	4,833	4,833	4,833	4,547	N/A
127,815	129,415	130,263	127,709	124,027	95,432
681	690	638	629	720	782
					(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2011	2012	2013	2014
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment	809	804	792	747
Square footage of structures (in thousands)	466	466	455	455
Department of Justice				
Vehicles and mobile equipment	677	531	527	520
Department of Military				
Vehicles and mobile equipment	249	233	211	211
Square footage of structures (in thousands)	3,530	3,511	3,623	4,019
Department of Veterans Affairs				
Veterans homes	6	6	8	8
Vehicles and mobile equipment	132	143	267	285
Square footage of structures (in thousands)	2,086	2,086	2,488	2,543
Education				
California State University				
Vehicles and mobile equipment	4,415	4,326	4,467	4,555
Campuses	23	23	23	23
Square footage of structures (in thousands)	71,287	73,785	73,866	73,316
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	818	789	632	424
Developmental centers	5	5	4	4
Square footage of structures (in thousands)	5,294	5,294	5,279	5,308
Department of State Hospitals ¹				
Vehicles and mobile equipment	709	718	699	886
State hospitals	5	5	7	7
Square footage of structures (in thousands)	6,331	6,336	6,457	6,460

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of June 2021.

¹ In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

2015	2016	2017	2018	2019	2020
747	752	677	823	633	780
455	455	462	384	384	384
520	484	511	509	495	485
211	217	218	261	221	241
3,977	3,965	3,954	3,770	3,268	3,254
8	8	8	8	8	8
285	235	280	292	247	276
2,541	2,541	2,552	2,552	2,536	2,541
4,619	4,945	4,838	5,216	5,246	5,397
23	23	23	23	23	23
73,988	75,292	75,786	76,227	76,969	78,447
571	640	559	616	600	490
3	3	3	3	2	2
4,699	3,664	3,664	3,595	3,578	2,321
752	678	674	728	820	969
7	8	5	5	5	5
6,445	6,445	5,944	5,944	6,425	6,433

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2011	2012	2013	2014
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	3,180	3,012	2,896	2,954
Square footage of structures (in thousands)	1,313	1,317	1,317	1,311
Department of Forestry and Fire Protection				
Vehicles and mobile equipment	2,804	2,810	2,845	2,748
Square footage of structures (in thousands)	3,943	3,935	3,641	3,632
Department of Parks and Recreation				
Vehicles and mobile equipment	3,715	4,200	3,311	3,489
State Parks	279	280	280	279
Acres of state park land (in thousands)	1,334	1,333	1,590	1,590
Square footage of structures (in thousands)	6,433	6,623	6,598	6,751
State Lands Commission				
Vehicles and mobile equipment	50	42	42	41
Acres of land (in thousands)	4,491	4,491	4,489	4,489
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	578	574	518	554
Department of General Services				
Vehicles and mobile equipment	5,670	4,991	5,226	5,053
Square footage of structures (in thousands)	18,602	19,180	19,098	19,367
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,337	5,013	5,341	5,170
Square footage of structures (in thousands)	1,135	1,149	1,149	1,166
Department of Motor Vehicles				
Vehicles and mobile equipment	366	366	294	295
Square footage of structures (in thousands)	1,842	1,842	1,842	1,845
Department of Transportation				
Vehicles and mobile equipment	12,759	12,690	11,767	11,596
Square footage of structures (in thousands)	6,519	8,131	8,170	7,960
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment	5,985	5,952	5,156	5,137
Prisons and juvenile facilities	39	39	37	37
Square footage of structures (in thousands)	41,399	41,399	40,606	40,726

2015	2016	2017	2018	2019	2020
2,954	3,104	3,126	2,970	3,266	3,334
1,311	1,297	1,322	1,322	1,333	1,333
2,748	3,151	3,073	3,115	3,144	3,090
3,664	3,666	3,677	3,640	3,626	3,654
3,489	3,538	3,542	3,804	3,571	3,794
280	280	280	280	280	280
1,605	1,605	1,617	1,619	1,618	1,641
6,761	6,790	7,363	7,360	7,544	7,554
41	41	43	48	42	43
4,482	4,480	4,480	4,480	4,480	4,480
554	588	596	600	622	671
5,053	4,697	4,476	4,465	4,552	4,664
19,448	19,311	19,487	19,565	19,490	20,267
5,170	5,167	5,336	4,912	4,946	4,807
1,169	1,211	1,191	1,182	1,199	1,301
295	287	276	283	266	314
1,786	1,780	1,777	1,785	1,785	1,785
11,596	11,776	11,585	11,494	11,483	11,449
7,965	7,968	7,960	7,933	8,074	8,096
5,968	5,291	8,079	7,571	7,139	7,312
39	39	40	39	39	39
40,590	40,485	42,198	42,209	42,605	42,936
					(concluded)

Part Two

State of California: Internal Control
and Compliance Audit Report for the
Fiscal Year Ended June 30, 2020

Contents

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**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

The Governor and the Legislature of the State of California

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements, and have issued our report thereon dated January 26, 2022. Our report disclaims an opinion on the Unemployment Programs Fund, and qualifies the opinions on Business-Type Activities and the Federal Fund, for the following reasons.

The Employment Development Department had inadequate internal control over its accounting of money it received and spent related to unemployment benefits. As a result, the department was unable to provide complete and accurate accounting information supporting transfers from the Federal Fund to the Unemployment Programs Fund and the amount of expenditures associated with the State's unemployment program and with federally-funded unemployment programs. The condition of the department's records did not permit us, nor was it practicable to extend other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that Due to Other Funds, Loans Payable and Distributions to Beneficiaries are free of material misstatement. As a result of this matter, we were unable to determine whether further audit adjustments to these accounts were necessary. The issues described above also contributed to material misstatements of \$1 billion in Unemployment and Disability Insurance Revenue and \$1.4 billion in Operating Transfers In that the department could not correct.

These issues also affect Business-Type Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Unemployment Programs Fund balances that represent 24 percent of Internal Balances, 100 percent of Loans Payable, and 100 percent of Unemployment Programs Expenses within Business-Type Activities. Similarly, there are material misstatements of \$1 billion in Unemployment Programs Revenues and \$1.4 billion in Transfers that the Employment Development Department could not correct.

Lastly, the department's inadequate internal control also affected the financial statements of the Federal Fund, which the department uses to report activities related to federally-funded unemployment programs. For this reason, the department was unable to provide complete and accurate accounting information supporting revenue and benefit payments. In addition, the department used incomplete data to calculate adjustments related to potentially fraudulent unemployment claims. We were therefore unable to obtain sufficient appropriate evidence about these adjustments. Together, these issues affected department balances representing

30 percent of Due From Other Governments, 100 percent of Benefits Payable, 29 percent of Intergovernmental Revenues, and 33 percent of Health and Human Services Expenditures within the Federal Fund. As a result of these matters, we were unable to determine whether further audit adjustments to these accounts were necessary.

Our report includes a reference to other auditors who audited the financial statements of the following, as described in our report on the State of California's financial statements.

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent one percent of the assets and deferred outflows, and less than one percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 86 percent of the assets and deferred outflows, and 57 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 95 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving, the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 83 percent of the assets and deferred outflows, and 45 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.
- The discretely presented component units noted above.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction Fund, the State Lottery Fund, and the Campus Foundations of the University of California, which represent 12 percent of the university's total assets and deferred outflows of resources and 5 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the State of California's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our

opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of California's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements as items 2020-1, 2020-2, 2020-3, and 2020-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements as items 2020-5 and 2020-6 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the State of California, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the Unemployment Programs Fund, instances of noncompliance or other matters may have been identified and reported herein.

State of California's Response to Findings

The State of California's responses to the findings identified in our audit are described in the accompanying section entitled Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements. The State of California's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CALIFORNIA STATE AUDITOR

Original signed by:

MICHAEL S. TILDEN, CPA
Acting California State Auditor

Sacramento, California

January 26, 2022

**STATE OF CALIFORNIA
SCHEDULE OF FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Disclaimer of opinion for Unemployment Programs Fund, Qualified opinions for Business-Type Activities and the Federal Fund, and Unmodified opinions for all other opinion units

Internal control over financial reporting:

Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Internal Control and Compliance Issues Applicable to the Financial Statements and State Requirements

EMPLOYMENT DEVELOPMENT DEPARTMENT

Reference Number: 2020-1

Condition:

The Employment Development Department (EDD) did not adequately adjust its financial accounting processes to identify and record activity related to billions of dollars of pandemic unemployment program funding, resulting in potential material misstatements in its year-end financial reports. These conditions, and those noted in finding 2020-2 related to EDD, led to a delay in the publication of the State's Annual Comprehensive Financial Report (ACFR) and to the modified opinions we express on the Unemployment Programs Fund, Federal Fund, and Business-Type Activities in the ACFR. As we noted in our January 2021 report, *Significant Weaknesses in EDD's Approach to Fraud Prevention Have Led to Billions of Dollars in Improper Benefit Payments*, Report 2020-628.2, the federal government passed legislation in March 2020 in response to the COVID-19 pandemic, which provided unemployment benefits to supplement California's existing unemployment insurance (UI) program and expanding benefits to include individuals who were not eligible for regular unemployment benefits. California's statewide unemployment rate rose from 4.3 percent in February 2020 to 16.2 percent by April 2020. The dramatic increase in unemployment and the expansion of unemployment benefits created a surge in unemployment claims after California's statewide stay-at-home order went into effect on March 19, 2020.

Along with the claim surge came delays in the processing of benefit payments, because EDD was overwhelmed by the extraordinary number of claims. EDD considers claims to be *backlogged* when it fails to process them within 21 days of their submission. According to data from the U.S. Department of Labor, for regular UI claims filed from April through September 2020, EDD provided 80 percent of claims with a first payment within 21 days—leaving more than 800,000 claimants in the regular UI program waiting for more than 21 days to receive their first payment. The sudden and massive increase in UI claims and the significant expansion of eligibility for benefits also made the UI program vulnerable to fraud. In January 2021, EDD publicly acknowledged that between March 2020 and mid-January 2021, it paid tens of billions on fraudulent or potentially fraudulent claims. Further, the chief of EDD's fiscal programs division said that the department was still struggling with its transition to the State's new accounting system (FI\$Cal), and it lacked historical knowledge and established processes and procedures to account for the new pandemic-related programs.

When preparing its year-end financial reports for fiscal year 2019–20, EDD did not consider the effects of the issues noted above on its financial reporting requirements. For example, it did not revise its methodology for calculating unemployment benefits owed to claimants at the end of fiscal year 2019–20, thereby increasing the likelihood of material misstatements to expenses and liabilities in the Unemployment Insurance Fund and to expenditures, liabilities, revenues, and receivables in the Federal Fund. EDD's historical methodology for calculating the amount of benefits owed, which assumes amounts owed will be paid shortly after year-end rather than over an extended period as would happen with a backlog, estimated a liability of only about \$4.1 billion. However, this estimate turned out to be a fraction of the amount EDD paid after year-end related to fiscal year 2019–20 claims. After we shared our concerns with EDD, it revised its methodology to identify all fiscal year 2019–20 related benefit payments

that it actually made in the following fiscal year. EDD subsequently determined that it paid \$25.4 billion in fiscal year 2019–20 UI benefits after year-end, mostly related to federal unemployment programs. According to EDD’s fiscal programs division chief, the department believed that its existing benefits payable methodology was sufficient. He said that it did not initially consider how the payment backlog would affect the flow of payments after the end of the fiscal year and the corresponding accruals, which include those for expenses, benefits payable, revenues and amounts due from the federal government. If EDD had continued to follow its historical methodology, numerous account balances in the State’s ACFR would have been materially affected.

Similarly, EDD did not initially consider the impact of payments made on potentially fraudulent claims on its financial reporting, especially for the Federal Fund. The significant increase in fraud that EDD acknowledged was particularly significant for programs that are federally funded because money received related to payments made on potentially fraudulent claims must be reported differently. For federal unemployment programs, claims must meet specific eligibility requirements for EDD to record reimbursements for those amounts as revenue in the State’s financial statements. If eligibility requirements have not been met, any related reimbursements must be reported as a liability due back to the federal government. Additionally, payments for potentially fraudulent claims made after the end of the fiscal year do not represent a valid liability. Consequently, EDD should offset its accrual for unemployment benefits payable by the amount of potentially fraudulent claims. EDD ultimately adjusted its financial statements to account for more than \$10 billion in payments made after year-end for potentially fraudulent fiscal year 2019–20 claims, and it recorded a \$2 billion liability for potentially fraudulent federal program claims paid during fiscal year 2019–20. Nevertheless, our testing related to EDD’s calculation led us to conclude that its adjustment related to potential fraud is understated because of an incomplete method for identifying the potentially fraudulent claims it paid. Based on our testing, we estimate that the number of fraudulent claimants who received payments could be 17.5 percent higher than the number identified by EDD. Consequently, federal revenues, expenditures, and related amounts due from the federal government and due to benefit claimants are potentially misstated by material amounts. EDD’s fiscal programs division chief stated that the department was not aware of the need to make adjustments to offset payments made to ineligible claimants. However, we believe that EDD should have considered the need to revise its methodology because of the abnormal conditions related to its claims backlog and high volume of potentially fraudulent claims.

Further, EDD did not adequately account for the funding it obtained from the federal government to pay for unemployment benefits. During the initial months of the pandemic, the federal government began providing money to expand eligibility for unemployment benefits and to increase weekly benefit amounts. Consequently, EDD needed to properly distinguish between amounts it drew down and spent related to new federal programs versus amounts it drew down related to the regular state-funded unemployment program. In addition, the State’s cash reserve for its program was eliminated during the last quarter of fiscal year 2019–20, creating the need for it to borrow from the federal government to continue making state program payments. Nevertheless, EDD did not adequately account for either of these types of transactions, resulting in unsupported adjustments to its account balances and contributing to potential material misstatements in its year-end financial reports related to revenues, expenditures, and transfers.

EDD's fiscal programs division chief stated that in the wake of the pandemic, the department focused on making payments to claimants and that the appropriate recording of these payments was not initially taken into consideration. He stated that the situation was further complicated by the creation of new federal pandemic unemployment programs and the State's unemployment insurance trust becoming insolvent. He added that department staff lacked historical knowledge on how to account for significant federal money because EDD had not experienced this type of activity since the Great Recession. Furthermore, he said that because of the department's transition to FISCAL during the prior fiscal year, EDD did not have established processes and procedures to guide staff on the proper accounting for these types of transactions. Nevertheless, we believe that EDD must be adequately prepared to address and account for new federal programs and borrowing before they occur because of their recurring nature. The conditions described above and in finding 2020-2 contributed to the State issuing a late ACFR and to the modified opinions we issued on the Unemployment Programs Fund, the Federal Fund, and Business-Type Activities within the ACFR.

Finally, EDD did not report in the prior fiscal year an accounts receivable balance related to disability and unemployment benefit overpayments that take longer than 12 months to collect. However for fiscal year 2019–20, EDD updated its accrual methodology to appropriately estimate such a noncurrent component. In doing this, it also estimated a noncurrent balance at June 30, 2019, of \$639 million. Consequently, EDD reported a prior period restatement that increased the Unemployment Programs Fund's beginning fund balance for fiscal year 2019–20 by \$639 million.

Criteria:

Government Code section 12461 requires the State Controller to issue an ACFR that is prepared in accordance with generally accepted accounting principles (GAAP). The State Controller provides guidance to departments on the preparation of their year-end financial statements in its Year-End Financial Reports Procedures Manual. To prepare the State's ACFR, the State Controller annually requests that departments submit expense accruals for the funds they manage.

State Administrative Manual section 7974.1 requires that expenditure balances be reported by Catalog of Federal Domestic Assistance number and program title.

GAAP requires enterprise funds, such as the State's Unemployment Fund, to be accounted for on a full accrual basis. Specifically, expenditures must be recognized in the accounting period in which they are incurred. Additionally, federal funding—reported by the State in its Federal Fund—should only be recognized as revenue after all applicable eligibility requirements are met.

Recommendations:

EDD should develop a risk assessment process that it conducts before preparing its year-end financial reports to ensure that it addresses significant changes in its operating environment that could impact its financial reporting.

EDD should adopt written procedures that instruct its staff to evaluate whether existing methodologies for preparing GAAP entries adequately account for current risks and conditions.

EDD should provide staff responsible for preparing GAAP entries appropriate training to equip them with the knowledge required to prepare complete and accurate financial reports.

EDD should develop written processes and procedures necessary for the proper recording and reporting of federal loans for the state program and additional funding for federal unemployment programs associated with periodic economic downturns and resulting increases in unemployment levels.

EDD should reconcile its draw-down activity to its accounting records and expenditure detail to ensure that it is properly recording and reporting state unemployment program funds, federal unemployment program funds, and state unemployment program borrowing activity for fiscal year 2019–20.

Department's View and Corrective Actions:

EDD agrees with the finding and recommendations. The department described its initial reliance on its historical method for calculating benefits payable, its repeated efforts to develop an estimate related to potentially fraudulent payments, and its difficulties in properly recording the amounts it drew down related to state and federal programs and loans. It said it will develop a risk assessment process to help identify issues that could impact financial reporting, document process changes that came about during the fiscal year 2019–20 audit, including the reevaluation of existing methodologies, and provide appropriate training to its staff. Finally, the department said that it will identify methodologies for properly recording federal loans and federal program funding, and that it is researching issues that came up during fiscal year 2019–20 to identify transactions that need to be adjusted.

MULTIPLE DEPARTMENTS USING FI\$CAL

Reference Number: 2020-2

Condition:

In fiscal year 2018–19, we reported that numerous departments using the Financial Information System for California (FI\$Cal) for financial reporting did not complete bank reconciliations or reconcile their accounts to the State Controller’s Office’s (State Controller) records in a timely manner. Furthermore, many departments submitted late year-end financial reports to the State Controller, which delayed the completion of our audit procedures and publication of the State’s Annual Comprehensive Financial Report (ACFR). During fiscal year 2019–20, we found that although some departments have made progress in performing monthly reconciliations, many are still struggling to perform them on time. As a result, departments continue to submit late year-end financial reports, which has again delayed publication of the ACFR. For example, the Department of Health Care Services (DHCS) and the California Department of Resources Recycling and Recovery (CalRecycle), did not fully reconcile their banking activity prior to submitting their year-end financial reports. Moreover, the Employment Development Department (EDD) continued to perform bank reconciliations for two of its Centralized State Treasury System (CTS) accounts to a legacy accounting system rather than to FI\$Cal, which it uses to prepare its year-end financial reports.

In addition to preparing bank reconciliations, departments must reconcile their accounts to the records of the State Controller. Similar to the prior year, we found that 17 departments of material importance to the State’s overall financial reporting did not perform these monthly reconciliations in a timely manner during fiscal year 2019–20, and the reconciliations prepared by EDD contained significant, unsupported accounting entries that rendered them unreliable. Both types of reconciliations constitute important internal controls because they enable departments to detect fraud and to identify and resolve errors or omissions in the financial information that is ultimately reported in the State’s ACFR. The deficiencies in EDD’s reconciliations to the records of the State Controller contributed to our issuance of modified opinions on the Unemployment Programs Fund, Federal Fund, and Business Type Activities.

Similar to the prior year, DHCS did not fully reconcile its banking activity before submitting its year-end financial reports to the State Controller for fiscal year 2019–20. Although DHCS’s financial management division’s accounting administrator stated that it was the department’s goal to do so, the department ultimately decided to rely again on other sources to ensure the accuracy of its financial reports. These other sources included reconciliations to accounts maintained by the State Controller, the FI\$Cal year-end processes, and the State Controller’s year-end instructions. However, as we stated in the prior year finding, although these other reconciliations, processes, and instructions are important to ensuring the quality of the financial reports, they do not address the unique role departments play in the collection and reporting of accurate cash receipts. DHCS stated that its challenges during the fiscal year centered on the need to make further progress on its outstanding fiscal year 2018–19 reconciliation, because it was affecting the balances on its fiscal year 2019–20 reconciliation. Although DHCS has since substantially reconciled its bank activity for both fiscal years, thereby mitigating the risk of a material misstatement to the financial statements, neither year’s activity is fully reconciled.

Similar to DHCS, CalRecycle submitted its fiscal year 2019–20 year-end financial reports to the State Controller before completing its June 2020 bank reconciliation, in this case three months earlier. It also similarly stated that it relied upon other reconciliations, such as the reconciliation to accounts maintained by the State Controller, to ensure the accuracy of its financial reports. However, this does not mitigate the risk that an incomplete bank reconciliation poses to the financial reports. CalRecycle's chief accounting officer stated that the department had lost a significant number of staff who were critical to the reconciliation process, and that caused the department to fall behind. He said that although these positions were filled after fiscal year-end, the department was further delayed as it trained these new staff. Furthermore, he said that given the evolving nature of the FI\$Cal system, the department is still improving its training and accounting procedures, which will allow it to complete these reconciliations in a timely manner.

EDD's failure to perform bank reconciliations to its FI\$Cal accounting records for two CTS accounts it uses to pay unemployment and disability benefits to recipients represents the breakdown of a key internal control over disbursements. Because the Unemployment Program provides cash benefits to unemployed individuals, errors in the recording of benefit payments affect the accuracy of EDD's financial reports. We obtained additional information from EDD to perform other procedures to ensure that the overall CTS account activity contained within its FI\$Cal accounting records was not materially affected by this internal control failure. EDD's fiscal programs division chief stated that the department did not reconcile to FI\$Cal because it was unable to perform these reconciliations within the FI\$Cal system pending a future enhancement being placed in service. However, the Department of Finance (Finance) had previously released guidance for departments on how to perform bank reconciliations outside of the system, thereby ensuring that departments would be able to adhere to this important control. EDD's fiscal program division chief stated that the department knew about the workaround but that it was not aware until December 2021 that it would work for the two noted CTS accounts. He said EDD has since begun having internal discussions on how it can implement this workaround.

Finally, the Franchise Tax Board did not complete its bank reconciliations for fiscal year 2019–20 until December 2020, which was about five months after the State's deadline, but before it submitted its financial statements.

Similar to the prior year, we found that 17 departments of material importance to the State's overall financial reporting did not reconcile their accounts to the records of the State Controller in a timely manner. We show these departments and the dates they submitted their late year-end reports in the table below. Among the departments' explanations for not performing timely reconciliations were the following:

- A delay in starting the process of accounting for fiscal year 2019–20 due to the late close of fiscal year 2018–19.
- Delays caused by the late resolution of FI\$Cal system tickets (a request from a FI\$Cal user for technical support).
- The inherent complexity of the FI\$Cal system results in tasks taking longer to complete than under the previous accounting system.

- Issues with system configurations that result in items being placed into suspense that require manual correction before departments can proceed with their reconciliation efforts.
- A lack of adequately trained staff resulting from staff turnover and the need for additional positions to address the concerns referenced above.

Finally, representatives of a few departments that are responsible for a number of different funds stated that completing their year-end closing procedures for all of their funds at once, rather than fund by fund, causes delays for those funds that are ready to close sooner.

<i>Departments That Performed Late Reconciliations to Accounts Maintained by the State Controller</i>	<i>Dates Late Financial Reports Were Submitted to the State Controller</i>
California Air Resources Board	9/30/2020
California Department of Education	2/18/2021–2/24/2021
California Department of Forestry and Fire Protection	3/19/2021
California Department of Public Health	11/17/2020
California Department of Resources Recycling and Recovery	2/8/2021
California Department of Social Services	11/9/2020–11/13/2020
California Department of Tax and Fee Administration	10/27/2020
California Governor's Office of Emergency Services	8/26/2020
California Highway Patrol	2/18/2021
California Student Aid Commission	11/23/2020
Department of Developmental Services	12/7/2020
Department of Health Care Services	11/4/2020–12/21/2020
Department of State Hospitals	10/26/2020
Employment Development Department	6/16/2021–8/13/2021
Franchise Tax Board	12/12/2020–12/21/2020
Office of the Chancellor of the California Community Colleges	12/11/2020
State Water Resources Control Board	7/28/2021

Notes: Multiple dates listed indicate a range for different funds used by the department.

State Administrative Manual section 7930 required that departments submit their year-end financial reports for fiscal year 2019–20 to the State Controller by July 31, 2020, for the general fund and by August 20, 2020, for all other funds.

This table reflects only the late submission of financial reports for funds of material importance to the State's overall financial reporting.

EDD's difficulties in performing timely monthly reconciliations to the records of the State Controller contributed to its inability to prepare accurate year-end financial reports for the Unemployment Programs Fund and the Federal Fund. According to EDD's fiscal programs division chief, the department continued to be behind in transitioning its accounting processes to FI\$Cal, which contributed to EDD's problems in completing accurate and timely monthly reconciliations. We noted a number of issues when reviewing EDD's year-end reconciliation. For example, EDD encountered a large discrepancy when it attempted to reconcile its Cash in US Treasury account to the State Controller's balance. However, rather than determining the true cause of this discrepancy, the department incorrectly derived and recorded an inappropriate adjusting entry that did not resolve the underlying issue. At that time, EDD reported a \$2.2 billion negative balance in its Cash in US Treasury account, while the State Controller reported a \$374.9 million positive balance. This large negative balance was the result of EDD incorrectly reducing its Cash in State Treasury account balance in FI\$Cal each time it borrowed money from the federal government to pay state-funded unemployment benefits rather than recording these amounts as loans. EDD staff preparing the reconciliation did not appear to be aware of how these adjustments affected the account balance because they were not addressed in the reconciliation. Finally, when posting the adjusting entry, EDD also incorrectly decreased another cash account balance by \$1.1 billion and the transfers out account by \$1.4 billion. EDD's reconciliation for the Cash in State Treasury account balance as of December 2019 noted the same, large variance and identified a need to research the issue further; however, the department did not do so. The breakdown of internal controls underscores the need to perform reconciliations thoroughly and promptly so that the sources of discrepancies and appropriate adjusting entries will be easier to identify.

EDD recorded two other unsupported adjustments during its final reconciliation process for fiscal year 2019–20, each of which exceeded \$1 billion. One adjustment had the effect of offsetting the \$1.1 billion cash account decrease noted above, but it also incorrectly decreased expenses by \$1.2 billion. The other adjustment incorrectly increased expenses and amounts owed to the federal government by \$1.6 billion. Because of the interrelationship between the Unemployment Programs Fund and the Federal Fund, these adjustments contributed to material misstatements in both funds. The fiscal programs division chief said EDD felt pressure to complete its year-end financial statements quickly because it was behind schedule, and that led to inaccurate reconciliations. Nevertheless, the department's accounting staff should be properly analyzing and correcting discrepancies identified during the reconciliation process to avoid creating other inaccuracies.

Criteria:

Government Code sections 13400 through 13407 state that agency heads are responsible for the establishment and maintenance of a system or systems of internal control and effective and objective ongoing monitoring of the internal controls within their state agencies. This responsibility includes documenting the system, communicating system requirements to employees, ensuring that the system is functioning as prescribed, and making modifications, as appropriate, for changes in conditions.

State Administrative Manual (SAM) section 7901 requires that departments reconcile their accounts to those accounts maintained by the State Controller to disclose errors as they occur. Departments should analyze differences and make corrections to their accounts or request

corrections to the State Controller's accounts so that information between both systems is complete and accurate. Corrections to errors should be made before financial reports are prepared to ensure the accuracy of a department's financial reports. Reconciliations shall be prepared monthly within 30 days of the preceding month.

SAM section 7923 requires departments to reconcile their bank account balance with the like account maintained in the CTS. Departments must reconcile their General Cash, Revolving Fund Cash, and Agency Trust Fund Cash accounts with their State Controller's CTS Account Statement bank balance, adjusted for deposits in-transit, outstanding checks, and other reconciling items. Departments should file the CTS statements and monthly reconciliations in date order.

SAM section 7930 requires that departments submit their year-end financial reports to the State Controller by July 31 for the general fund and by August 20 for all other funds.

Recommendations:

Departments should perform their monthly bank reconciliations and reconciliations to the accounts maintained by the State Controller in a timely manner, and before submitting financial reports to the State Controller.

Departments should identify the underlying cause for any reoccurring FI\$Cal tickets that are hindering monthly reconciliations and inquire with the Department of FISCal about the development of any possible enhancements or changes to established business processes. In the interim, departments should work closely with the Department of FISCal to ensure the timely closure of open tickets.

Departments should look for opportunities to redesign their internal business processes that are deterring the timeliness of monthly reconciliations.

Departments with multiple funds should request that the Department of FISCal initiate the year-end closing process for material funds separately from their other funds.

Departments should be proactive with succession planning to ensure that when key staff leave, reconciliations can still be performed in a timely manner. This may include the cross-training of other existing staff positions, requesting funding for additional positions, or exploring the possibility of contracting for additional support.

Departments should work with Finance and the State Controller to obtain any additional training for staff to ensure monthly reconciliations are performed properly and in a timely manner.

EDD should ensure that staff properly reconcile department records to the State Controller by providing appropriate training and support. It should adequately document its reconciling items and retain sufficient evidence justifying those items.

EDD should further research issues that caused it to be unable to properly complete its final State Controller reconciliations for fiscal year 2019–20 and adjust its accounting records accordingly.

EDD should develop a formal process to reconcile its banking activity to its official accounting records maintained in FI\$Cal. If the FI\$Cal system lacks the features required to perform these reconciliations, EDD should consider alternative approaches for reconciling its banking activity to FI\$Cal outside of that system.

DHCS should complete its bank reconciliations and reflect any resulting adjusting entries in its official accounting records maintained in FI\$Cal.

Departments' Views and Corrective Actions

Each of the departments stated that they agreed with the findings and recommendations, and already have or will institute the necessary corrective actions. Many departments also reiterated some of the challenges they experienced with FI\$Cal during fiscal year 2019–20, some of which remain to this day. Common themes included challenges related to allocations, business processes taking longer to complete than under the previous system, and delays while waiting for resolution of FI\$Cal system tickets.

EDD agrees with the finding and related recommendations. The department reiterated problems it has faced determining how to reconcile its bank accounts within or outside FI\$Cal and stated that it is now considering how best to adopt the Department of Finance workaround noted in the finding to bring its bank reconciliations into compliance with State Administrative Manual requirements. EDD also restated issues it has had implementing FI\$Cal in general and in accounting for federal loans in particular that affected its reconciliations to State Controller records. It said that it is reviewing its processes to identify areas that need to be updated, including revisiting the way it records certain transactions, ensuring that adjusting entries are properly supported, and providing appropriate training to staff. Lastly, EDD stated that it is researching issues that came up during fiscal year 2019–20 to identify transactions that need to be adjusted.

DEPARTMENT OF FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI\$CAL)

Reference Number: 2020-3

Condition:

We identified pervasive findings in the overall information technology (IT) general controls environment of the Financial Information System for California (FI\$Cal). Details of these findings are being withheld pursuant to Government Code section 8592.45 which prohibits disclosure of certain information related to the FI\$Cal IT infrastructure. Accordingly, and consistent with applicable auditing standards, we decided not to publish these details. Thirty-four (34) out of thirty-nine (39) control deficiencies have Plans of Action and Milestones (POAMs) that were not remediated as of the end of the audit period. Further, sufficient compensating controls were not in place to reduce the impact of these findings on the IT general controls environment. Of the applicable open POAMs, a majority of the items were identified in March 2018 and had not been remediated as of the end of the audit period, June 30, 2020.

The primary cause of these issues was insufficient planning to incorporate appropriate governance and control requirements over financial systems prior to implementing FI\$Cal. This, in turn, resulted in inadequate resources and oversight to properly implement, monitor, and maintain IT controls that support FI\$Cal's financial reporting function.

The deficiencies result in pervasive risks at the entity and system-level to automated controls and configurations of the FI\$Cal system, which impact the ability to rely on FI\$Cal data used for financial reporting. Lack of IT general controls could compromise the reliability and integrity of financial data and increases the risk of misstatements in the financial reports.

Criteria:

The *Financial Audit Manual* (FAM) 240-4 states in relevant part:

(.12) Information system controls consist of those internal controls that are dependent on information system processing and include general controls, application controls, and user controls. Information system general controls (implemented at the entity wide, system, and application levels) are the structure, policies, and procedures that apply to all or a large segment of an entity's information systems. General controls help ensure the proper operation of information systems by creating the environment for effective operation of application controls. An effective information system general control environment:

- provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls (security management);
- limits or detects access to computer resources, such as data, programs, equipment, and facilities, thereby protecting them against unauthorized modification, loss, or disclosure (logical and physical access);

- prevents unauthorized changes to information system resources, such as software programs and hardware configurations, and provides reasonable assurance that systems are configured and operating securely and as intended (configuration management);
- includes policies, procedures, and an organizational structure to manage who can control key aspects of computer-related operations (segregation of duties); and
- protects critical and sensitive data, and provides for critical operations to continue without disruption or be promptly resumed when unexpected events occur (contingency planning).

(.13) Application controls, sometimes referred to as business process controls, are those controls incorporated directly into information systems to help ensure the validity, completeness, accuracy, and confidentiality of transactions and data during information system processing. An effective application control environment includes:

- general controls implemented at the application level (i.e., security management, access controls, configuration management, segregation of duties, and contingency planning);
- controls over transaction data input, processing, and output as well as master data maintenance; interface controls over the timely, accurate, and complete processing of information between information systems; and
- controls over the data management systems.

State Administrative Manual (SAM) section 5300.5, states:

“California has adopted the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 as minimum information security control requirements to support implementation and compliance with the Federal Information Processing Standards (FIPS). Each state entity shall use the FIPS and NIST SP 800-53 in the planning, development, implementation, and maintenance of their information security programs.”

SAM section 5305, states:

“Each state entity is responsible for establishing an information security program. The program shall include planning, oversight, and coordination of its information security program activities to effectively manage risk, provide for the protection of information assets, and prevent illegal activity, fraud, waste, and abuse in the use of information assets.

Each state entity shall:

1. Align the information security program, its activities, and staff with the requirements of this Chapter;
2. Establish a governance body to direct the development of state entity specific information security plans, policies, standards, and other authoritative documents;
3. Oversee the creation, maintenance, and enforcement of established information security policies, standards, procedures, and guidelines;

4. Ensure the state entity's security policies and procedures are fully documented and state entity staff is aware of, has agreed to comply with, and understands the consequences of failure to comply with policies and procedures;
5. Identify and integrate or align information security goals and objectives to the state entity's strategic and tactical plans;
6. Develop and track information security and privacy risk key performance indicators;
7. Develop and disseminate security and privacy metrics and risk information to state entity executives and other managers for decision making purposes; and
8. Coordinate state entity security efforts with local government entities and other branches of government as applicable."

Recommendations:

The Department of FISCal should do the following:

- Perform a comprehensive risk assessment to re-evaluate FI\$Cal governance in accordance with SAM, NIST SP 800-53, financial reporting, and other State and Federal requirements. Results should include, but are not limited to:
 - Updated System Security Plan (SSP), which accurately documents critical policies and procedures associated with the execution and monitoring of controls;
 - Updated policies and procedures which demonstrate management's controls in place to monitor and prevent risk as designed within the SSP.
- Generate a project plan for remediation and establish a control environment, which reflects the strategic goals identified as part of the comprehensive risk assessment.
- Incorporate a process to make consistent progress against open POAMs and to actively pursue remediation of findings which incorporates post-implementation monitoring.
- Coordinate and establish validation and verification of controls identified in the SSP.
- Conduct information, communication, and monitoring activities to promote awareness of updated processes.

Department's View and Corrective Actions:

The Department of FISCal agrees with the findings and is committed to addressing them immediately. The security of the system is our highest priority and we greatly value the State Auditor's Office (State Auditor) feedback and take the concerns stated in the report seriously. To continuously improve the IT general controls environment, there are yearly independent security assessments and/or audits, updates to the POAMs, and actions taken to implement solutions to remediate findings. To safeguard the system and data, the department emphasizes

external threats including emerging threats and operational security and has made consistent progress in closing POAMs. Further, the California Department of Military's independent security assessment of April 2021 reported that its targeted external attacks were unsuccessful.

During the State Auditor's audit for fiscal year 2018–19, which concluded after fiscal year 2019–20 closed, the department learned that our risk tolerances are different in some areas than what is expected by the State Auditor. Going forward, the department is enhancing its risk assessment and governance processes, internal controls, policies, procedures and documentation with the same emphasis it has placed on external threats in accordance with these recommendations.

FRANCHISE TAX BOARD

Reference Number: 2020-4

Condition:

As of June 30, 2020, the Franchise Tax Board (FTB) omitted from its financial statements certain income tax revenues of the General Fund, totaling \$22 billion. Specifically, FTB did not accrue corporate income taxes or personal income taxes remitted after fiscal year end under a new tax deadline extension. In March 2020, in response to the COVID-19 pandemic, the Governor issued an executive order granting FTB the authority to extend deadlines for certain tax payments. As a result, amounts normally received by fiscal year end were in need of accrual. This error occurred because FTB did not update its accrual procedures to address this change. As a result, there was a misunderstanding between the various groups within FTB who prepare the financial statements at year-end, as to who would accrue these payments.

Criteria:

Government Code section 12461 requires the State Controller to issue an annual comprehensive financial report (ACFR) that is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Codification of Governmental Accounting and Financial Reporting Standards section 1600 states that financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting, which requires revenues to be reported when they become available and measurable.

Recommendations:

To ensure that its financial statements are properly presented and comply with GAAP at fiscal year-end, FTB should do the following:

- On an annual basis, review and update its existing accrual methodologies to ensure they are up to date and appropriate.
- Given their complexity, institute a review process over the accrual calculations to ensure they adhere to the established methodology and are free from errors.
- Provide guidance and training to staff on the requirements of GAAP.

Department's View and Corrective Actions:

FTB agrees with the finding and recommendations. We will annually review our procedures and methodologies to ensure they are up to date and appropriate for any changes affecting the accrual. In addition, we will institute a review process to ensure that the accrual complies with GAAP and provide additional guidance and training to staff on the requirements of GAAP.

DEPARTMENT OF FINANCE

Reference Number: 2020-5

Condition:

The Department of Finance (Finance) incorrectly reported activities for fiscal year 2019–20 related to a large, new source of federal funding. Specifically, it initially did not report any expenditures in the State’s Coronavirus Relief Fund (Coronavirus Fund), and when it acted to fix this situation, its adjustments had to be followed by significant correcting entries. If left uncorrected, these errors would have resulted in an understatement of Federal Fund expenditures of \$1.5 billion in the State’s Annual Comprehensive Financial Report (ACFR).¹

In March 2020, the U.S. Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), providing the U.S. Treasury with money to make payments to state and local governments for certain expenditures related to their response to the COVID-19 pandemic. In May 2020, the U.S. Treasury allocated \$9.5 billion to be paid directly to the State of California to use for expenses incurred between March 1, 2020, and December 30, 2020.² Finance proposed and the Legislature approved allocation of the funds to various state agencies, counties, and cities in June 2020. Finance is the state agency generally responsible for overseeing and managing this money through the State’s Coronavirus Fund, and it developed processes to track the expenditure of \$7.7 billion of Coronavirus Fund money allocated to state agencies and \$1.8 billion allocated to local governments.

The Coronavirus Fund is a *special revenue fund* under generally accepted accounting principles (GAAP). For this reason, expenditures as well as revenues related to this federal funding should be recorded in the Coronavirus Fund. By the end of September 2020, Finance had paid local governments nearly \$900 million from the fund and told the Legislature that it had identified more than \$800 million in state agency expenses to be paid by the fund. These circumstances indicated that Finance would likely need to report some level of expenditures in the fund for the period March 1, 2020 through June 30, 2020. Through March 2021, however, Finance had reported no expenditures for the fund.

Finance subsequently made a GAAP adjusting entry of \$1.8 billion to record expenditures related to local governments. This entry, however, overstated Coronavirus Fund expenditures as it amounted to the entire allocation to local governments for the duration of the program, without regard to when they had incurred costs. After we asked for support for the entry, Finance identified that local governments had reported incurring costs for fiscal year 2019–20 totaling only \$729 million, so it submitted an entry to decrease expenditures accordingly. Finance also recorded transfers from the Coronavirus Fund for reimbursements it made to the General Fund, instead of expenditures. When we brought this to Finance’s attention, it submitted an adjusting entry that recorded \$746 million of expenditures in the Coronavirus Fund and reduced General Fund expenditures by the same amount, appropriately matching federal revenues and expenditures in the Coronavirus Fund. Finance explained that evolving

¹ The State’s ACFR presents a Federal Fund, which includes the Coronavirus Fund and other funds that receive money from the federal government.

² In late 2020, Congress amended this provision to December 31, 2021.

federal guidelines hindered its ability to determine appropriate entries. The noted errors also appear to have occurred because Finance did not adequately address the requirements of GAAP when preparing and reviewing adjusting entries for the Coronavirus Fund.

Criteria:

Codification of Governmental Accounting and Financial Reporting Standards section 1600 states that financial statements for governmental funds should be presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable.

Government Accounting Standards Board Statement No. 54 section 30 states that special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The State has created the Coronavirus Fund, a special revenue fund, for the deposit of moneys received from the federal government for relief of the effects of the pandemic caused by COVID-19.

Recommendations:

To ensure that the State complies with financial statement reporting requirements in the future, Finance should do the following:

- Develop written procedures to ensure that it prepares and adequately reviews entries to report expenditures in accordance with GAAP.
- Ensure that staff preparing and reviewing financial reports receive adequate guidance and training in GAAP requirements.

Department's View and Corrective Actions:

Finance acknowledges some initial issues with the accounting entries required for the Coronavirus Fund. The determination and timing of the entries were impacted by several iterations of federal guidance, establishing appropriation authority, and clarifying the GAAP requirements for the new fund. The accounting entries were fully resolved prior to the issue of the State's ACFR.

Finance agrees with the State Auditor's recommendations and has already implemented additional internal procedures, guidance and training related to GAAP for our 2020–21 financial reporting.

DEPARTMENT OF PARKS AND RECREATION

Reference Number: 2020-6

Condition:

In fiscal year 2018–19, we reported that the Department of Parks and Recreation (State Parks) was unable to reconcile its capital asset account balances for buildings and related improvements to a subsidiary inventory ledger, and therefore it could not ensure that it was reporting complete and accurate information in the State’s Annual Comprehensive Financial Report (ACFR). Prior to implementing the Financial Information System for California (FI\$Cal) in fiscal year 2017–18, State Parks reported its capital assets based on historical account balances reflected in the California State Accounting and Reporting System (CalSTARS)—the department’s previous accounting system. However, according to its chief of accounting at that time, State Parks does not have a subsidiary ledger listing the buildings and related improvements making up the account balance. During fiscal year 2019–20, State Parks did not implement our recommendations and thus continues to lack such a ledger because it does not have adequate policies and procedures in place to ensure that its records for buildings and related improvements are maintained in compliance with generally accepted accounting principles (GAAP).

In order to establish such a ledger, State Parks engaged its districts in February 2020 to conduct an inventory of these assets; however, the data resulting from this inventory did not comply with GAAP. Specifically, State Parks used records contained in its asset management system (Maximo) as a starting point and instructed district personnel to verify their completeness and accuracy. However, because State Parks does not use Maximo for accounting purposes, the data did not always comply with GAAP. Specifically, assets were not always recorded at historical cost (or acquisition value for donated assets).

Similarly, Maximo data did not contain accurate acquisition dates for a significant number of assets. Because the State depreciates building and related improvements over a period of 40 years, such inaccuracies would cause errors in depreciation calculations. Further, State Parks management at its headquarters office did not provide sufficient guidance to districts on GAAP requirements and did not allow districts sufficient time to gather and correct missing or inaccurate information. As a result, the districts’ inventory listings often did not correct known issues with the Maximo data. Nevertheless, State Parks has still not completed an inventory of its assets. In September 2021, State Parks once again directed its districts to conduct an inventory of its structures, which it expects to complete in March 2022. Based on the level of funding historically made available to State Parks, the issues described above do not currently pose a risk of a material misstatement to the State’s ACFR.

Criteria:

Codification of Governmental Accounting and Financial Reporting Standards section 1400.102 states that capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their acquisition value plus ancillary charges, if any.

Codification of Governmental Accounting and Financial Reporting Standards section 1400.104 states that capital assets should be depreciated over their estimated useful lives unless they are inexhaustible, are intangible assets with indefinite useful lives, or are infrastructure assets reported using the modified approach.

State Administrative Manual (SAM) section 8650 states that to maintain accountability of state assets, departments are required to maintain a record of state property, whether capitalized or not, in a property accounting or inventory system. When property is acquired, departments will record information in the system including, but not limited to the date acquired, property description, owner fund, and cost.

SAM section 7924 directs departments to reconcile the acquisitions and dispositions of capitalized property with the amounts recorded in the property ledger. The reconciliation should be done monthly or at least quarterly, depending on the volume of transactions.

SAM section 8652 states that departments are to make a physical count of all property and reconcile the count with accounting records at least once every three years.

Recommendations:

To ensure the proper reporting of its buildings and related improvements within its year-end financial statements, State Parks should take the following action:

- Develop policies and procedures for capital asset accounting and reporting that comply with GAAP, including but not limited to the following:
 - Define the roles and responsibilities of management and staff involved in the process of accounting for and reporting capital assets.
 - Develop detailed processes that incorporate instructions on how to identify capitalizable versus non-capitalizable costs, as well as the type of source documentation that should be used to support such costs.
 - Develop detailed processes to account for and report any changes in capital assets, including additions, deductions, and impairments, if any.
- Conduct a comprehensive inventory that includes the following elements to ensure that its buildings and related improvements are accurately reported in a subsidiary ledger:
 - Developing a sound methodology for identifying and compiling relevant capital asset information, including asset values based on historical cost (or acquisition value for donated assets) and asset acquisition dates.
 - Communicating the methodology to staff and providing guidance on key GAAP requirements related to capital asset reporting.
 - Developing a process to review inventory results to ensure they are accurate and complete.

- Update building and related improvements records in FI\$Cal to reflect the results of the inventory, and ensure that the year-end financial reports reflect any necessary restatements.
- Conduct a physical count of all property and reconcile the count with accounting records at least once every three years in accordance with SAM section 8652.

Department's View and Corrective Actions:

State Parks agrees with the findings and stated that it has taken or will take the following actions:

- Develop a policy for capital asset reporting. State Parks created a draft policy that is currently being reviewed internally.
- Develop detailed processes that incorporate instructions on how to identify capitalizable versus non-capitalizable costs, as well as the type of source documentation that should be used to support such costs.
- Develop detailed processes to account for and report any changes in capital assets, including additions, deductions, and impairments, if any.
- Identify and compile relevant capital asset information. State Parks also developed a methodology for determining historic values for those assets that do not have available records.
- Communicate key GAAP requirements to its staff through policies and procedures.
- Develop a process to review the comprehensive inventory to ensure that the results are accurate.
- Update FI\$Cal accounting records upon completion of the comprehensive inventory.
- Conduct the required physical count of all property and reconcile with accounting records at least once every three years.

Part Three

Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2020

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Auditor's Section

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Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Governor and the Legislature of the State of California:

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of California (State) for the fiscal year ended June 30, 2020, and the related notes to the Schedule (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of California for the fiscal year ended June 30, 2020, in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As described in Note 1 to the Schedule, the State's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$6.2 billion, \$2.8 billion, \$155.9 million, \$103.5 million, and \$50.2 million, respectively, in federal awards, which are not included in the Schedule for the fiscal year ended June 30, 2020. Our audit, described above, did not include the federal awards of the University of California system, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with the Uniform Guidance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance of the financial statement, and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance of the financial statement.



Sacramento, California
February 18, 2022



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**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
the Schedule of Expenditures of Federal Awards Performed in
Accordance With Government Auditing Standards**

The Governor and the Legislature of the State of California:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Expenditures of Federal Awards (the Schedule) of the State of California (State) for the fiscal year ended June 30, 2020, and the related notes to the Schedule (the financial statement), and have issued our report thereon dated February 18, 2022. Our report includes an emphasis of matter paragraph to describe those entities which are audited by other auditors and whose federal award expenditures are not included in the Schedule. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the State's internal control over financial reporting of the financial statement (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs as item 2020-001, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

State of California's Response to Finding

The State of California's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of California's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
February 18, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Governor and the Legislature of the State of California:

Report on Compliance for Each Major Federal Program

We have audited the State of California's (State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the fiscal year ended June 30, 2020. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As described in Note 1 to the Schedule of Expenditures of Federal Awards (Schedule), the State of California's basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State of California, which reported \$6.2 billion, \$2.8 billion, \$155.9 million, \$103.5 million, and \$50.2 million, respectively, in federal awards, which are not included in the State's Schedule for the fiscal year ended June 30, 2020. Our audit, described below, did not include the federal awards of the University of California system, the California State University system, the State Water Resources Control Board Water Pollution Control Revolving Fund, the State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency because these entities engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance.

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in the table below and in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2020-002	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	Department of Public Health
2020-005	17.225	Unemployment Insurance	Eligibility	Economic Development Department
		COVID-19 Unemployment Insurance		
2020-006	17.225	COVID-19 Unemployment Insurance	Eligibility	Economic Development Department
2020-007	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed	Department of Health Care Services
2020-007	93.778	Medical Assistance Program (Medicaid Cluster)	Activities Allowed or Unallowed	Department of Health Care Services
2020-008	93.767	Children's Health Insurance Program	Eligibility	Department of Health Care Services
2020-008	93.778	Medical Assistance Program (Medicaid Cluster)	Eligibility	Department of Health Care Services

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the Basis for Qualified Opinion paragraph for the fiscal year ended June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the table below and in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Finding Number	CFDA Number	Federal Program Name or Cluster	Compliance Requirement(s)	State Administering Department
2020-003	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	Subrecipient Monitoring	Department of Social Services
2020-004	17.225	Unemployment Insurance COVID-19 Unemployment Insurance	Eligibility	Economic Development Department
2020-011	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring	Department of Social Services
2020-012	93.767	Children's Health Insurance Program	Special Tests and Provisions	Department of Health Care Services
2020-012	93.778	Medical Assistance Program (Medicaid Cluster)	Special Tests and Provisions	Department of Health Care Services

The State's responses to the noncompliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material

weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-005, 2020-006, 2020-007, 2020-008, and 2020-009 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-004, 2020-010, 2020-011, and 2020-012 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
February 18, 2022

Schedule of Findings and Questioned Costs

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**STATE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Issued under a separate cover. Refer to California State Auditor’s 2020-001.1 report entitled *State of California: Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2020*.

Schedule of Expenditures of Federal Awards (Schedule)

Type of report the auditor issued on whether the Schedule audited was prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

Yes

Noncompliance material to the Schedule noted?

No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

Yes

Type of auditor’s report issued on compliance for major federal programs:

Refer to the tables that follow

<u>Qualified CFDA Number</u>	<u>Federal Program or Cluster</u>
10.557	WIC Special Supplemental Nutrition Assistance Program for Women, Infants and Children
17.225	Unemployment Insurance
93.767	Children’s Health Insurance Program

Qualified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program

Unmodified	
<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Supplemental Nutrition Assistance Program (SNAP) Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
	WIOA Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	Child Care and Development Fund (CCDF) Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.917	HIV Care Formula Grants
93.991	Preventive Health and Health Services Block Grant

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	Supplemental Nutrition Assistance Program (SNAP) Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Assistance Program for Women, Infants and Children
17.225	Unemployment Insurance
	WIOA Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	Child Care Development Fund (CCDF) Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants
93.991	Preventive Health and Health Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$211,219,151

Auditee qualified as low-risk auditee? No

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Schedule of Expenditures of Federal Awards Finding

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**DEPARTMENT OF PUBLIC HEALTH and
EMPLOYMENT DEVELOPMENT DEPARTMENT**

Reference Number: 2020-001

Type of Finding: Significant Deficiency, Material Weakness and Instance of
Noncompliance

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart F - Audit Requirements. §200.510 Financial statements (2 CFR 200.510):

- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 [Basis for determining Federal awards expended.] While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:
 - (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
 - (4) Include the total amount provided to subrecipients from each Federal program.

Condition

The State of California (State) has a decentralized financial reporting process, which requires State agencies and departments to provide specific financial information to the Department of Finance (Finance) in order to annually compile the Schedule of Expenditures of Federal Awards (Schedule). In its effort to more efficiently and accurately prepare the Schedule in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Finance developed the Single Audit Expenditures Reporting Database (Database). Finance developed the Database to include all of the relevant data fields

necessary to compile and produce the Schedule. Finance also created a Single Audit Database User Manual, which provides specific guidance to users for accessing and navigating through the database. Departments are given access to the centralized Database by Finance in order to upload and report federal award information for all of the federal award programs they administer.

Employment Development Department

Due to unprecedented impacts from the COVID-19 pandemic, the Employment Development Department (EDD) was unable to timely report to Finance through the Database with accurate and reliable federal cash basis expenditures for the federal award programs which it administers. The delay resulted in Finance being unable to compile and produce a complete and final approved Schedule until October 2021. Subsequently, in late December 2021 certain federal award program expenditures were updated by EDD, most notably the Unemployment Insurance (UI) program federal cash basis expenditures were reduced by \$2.58 billion related to potential fraudulent unemployment insurance claims payments.

Public Health

Prior to submission to Finance for compilation of the Schedule, Public Health needs to ensure that the information is complete and accurate.

During our testing of the Schedule, we noted that the HIV Care Formula Grants over-reported subrecipient expenditures by \$1,070,822, or approximately 5% of the corrected amount.

The error, which was subsequently corrected, is indicative of a lack of sufficient controls for ensuring the Schedule's completeness and accuracy prior to submission to Finance.

Cause

Employment Development Department

Given the substantial increase in claimants seeking assistance under the UI program (CFDA 17.225) for unemployment compensation associated with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, EDD was overwhelmed with the overall administration of the UI program. Also, EDD was still encountering accounting and control issues stemming from the implementation of the Financial Information System for California (FISCAL) which replaced the legacy Cost Accounting System (CAS).

Public Health

The AIDS Drug Assistance Program (ADAP) properly determined that these seven external parties were contractors instead of subrecipients. However, subrecipient expenditures submitted by the Accounting Unit for SEFA reporting did not reflect the results of that determination.

Effect

Employment Development Department

The difficulties that EDD encountered from the COVID-19 pandemic and continuing FISCAL implementation issues, resulted in the late reporting and submission of final federal cash basis expenditures to Finance for the various federal award programs administered by EDD. The untimely submission limited and constrained Finance from compiling and producing a final complete and accurate Schedule.

Public Health

Public Health currently lacks a system of adequate communication and oversight controls to ensure that information submitted to Finance for preparation of the Schedule is complete and accurate. Accordingly, there is an increased risk for material errors that may exist in the Schedule, which may not be prevented or detected on a timely basis.

Questioned Costs

No questioned costs were identified.

Recommendation

Employment Development Department

On a go forward basis, EDD should evaluate its current process and controls related to its ability to properly account for, report, and timely submit complete and accurate federal award cash basis expenditures to the Database, which affords Finance the ability to timely compile and produce a final Schedule pursuant to the Uniform Guidance. If additional guidance and support is required by EDD, outreach to other State departments for assistance should occur.

Public Health

The HIV Care Formula Grants need to establish a more thorough internal review process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.

Views of Responsible Officials and Corrective Action Plan

Employment Development Department

EDD agrees with this finding. EDD is currently behind with the completion of year-end processing resulting in the delayed submission of financial reports. Prior to transitioning to FISCAL in 2018-19, EDD in agreement with the Department of Finance (DOF) and the Department of FISCAL opted to transition a quarter late, in October 2018. This decision was made due to the uncertainty of federal reporting accuracy for the federal year which ended in September 2018, so that it would not impact the federal funding EDD receives to administer the Unemployment Insurance (UI) program. This decision had the downstream impact of over 30,000 catch up transactions that EDD accounting staff had to enter before it could complete 2018-19 financials. In addition, the complexities brought upon by the pandemic caused many issues for EDD as it relates to its financials which caused further delays. These issues continue to contribute to EDD being behind with its submission of financial reports.

EDD is currently working on fiscal year 2020-21 with a goal to submit year-end financials by June 30, 2022. While this is past the State's due dates for submitting year-end financials, EDD is in a better position than when compared to 2019-20. Steps and processes have been put in place and will continue to be refined from the lessons learned during 2019-20 to help make the 2020-21 year-end process run much smoother. For example, one of the major delays in completing year-end that took several months working with the auditors and control agencies, was around the accounting of the fraudulent benefit payments experienced in the pandemic UI programs which resulted in the need to amend multiple times the EDD's Generally Accepted Accounting Principle (GAAP) statements, as well as Finance's Database reporting. Since these fraudulent benefit payments extended into the 2020-21 fiscal year, and there is an agreed upon approach with the auditors and control agencies on how to account for these payments in EDD's GAAP statements, as well as the Database, this is one significant task that EDD will be able to complete without the need of spending several months on it like what occurred during fiscal year 2019-20.

In addition, EDD is working on restructuring the workload amongst the units and seeking to bring in additional resources to assist where needed. EDD is exploring different training options and will continue to seek guidance from the control agencies when questions/issues arise. Since EDD deferred transitioning into FISCAL by a quarter in 2018-19, the 2019-20 year was the first full fiscal year in the system and EDD has much more experience going into the 2020-21 year-end. Processes and procedures have been and continue to be updated to reflect the knowledge gained during this past year-end and audit season.

Public Health

Public Health's Office of AIDS (OA) agrees with the finding and is working to meet the auditor's recommendation. OA has already taken steps to remedy the issue by using its Support Branch to realign staff and responsibilities to allow for a greater focus on fiscal reporting. Additional staff have been trained and are focusing their efforts on fiscal reporting and monitoring in order to build greater capacity in this area. The increase of staffing resources will allow for a more thorough review of any and all reporting submissions. Lastly, this specific issue regarding the ADAP contractors will not reoccur as all of the contracts that were part of ADAP's Access, Adherence, and Navigation program ended on March 31, 2020. Additionally, the Administration Division's Accounting Section (Accounting) will coordinate with program centers to maintain a list of subrecipient names. Accounting will develop a template by using a standardized KK 12 FISCAL Detail History report to include controlled sets of questions for program centers to select transactions associated with federal subrecipient expenses. Upon completion of the template from programs, Accounting will review the data for accuracy against the list of subrecipients before the information is entered in the Database.

Schedule of Federal Award Findings and Questioned Costs

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U.S. DEPARTMENT OF AGRICULTURE

Reference Number:	2020-002
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	10.557
Federal Program Title:	WIC Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Numbers and Years:	201918W100647; 2019 201919W100647; 2019 202020W100647, 2020 202019W100647, 2020 202020W500347, 2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 7 – Agriculture, Subtitle B - Regulations of the Department of Agriculture. Chapter II – Food and Nutrition Service, Department of Agriculture. Subchapter A – Child Nutrition Programs. Part 246 - Special Supplemental Nutrition Program for Women, Infants and Children, §246.7 - Certification of participants:

- (c) Eligibility criteria and basic certification procedures.

(1) To qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must:

- (i) Reside within the jurisdiction of the State (except for Indian State agencies). Indian State agencies may establish a similar requirement. All State agencies may determine a service area for any local agency, and may require that an applicant reside within the service area. However, the State agency may not use length of residency as an eligibility requirement.

- (ii) Meet the income criteria specified in paragraph (d) of this section.

- (iii) Meet the nutritional risk criteria specified in paragraph (e) of this section.

(2) (i) At certification, the State or local agency must require each applicant to present proof of residency (i.e., location or address where the applicant routinely lives or spends the night) and proof of identity. The State or local agency must also check the identity of participants, or in the case of infants or children, the identity of the parent or guardian, or proxies when issuing food, cash-value vouchers or food instruments. The State agency may authorize the certification of applicants when no proof of residency or identity exists (such as when an applicant or an applicant's parent is a victim of theft, loss, or disaster; a homeless individual; or a migrant farmworker). In these cases, the State or local agency must require the applicant to confirm in writing his/her residency or identity. Further, an individual residing in a remote Indian or Native village or an individual served by an Indian tribal organization and residing on a reservation or pueblo may establish proof of residency by providing the State agency their mailing address and the name of the remote Indian or Native village.

(e) Nutritional risk. To be certified as eligible for the Program, applicants who meet the Program's eligibility standards specified in paragraph (c) of this section must be determined to be at nutritional risk. ... Nutritional risk data shall be documented in the participant's file and shall be used to assess an applicant's nutritional status and risk; tailor the food package to address nutritional needs; design appropriate nutrition education, including breastfeeding promotion and support; and make referrals to health and social services for follow-up, as necessary and appropriate.

(1) Determination of nutritional risk.

(ii) Timing of nutritional risk data.

(A) Weight and height or length. Weight and height or length shall be measured not more than 60 days prior to certification for program participation.

(B) Hematological test for anemia.

(1) For pregnant, breastfeeding, and postpartum women, and child applicants, the hematological test for anemia shall be performed or obtained from referral sources at the time of certification or within 90 days of the date of certification. The hematological test for anemia may be deferred for up to 90 days from the time of certification for applicants who have at least one qualifying nutritional risk factor present at the time of certification. If no qualifying risk factor is identified, a hematological test for anemia must be performed or obtained from referral sources (with the exception of presumptively eligible pregnant women).

(2) Infants nine months of age and older (who have not already had a hematological test performed, between six and nine months of age, by a competent professional authority or obtained from referral sources), shall between nine and twelve months of age have a hematological test performed or obtained from referral sources. Such a test may be performed more than 90 days after the date of certification.

(3) For pregnant women, the hematological test for anemia shall be performed during their pregnancy. For persons certified as postpartum or breastfeeding women, the hematological test for anemia shall be performed after the termination of their pregnancy. For breastfeeding women who are 6-12 months postpartum, no additional blood test is necessary if a test was performed after the termination of their pregnancy. The participant or parent/guardian shall be informed of the test results when there is a finding of anemia, and notations reflecting the outcome of the tests shall be made in the participant's file. Nutrition education, food package tailoring, and referral services shall be provided to the participant or parent/guardian, as necessary and appropriate.

Condition

During the fiscal year ended June 30, 2020, the WIC Special Supplemental Food Program for Women, Infants, and Children (WIC) nutrition program implemented phase 1 of a new management information system known as the Women, Infants, and Children Web Information System Exchange (WIC WISE) in a two-phased approach to replace the WIC Management Information Systems (WIC-MIS).

A sample of 150 program participants included 60 participants whose data were maintained in WIC-MIS and 90 participants whose data were maintained in WIC WISE. Of the 90 participants in WIC WISE, 16 participants did not have proper documentation to support their eligibility:

- 7 participants did not have documentation to support basic certification procedures. The missing documentation included proof of identification, residency proof, and proof of presence.
- 9 participants did not have documentation to support their nutritional status and risk, including height and weight measurements and hematological tests.

Cause

The documentation of certification for the 16 participants was inaccessible or missing from the WIC WISE system. Existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to potentially ineligible individuals.

Effect

Public Health did not have adequate oversight controls to ensure that the applicant's eligibility was properly reviewed and approved. Accordingly, there is an increased risk for the occurrence of benefits being provided to ineligible individuals, which may not be prevented or detected in a timely manner.

Questioned Costs

Known questioned costs of \$8,479 pertained to food vouchers issued to the 16 participants whose files did not contain all required documentation, and represented 18% of food vouchers issued to the 90 WIC WISE participants in the sample. Likely questioned costs cannot be determined because total food vouchers issued to participants whose data were maintained in WIC WISE cannot be readily determined.

Context

Total food vouchers disbursed to program participants during the fiscal year ended June 30, 2020, totaled \$459,847,935. All identified exceptions related to participants whose data were maintained in WIC WISE; however, the amount of food vouchers disbursed to participants whose data were maintained in WIC WISE was not readily determinable.

The sample was not a statistically valid sample.

Recommendation

Public Health should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable documentation to support eligibility determinations.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-003
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	Department of Social Services (Social Services)
Federal Catalog Number:	10.561
Federal Program Title:	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Federal Award Numbers and Years:	7CA400CA4; 2019-2020 7CA430CA4; 2019-2020 7CA430CA5; 2019-2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Subrecipient Monitoring and Management. §200.331 Requirements for pass-through entities (2 CFR 200.331) and Subpart F - Audit Requirements. §200.521 Management decision (2 CFR 200.521):

2 CFR 200.331 All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
 - (1) Reviewing financial and performance reports required by the pass-through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
 - (4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings.

2 CFR 200.521 Management decision:

- (c) As provided in § 200.331(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (d) The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Condition

The Office of Audit Services (OAS) of Social Services facilitates the process for monitoring counties that meet the threshold set forth in §200.501 Audit Requirements. Completed subrecipient Single Audit reports received by OAS from the California State Controller's Office are sent to the responsible Social Services department to issue management decisions and follow-up with the subrecipient for any findings and corrective actions. We tested five out of thirty-eight Single Audit reports received by Social Services for the fiscal year and for four of the reviews tested, Social Services did not issue a management decision within six months of the subrecipients' single audit acceptance by the Federal Audit Clearinghouse.

Cause

Upon receipt of the subrecipient single audit reports, OAS did not communicate the reports to the respective program divisions within Social Services for the appropriate follow-up to commence and subsequently issue management decisions to the subrecipients.

Effect

By Social Services not issuing timely management decisions, subrecipient deficiencies could persist and Social Service's risk assessment process for determining the appropriate monitoring procedures may be insufficient in evaluating the subrecipients compliance with the laws and regulations of the federal program.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Supplemental Nutrition Assistance Program for the fiscal year ended June 30, 2020, totaled \$865,679,959.

The sample was not a statistically valid sample.

Recommendation

Social Services should implement policies and procedures which provide assurance that management decisions are issued within six months after receipt of the subrecipients audit report.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

U.S. DEPARTMENT OF LABOR

Reference Number:	2020-004
Category of Finding:	Eligibility
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Federal Catalog Number:	17.225
Federal Program Title:	Unemployment Insurance COVID-19 – Unemployment Insurance
Federal Award Numbers and Years:	UI-32588-19-55-A-6; 2020 UI-34047-20-55-A-6; 2020 UI-34702-20-55-A-6; 2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9023 - Emergency Increase in Unemployment Compensation Benefits

(b) Provisions of Agreement

- (1) Any agreement under this section shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (including dependents’ allowances) payable for any week shall be equal to—
 - (A) the amount determined under the State law (before the application of this paragraph), plus
 - (B) an additional amount equal to the amount specified in paragraph (3) (in this section referred to as “Federal Pandemic Unemployment Compensation”), plus
 - (C) an additional amount of \$100 (in this section referred to as “Mixed Earner Unemployment Compensation”) in any case in which the individual received at least \$5,000 of self-employment income (as defined in section 1402(b) of title 26) in the most recent taxable year ending prior to the individual’s application for regular compensation.

(f) Fraud and Overpayments

- (4) Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

Title 22 – Social Security, Division 1 - Employment Development Department, Subdivision 1 - Director of Employment Development, Division - 1 Unemployment and Disability Compensation, Part 1 - Unemployment Compensation, Chapter 5 - Unemployment Compensation Benefits, Article 1 – Eligibility and Disqualifications §1256

Eligibility and Disqualifications, §1256 California Code of Regulations:

- (a) An individual is disqualified for unemployment compensation benefits if the director finds that he or she left his or her most recent work voluntarily without good cause or that he or she has been discharged for misconduct connected with his or her most recent work.

Condition

The Unemployment Insurance Branch of EDD reviews unemployment insurance claims made by claimants for involuntary separation to ensure separations were for valid reasons under the Unemployment Insurance Code. Out of 60 unemployment insurance benefit payments tested, there were 2 claimants receiving benefits, whose reasons for involuntary separation indicated separation reasons were for voluntarily quitting without good cause and discharge for misconduct.

Cause

The adjudication process for potential eligibility issues, which includes work separation, was suspended by EDD to allow for additional internal bandwidth of its human resources for claims processing due to the significant increase in claims resulting from the COVID-19 pandemic during the 4th quarter of fiscal year 2019-20.

Effect

By EDD suspending the adjudication process for potential eligibility issues, there were benefit payments made to ineligible claimants.

Questioned Costs

Known questioned costs of \$8,929 for Unemployment Insurance program benefits and \$9,600 for Federal Pandemic Unemployment Compensation program of the COVID-19 Unemployment Insurance pertaining to the two claimants whose benefit payments were tested.

Context

Benefits paid to claimants under the Unemployment Insurance Program and the COVID-19 Unemployment Insurance Program for the fiscal year ended June 30, 2020, totaled \$13,186,536,299 and \$27,156,377,360, respectively.

The sample was not a statistically valid sample.

Recommendation

EDD should resume its adjudication process to support eligibility determinations and reduce the risk of unemployment insurance benefit payments being made to ineligible claimants.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-005
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Federal Catalog Number:	17.225
Federal Program Title:	Unemployment Insurance COVID-19 Unemployment Insurance
Federal Award Numbers and Years:	UI-32588-19-55-A-6; 2020 UI-34047-20-55-A-6; 2020 UI-34702-20-55-A-6; 2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (c) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9023 - Emergency Increase in Unemployment Compensation Benefits

(b) Provisions of Agreement

(1) Federal Pandemic Unemployment Compensation

Any agreement under this section shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (including dependents’ allowances) payable for any week shall be equal to—

- (A) the amount determined under the State law (before the application of this paragraph), plus
- (B) an additional amount equal to the amount specified in paragraph (3) (in this section referred to as “Federal Pandemic Unemployment Compensation”), plus

(f) Fraud and Overpayments

(4) Review

Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9025 – Pandemic Emergency Unemployment Assistance

(e) Relationship between pandemic unemployment assistance and disaster unemployment assistance: Except as otherwise provided in this section or to the extent there is a conflict between this section and part 625 of title 20, Code of Federal Regulations, such part 625 shall apply to this section as if—

(1) the term “COVID–19 public health emergency” were substituted for the term “major disaster” each place it appears in such part 625; and

(2) the term “pandemic” were substituted for the term “disaster” each place it appears in such part 625.

Title 20 - Employees’ Benefits, Chapter V, Employment and Training Administration, Department of Labor, Part 625 - Disaster Unemployment Assistance, §625.14 Overpayments; disqualification for fraud:

(h) Provisions in the procedures of each State with respect to detection and prevention of fraudulent overpayments of DUA shall be, as a minimum, commensurate with the procedures adopted by the State with respect to regular compensation and consistent with the Secretary's “Standard for Fraud and Overpayment Detection,” Employment Security Manual, part V, sections 7510 et seq. (Appendix C of this part).

(i) Any individual who, with respect to a major disaster, makes or causes another to make a false statement or misrepresentation of a material fact, knowing it to be false, or knowingly fails or causes another to fail to disclose a material fact, in order to obtain for the individual or any other person a payment of DUA to which the individual or any other person is not entitled, shall be disqualified as follows:

(1) If the false statement, misrepresentation, or nondisclosure pertains to an initial application for DUA –

i. The individual making the false statement, misrepresentation, or nondisclosure shall be disqualified from the receipt of any DUA with respect to that major disaster; and

ii. If the false statement, misrepresentation, or nondisclosure was made on behalf of another individual, and was known to such other individual to be a false statement, misrepresentation, or nondisclosure, such other individual shall be disqualified from the receipt of any DUA with respect to that major disaster; and

(2) If the false statement, misrepresentation, or nondisclosure pertains to a week for which application for a payment of DUA is made –

i. The individual making the false statement, misrepresentation, or nondisclosure shall be disqualified from the receipt of DUA for that week and the first two compensable weeks in the Disaster Assistance Period that immediately follow that week, with respect to which the individual is otherwise entitled to a payment of DUA; and

- ii. If the false statement, misrepresentation, or nondisclosure was made on behalf of another individual, and was known to such other individual to be a false statement, misrepresentation, or nondisclosure, such other individual shall be disqualified from the receipt of DUA for that week and the first two compensable weeks in the Disaster Assistance Period that immediately follow that week, with respect to which the individual is otherwise entitled to a payment of DUA.

Condition

During the fiscal year ended June 30, 2020, in addition to the regular Unemployment Insurance (UI) program, EDD implemented the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act, the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations. Claimants eligible for PUA will also receive additional weekly benefits from the Federal Pandemic Unemployment Compensation (FPUC) program of \$600 up until July 31, 2020.

Out of 138 PUA benefit payments tested, there were 7 benefit payments to claimants determined to be potentially fraudulent.

- 2 claimants received benefits while being incarcerated.
- 5 claimants received benefits whose identity was not verified.

Data analysis was performed over benefit payments made during fiscal year 2019-20 in regards to multiple claimants using the same address, which resulted in 16,791 addresses with 5 or more claimants using the same address. The top 3 street addresses and top 3 PO Box addresses were selected for review. The top 3 street addresses were identified to be potentially fraudulent. Out of the top 3 PO Box addresses, 1 PO Box address was identified to be fraudulent.

Cause

Due to the COVID-19 pandemic, there was a significant increase in unemployment claims that overwhelmed EDD's staffing resources and current detection process. In addition, existing internal controls did not prevent, or detect and correct, instances of fraud for benefit payments.

Effect

EDD did not have adequate staffing resources and oversight controls to ensure that benefit payments were not being made to fraudulent claimants. Accordingly, benefit payments were made to fraudulent claimants or who were ineligible.

Questioned Costs

Questioned costs identified for the fiscal year ended June 30, 2020 were as follows:

- Claims associated with incarcerated individuals, questioned costs totaled \$8,532 for PUA and \$12,000 FPUC.
- Claims associated with insufficient identity verification, questioned costs totaled \$30,952 for PUA and \$35,400 FPUC.
- Claims associated with addresses subsequently reviewed, questioned costs totaled \$345,287 for PUA, \$1,443,952 for UI, and \$2,011,200 for FPUC.

Context

Benefits paid to claimants under the Unemployment Insurance program and the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2020, totaled \$13,186,536,299 and \$27,156,377,360, respectively.

The sample was not a statistically valid sample.

Recommendation

EDD should look for ways to enhance its fraud prevention and detection efforts by utilizing other databases or State agencies to verify claimants' information, and increase the use of automation features and other analytical tools in an effort to reduce workload. In addition, EDD should implement policies and procedures to strengthen internal controls that might better prevent and detect fraudulent activities.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-006
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Employment Development Department (EDD)
Federal Catalog Number:	17.225
Federal Program Title:	COVID-19 Unemployment Insurance
Federal Award Number and Year:	UI-34702-20-55-A-6; 2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (2) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9023 - Emergency Increase in Unemployment Compensation Benefits

(b) Provisions of Agreement

(1) Federal Pandemic Unemployment Compensation

Any agreement under this section shall provide that the State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (including dependents’ allowances) payable for any week shall be equal to—

- (A) the amount determined under the State law (before the application of this paragraph), plus
- (B) an additional amount equal to the amount specified in paragraph (3) (in this section referred to as “Federal Pandemic Unemployment Compensation”), plus
- (C) an additional amount of \$100 (in this section referred to as “Mixed Earner Unemployment Compensation”) in any case in which the individual received at least \$5,000 of self-employment income (as defined in section 1402(b) of title 26) in the most recent taxable year ending prior to the individual’s application for regular compensation.

(f) Fraud and Overpayments

(4) Review

Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

U.S. Code, Title 15 - Commerce and Trade, Chapter 116 - Coronavirus Economic Stabilization (CARES Act), Subchapter II - Unemployment Insurance Provisions, §9025 - Pandemic Unemployment Assistance

- (3) Relationship between pandemic unemployment assistance and disaster unemployment assistance: Except as otherwise provided in this section or to the extent there is a conflict between this section and part 625 of title 20, Code of Federal Regulations, such part 625 shall apply to this section as if—
- a. the term “COVID–19 public health emergency” were substituted for the term “major disaster” each place it appears in such part 625; and
 - b. the term “pandemic” were substituted for the term “disaster” each place it appears in such part 625.

Title 20 - Employees’ Benefits, Chapter V, Employment and Training Administration, Department of Labor, Part 625 - Disaster Unemployment Assistance, §625.6 Weekly amount; jurisdictions; reductions

Eligibility and Disqualifications:

- (c) If the weekly amount computed under paragraph (a) of this section is less than 50 percent of the average weekly payment of regular compensation in the State, as provided quarterly by the Department, or, if the individual has insufficient wages from employment or insufficient or no net income from self-employment (which includes individuals falling within paragraphs (a)(3) and (b)(3) of § 625.5) in the applicable base period to compute a weekly amount under paragraph (a) of this section, the individual shall be determined entitled to a weekly amount equal to 50 percent of the average weekly payment of regular compensation in the State.
- (f) The State agency shall immediately determine, upon the filing of an initial application for DUA, a weekly amount under the provisions of paragraphs (a) through (d) of this section, as the case may be, based on the individual's statement of employment or self-employment preceding the individual's unemployment that was a direct result of the major disaster, and wages earned or paid for such employment or self-employment. An immediate determination of a weekly amount shall also be made where, in conjunction with the filing of an initial application for DUA, the individual submits documentation substantiating employment or self-employment and wages earned or paid for such employment or self-employment, or, in the absence of documentation, where any State agency records of employment or self-employment and wages earned or paid for such employment or self-employment, justify the determination of a weekly amount. An immediate determination shall also be made based on the individual's statement or in conjunction with the submittal of documentation in those cases where the individual was to commence employment or self-employment on or after the date the major disaster began but was prevented from doing so as a direct result of the disaster.
- (1) In the case of a weekly amount determined in accordance with paragraph (e) of this section, based only on the individual's statement of earnings, the individual shall furnish documentation to substantiate the employment or self-employment or wages earned from or paid for such employment or self-employment or documentation to support that the individual was to commence employment or self-employment on or after the date the major disaster began. In either case, documentation shall be submitted within 21 calendar days of the filing of the initial application for DUA.
- (3) For purposes of a computation of a weekly amount under paragraph (a) of this section, if an individual submits documentation to substantiate employment or self-employment in accordance with paragraph (e)(1), but not documentation of wages earned or paid during the base period set forth in paragraph (a)(2) of this section, including those cases where the individual has not filed a tax return for the most recent tax year that has ended, the State agency

shall immediately re-determine the weekly amount of DUA payable to the individual in accordance with paragraph (b) of this section.

Condition

During the fiscal year ended June 30, 2020, EDD implemented the Pandemic Unemployment Assistance (PUA) program, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for COVID-19 relief in unemployment compensation. Under the CARES Act Section 2102(h), the PUA program was to be administered in accordance with the Disaster Unemployment Assistance (DUA) program under section 625 of Title 20, Code of Federal Regulations (CFR) or to the extent there is a conflict between section 2102 and 20 CFR Part 625. The amount of PUA payable to an unemployed or unemployed self-employed individual for a week of total unemployment shall be the weekly amount of compensation the individual would have been paid as regular compensation, as computed under the provisions of the applicable State law for a week of total unemployment. The weekly amount determination is calculated using the wages reported by the claimant. Upon receipt of a PUA claim, EDD would verify wages reported to ensure accurate weekly benefit amounts under PUA. Claimants eligible for PUA will also receive additional weekly benefits from the Federal Pandemic Unemployment Compensation (FPUC) program of \$600 up until July 31, 2020.

Out of 138 PUA benefit payments tested, there were 68 benefit payments for which claimants did not have their wages verified.

Cause

EDD was not performing timely wage verifications of PUA claimants due to the significant increase in claims resulting from the COVID-19 pandemic beginning in the 4th quarter of fiscal year 2019-20.

Effect

EDD did not have adequate staffing and oversight controls to ensure that the claimant's wages were being properly and timely reviewed and approved. Accordingly, there was an increased risk for the occurrence of improper payments in benefits being provided to individuals, which was not prevented or detected.

Questioned Costs

PUA benefits paid to claimants whose wages were not verified totaled \$335,147 for the fiscal year ended June 30, 2020.

Context

Benefits paid to claimants under the COVID-19 Unemployment Insurance program for the fiscal year ended June 30, 2020, totaled \$27,156,377,360.

The sample was not a statistically valid sample.

Recommendation

EDD should continue to look for ways to enhance its capacity for performing eligibility reviews regarding wages and to increase automation features and other analytical tools in an effort to reduce the workload of its eligibility workers.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Reference Number:	2020-007
Category of Finding:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	2005CA5021; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5021; 2019 1805CA5021; 2018
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	2005CA5ADM; 2020 2005CA5MAP; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5ADM; 2019 1905CA5MAP; 2019

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

California Welfare and Institutions Code - WIC, Division 9. Public Social Services, Part 3. Aid and Medical Assistance, Chapter 8.9. Transition of Community-Based Medi-Cal Mental Health:

§14705:

- (c) With regard to county operated facilities, clinics, or programs for which claims are submitted to the department for Medi-Cal reimbursement for specialty mental health services to Medi-Cal eligible individuals, the county shall ensure that all requirements necessary for Medi-Cal reimbursement for these services are complied with, including, but not limited to, utilization review and the submission of yearend cost reports by December 31 following the close of the fiscal year.

§14712:

- (e) Whenever the department determines that a mental health plan has failed to comply with this chapter or any regulations, contractual requirements, state plan, or waivers adopted pursuant to this chapter, the department shall notify the mental health plan in writing within 30 days of its determination and may impose sanctions, including, but not limited to, fines, penalties, the withholding of payments, special requirements, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Condition

Fifteen of 56 contractor counties of Short-Doyle funding were tested and six had not submitted their cost reports by the December 31 due date. One of the six contractor counties had not submitted its cost reports for fiscal years 2017-18 (more than 22 months late) and 2018-19 (more than 10 months late) and five of the six contractor counties had not submitted their cost reports for fiscal year 2018-19. Four of those five contractor counties have subsequently submitted their cost reports for fiscal year 2018-19.

Although the Mental Health Division of Health Care Services did take the required action of notifying the six contractor counties in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.

The cost reports are the basis for the allocation of payments made to contractor counties providing mental health services to eligible beneficiaries and serve to provide the Mental Health Division with fiscal oversight for contract and performance compliance.

Identification as a Repeat Finding

Finding 2019-003 was reported in the immediate prior year.

Cause

The Mental Health Division did not take additional action for significantly late annual cost reports because its monitoring and follow-up process does not go beyond emailing the delinquent subrecipients every 30 days.

Effect

Delays in reviewing cost reports do not comply with the objective of timely and effective contract monitoring. Inaccurate or untimely cost reports could result in under/over funding each contractor county and increases the risk of statewide noncompliance with contract requirements.

Questioned Costs

Questioned costs were not determinable.

Context

For the fiscal year ended June 30, 2020, disbursements of Short-Doyle funding from the Medical Assistance Program to the six noncompliant contractor counties totaled \$917,071,626, the 15 tested contractor counties totaled \$1,450,497,919, and all 56 contractor counties totaled \$1,902,380,732.

For the fiscal year ended June 30, 2020, disbursements of Short-Doyle funding from the Children's Health Insurance Program to the six noncompliant contractor counties totaled \$119,901,661, the 15 tested contractor counties totaled \$188,712,085, and all 56 contractor counties totaled \$233,896,921.

The sample was not a statistically valid sample.

Recommendation

Health Care Services should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-008
Category of Finding:	Eligibility
Type of Finding:	Material Weakness and Material Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title:	Children's Health Insurance Program
Federal Award Numbers and Years:	2005CA5021; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5021; 2019 1805CA5021; 2018
Federal Catalog Number:	93.778
Federal Program Title:	Medical Assistance Program
Federal Award Numbers and Years:	2005CA5ADM; 2020 2005CA5MAP; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5ADM; 2019 1905CA5MAP; 2019

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (d) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - Public Health, Chapter IV - Centers for Medicare & Medicaid Services, Department of Health and Human Services (Continued):

Subchapter C - Medical Assistance Programs, Part 435 - Eligibility in the States, District of Columbia, the Northern Mariana Islands, and American Samoa, Subpart J - Eligibility in the States and District of Columbia:

Redeterminations of Medicaid Eligibility, §435.916 Periodic renewal of Medicaid eligibility (42 CFR 435.916):

- (e) *Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).*
 - (1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.

- (2) Renewal on basis of information available to agency. The agency must make a redetermination of eligibility without requiring information from the individual if able to do so based on reliable information contained in the individual's account or other more current information available to the agency, including but not limited to information accessed through any data bases accessed by the agency under §435.948, §435.949 and §435.956 of this part.
- (f) *Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income.* The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so.

Subchapter D - State Children's Health Insurance Program (SCHIPs), Part 457 - Allotments and Grants to States, Subpart C - State Plan Requirements: Eligibility, Screening, Applications, and Enrollment:

§ 457.343 Periodic renewal of CHIP eligibility (42 CFR 457.343):

The renewal procedures described in §435.916 of this chapter apply equally to the State in administering a separate CHIP, except that the State shall verify information needed to renew CHIP eligibility in accordance with §457.380 of this subpart, shall provide notice regarding the State's determination of renewed eligibility or termination in accordance with §457.340(e) of this subpart and shall comply with the requirements set forth in §457.350 of this subpart for screening individuals for other insurance affordability programs and transmitting such individuals' electronic account and other relevant information to the appropriate program.

Condition

Out of 100 Medical Assistance Program (Medi-Cal) beneficiaries tested, there were 12 beneficiaries with instances in which redeterminations had not been performed within a year (42 CFR 435.916).

Out of 60 Children's Health Insurance Program (CHIP) beneficiaries tested, there were five beneficiaries with instances in which redeterminations had not been performed within a year (42 CFR 457.343).

Through subawards, Health Care Services has delegated performance of eligibility determinations to California county welfare agencies that collect and record this information in their respective eligibility systems (collectively known as the Statewide Automated Welfare System [SAWS]) and the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which transmit eligibility data to the Health Care Services' Medi-Cal Eligibility Data System (MEDS). Health Care Services then pays: (1) managed care plans monthly to provide eligible services for beneficiaries (Managed Care); (2) medical providers for services provided directly to beneficiaries (Fee for Service), and (3) the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare premiums (Premiums).

Supplemental Information to Provide Additional Perspective on the Condition

In addition to the above exceptions noted during this audit, in February 2018, the U.S. Department of Health and Human Services Office of Inspector General (OIG) issued a report titled "California Made Medicaid Payments on Behalf of Newly Eligible Beneficiaries Who Did Not Meet Federal and State Requirements." The OIG sampled 150 beneficiaries and found California made Medicaid payments on behalf of 112 eligible beneficiaries. However, for the remaining 38 beneficiaries, California made payments on behalf of ineligible and potentially ineligible beneficiaries. On the basis of the OIG's sample results, they estimated that California made Medi-Cal payments of \$738.2 million (\$628.8 million Federal share) on behalf of 366,078 ineligible beneficiaries and \$416.5 million (\$402.4 million Federal share) on behalf of 79,055 potentially ineligible beneficiaries. These deficiencies occurred because, at the time, California's eligibility systems lacked the necessary system functionality and county welfare agencies' eligibility caseworkers made errors.

In October 2018, the California State Auditor (CSA) issued a report titled “Department of Health Care Services: It Paid Billions in Questionable Medi-Cal Premiums and Claims Because It Failed to Follow Up on Eligibility Discrepancies.” This report presents the results of CSA’s high risk audit concerning \$4 billion (includes both Federal and State funding) in questionable Medi-Cal payments that Health Care Services made from 2014 through 2017 because it failed to ensure that counties resolved discrepancies between SAWS/CalHEERS and MEDS.

Both of these reports came to the attention of the United States Senate Committee on Homeland Security and Governmental Affairs, which requested CMS’ plans to address the findings noted in these reports. CMS conducted a review of California’s Medicaid beneficiary eligibility system to assess the accuracy of eligibility determinations and Federal Medical Assistance Percentage (FMAP) claiming. One of the primary objectives of this review was to compare review findings to similar reviews conducted in the past by the OIG to ensure the identified findings have been addressed. However, due to the Coronavirus Disease of 2019 (COVID-19), the release of the draft report of the review has been delayed.

It should also be noted that due to COVID-19, the Secretary of Health and Human Services declared a Public Health Emergency (PHE) that was effective January 27, 2020. On March 13, 2020, the President of the United States of America declared a National Emergency, retroactive to March 1, 2020, due to COVID-19. As a result of the President’s declaration, CMS issued a federal directive granting states an exception for meeting the periodic renewal requirements for cases that were up for redetermination as of March 1, 2020 through the end of the PHE. This exemption prevents states from denying or terminating eligibility or reducing benefits to Medi-Cal and CHIP beneficiaries during the PHE unless the beneficiary dies, no longer is a state resident, is a non-MAGI Medi-Cal individual moving from a non-Long-Term Care (LTC) aid code into a LTC aid code, or voluntarily discontinues their eligibility. After the month in which the PHE is declared over, states will be given an ample period of time to complete all renewals and redeterminations. As a result of COVID-19, the periodic renewal requirements were not tested for the last four months of the fiscal year ended June 30, 2020.

Identification as a Repeat Finding

Finding 2019-005 was reported in the immediate prior year.

Cause

Existing internal controls did not prevent, or detect and correct, instances of untimely redeterminations and instances of benefits provided to ineligible beneficiaries for the following reasons.

- There was a decrease in the eligibility exceptions from the prior year (decline of 15 and 4 exceptions for Medicaid and CHIP, respectively). Enhancements made to the functionality of CalHEERS that increased the use of automation features, and increased monitoring and collaboration with county welfare agencies were the main causes for the decline in the number of exceptions. The increased use of automation features reduced the risk of human errors as well as decreased the workload on eligibility caseworkers allowing them to perform application and eligibility redeterminations in a timely manner. Also, Health Care Services had established new procedures to monitor whether county welfare agencies were effectively managing this increased workload to ensure eligibility caseworkers were appropriately applying the eligibility procedures and documentation requirements. Since 2017, Health Care Services resumed performing focus reviews on select county welfare agencies that were suspended during the early stages of health care reform implementation. Through this effort, Health Care Services is working collaboratively with county partners to identify areas of weaknesses that contribute to delays in renewal processing time. In some instances, counties are required to submit a corrective action plan to Health Care Services that describes implementation of additional business processes/quality control mechanisms that are anticipated to increase both the accuracy and timeliness of renewals.

- The MEDS alert functionality is used to communicate information to county welfare agencies on changes in beneficiary circumstance, i.e., exceeding the age threshold for the assigned aid category, and discrepancies between eligibility systems, and MEDS. MEDS alerts will be triggered for various reasons that include:
 - Problems encountered in processing updates submitted by county welfare agencies;
 - Problems encountered in processing updates generated as a result of a reconciliation of county welfare agencies records with MEDS records;
 - Updates submitted by other entities that impact beneficiaries' eligibility or require action by county welfare agencies; and
 - Upcoming changes in a beneficiaries' status that will require action by county welfare agencies.

Health Care Services did not have an established process for monitoring the county welfare agencies' progress in addressing these alerts. To address this, Health Care Services implemented a quality control pilot on June 25, 2019 to monitor MEDS alerts processing activities in the six counties that were responsible for over 85% of the discrepancies found in CSA's October 2018 report previously mentioned to be able to quickly identify county welfare agencies that are not resolving MEDS, to identify the cause of these alerts, and work with counties to develop and implement best practices that are effective in reducing the number of new alerts, and efficiently reducing the number of unresolved alerts.

In addition, Health Care Services has represented that MEDS also has the functionality to alert county welfare agencies when eligibility redeterminations are required or overdue. However, currently Health Care Services is working to refine this functionality to effectively be used to identify overdue renewals.

Effect

Two of the 12 Medi-Cal beneficiaries with eligibility redetermination exceptions were determined to be ineligible and benefits were ultimately discontinued; however, since those redeterminations were late, they received ineligible benefits between the date they should have been discontinued and the date they were actually discontinued. Another beneficiary was determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining nine beneficiaries were determined to be eligible.

One of the five CHIP beneficiaries with eligibility redetermination exceptions was determined to be ineligible and benefits were not discontinued during the fiscal year; therefore, they received ineligible benefits from the date they should have been discontinued. The remaining four beneficiaries were determined to be eligible.

Questioned Costs

Benefits paid to Medi-Cal beneficiaries after they were determined to be ineligible totaled \$9,967 (\$5,178 Managed Care, \$4,789 Fee for Service, and \$0 Premiums) for the fiscal year ended June 30, 2020.

Benefits paid to the CHIP beneficiary after the beneficiary was determined to be ineligible totaled \$617 (\$617 Managed Care and \$0 Fee for Service) for the fiscal year ended June 30, 2020.

Context

A total of \$161,516 (\$25,935 Managed Care, \$133,263 Fee for Service, and \$2,318 Premiums) was disbursed during the fiscal year ended June 30, 2020 on behalf of the 12 Medi-Cal beneficiaries with eligibility exceptions, and a total of \$14,337 (\$9,548 Managed Care, \$4,789 Fee for Service, and \$0

Premiums) was disbursed during the fiscal year ended June 30, 2020 on behalf of the three beneficiaries later determined to be ineligible.

Total benefits paid on behalf of the 100 Medi-Cal beneficiaries tested were \$432,554 (\$213,065 Managed Care, \$211,022 Fee for Service, and \$8,467 Premiums).

The 100 tested Medi-Cal beneficiaries were selected from ten of California's 58 counties.

The total federal Medi-Cal benefits paid on behalf of approximately 11.4 million beneficiaries for the fiscal year ended June 30, 2020 was \$46,261,934,366 (\$29,738,474,418 Managed Care, \$14,881,770,120 Fee for Service, and \$1,641,689,828 Premiums).

A total of \$5,587 (\$4,954 Managed Care and \$633 Fee for Service) was disbursed during the fiscal year ended June 30, 2020 on behalf of the five CHIP beneficiaries with eligibility redetermination exceptions and a total of \$1,208 (\$1,208 Managed Care and \$0 Fee for Service) was disbursed during the fiscal year ended June 30, 2020 on behalf of the one beneficiary later determined to be ineligible.

Total benefits paid on behalf of the 60 CHIP beneficiaries tested were \$129,947 (\$24,452 Managed Care and \$105,495 Fee for Service).

The 60 tested CHIP beneficiaries were selected from ten of California's 58 counties.

The total federal CHIP benefits paid on behalf of approximately 1.5 million beneficiaries for the fiscal year ended June 30, 2020 was \$2,594,624,735 (\$1,968,269,210 Managed Care and \$626,355,525 Fee for Service).

The samples were not statistically valid samples.

Recommendation

Health Care Services should continue looking for ways to enhance the functionality of CalHEERS for application and eligibility redetermination for those individuals who are eligible on a MAGI-basis and to increase the use of automation features in an effort to reduce workload for eligibility caseworkers. In addition, Health Care Services should continue its practice of conducting regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process such as misinterpretations of policies, systems issues, business practices, etc., and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans.

Health Care Services should continue with the quality control process used to monitor all critical and urgent level MEDS alerts to be able to quickly identify county welfare agencies that are not resolving MEDS alerts in a timely manner. Health Care Services should continue its efforts to incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are required or overdue. Health Care Services should then work directly with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve their compliance status.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-009
Category of Finding:	Eligibility
Type of Finding:	Material Weakness
State Administering Department:	California Department of Public Health (Public Health)
Federal Catalog Number:	93.917
Federal Program Title:	HIV Care Formula Grants (HIV)
Federal Award Numbers and Years:	5 X07HA12778-11; 2020 2 X08HA28020-05; 2019

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - The Public Health and Welfare. Chapter 6A - Public Health Service. Subchapter XXIV - HIV Health Care Services Program. Part B - Care Grant Program. Subpart I - General Grant Provisions. Section 300ff-26 - Provision of Treatments:

- (a) In general

A State shall use a portion of the amounts provided under a grant awarded under section 300ff-21 of this title to establish a program under section 300ff-22(b)(3)(B) of this title to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections.

- (b) Eligible individual

To be eligible to receive assistance from a State under this section an individual shall:

- (1) Have a medical diagnosis of HIV/AIDS; and
- (2) Be a low-income individual, as defined by the State.

California State AIDS Drug Assistance Program Guidelines March 2017 and December 2018:

(1.1) AIDS Drug Assistance Program (ADAP) Eligibility Criteria:

To be eligible for the ADAP program, a client must:

- Have a positive HIV/AIDS diagnosis.
- Be at least 18 years old.
- Be a resident of California.
- Have an annual Modified Adjusted Gross Income (MAGI) that does not exceed 500 percent Federal Poverty Level (FPL) based on household size and income.

- Not be fully covered by Medi-Cal or any other third-party payers (an entity that reimburses and manages health care expenses such as private insurance or governmental agencies, employers, etc.).

Health Resources and Services Administration (HRSA) Policy Clarification Notice (PCN) 13-02 (Revised 5/1/2019):

For both initial/annual and six-month recertification procedures, eligibility determinations may be performed simultaneously with testing and treatment. Recipients and subrecipients assume the risk of recouping any HRSA RWHAP funds utilized for clients ultimately determined to be ineligible, and instead charge an alternate payment source, or otherwise ensure that funds are returned to the HRSA RWHAP program.

HRSA PCN 15-04 (Revised 1/11/2019):

The RWHAP legislation requires that rebates collected on ADAP medication purchases be applied to the RWHAP Part B Program with a priority, but not a requirement, that the rebates be placed back into ADAP. Although ADAP rebates are neither program income nor refunds, they are subject to the same regulatory provision regarding expenditure. These rebates must be used for the statutorily permitted purposes under the RWHAP Part B Program, which are limited to core medical services including ADAP, support services, clinical quality management, and administrative expenses (including planning and evaluation) as part of a comprehensive system of care for low-income individuals living with HIV.

Condition

Out of 60 individuals reviewed, 11 individuals did not submit all required documentation, including medical reports to support a positive HIV/AIDS diagnosis or income documentation to verify their annual MAGI did not exceed 500 percent Federal Poverty Level based on household size and income. Three of these individuals were placed on a temporary access period without meeting the necessary eligibility requirements. Pharmaceutical rebate funds were utilized during the temporary access and extension periods for all 11 individuals.

Identification as a Repeat Finding

Finding 2019-006 was reported in the immediate prior year.

Cause

Existing internal controls did not prevent, or detect and correct, the occurrence of benefits being provided to ineligible individuals.

Effect

Public Health did not have adequate oversight controls to ensure that the applicant's eligibility was properly reviewed and approved. Accordingly, there is an increased risk for the occurrence of benefits being provided to ineligible individuals, which may not be prevented or detected in a timely manner.

Questioned Costs

Questioned costs were not determinable because benefit costs are not tracked by individual participants.

Context

Pharmacy benefits management services are provided by a contractor who received administrative fees and reimbursements for prescription drug costs to program participants. Payments to the contractor totaled \$116,013,571 for approximately 30,000 program participants for the fiscal year ended June 30, 2020. Based on the budget in the contract, the contractor's administrative fees and other charges are estimated to be \$657,876 annually. As such, net prescription drug costs are approximately \$115,355,695 for the fiscal year ended June 30, 2020.

The sample was not a statistically valid sample.

Recommendation

The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers and secondary reviews of ADAP applications follow the established guidelines and retain acceptable documentation to support eligibility determinations. Applications that have been granted an eligibility exception (i.e., Temporary Access Period, Medi-Cal Eligibility Exception Request, or Eligibility Exception Request) should be reviewed in a timely manner to ensure clients who do not provide the required documentation within the approved extension period are disenrolled in a timely manner.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-010
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency
State Administering Department:	Department of Social Services (Social Services)
Federal Catalog Number:	93.558
Federal Program Title:	Temporary Assistance for Needy Families
Federal Award Numbers and Years:	1901CATANF; 2019 2001CATANF; 2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (b) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 45 - Public Welfare, Subtitle B - Regulations Relating to Public Welfare, Chapter II - Office of Family Assistance, Administration for Children and families, Part 261 - Ensuring that Recipients Work, Subpart F - How Do We Ensure the Accuracy of Work Participation Information?, §261.62: What must a State do to verify the accuracy of its work participation information?

For work participation information:

- (a) To ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report and, if applicable, the SSP-MOE Data Report, each State must:
 - 1. Establish and employ procedures for determining whether its work activities may count for participation rate purposes;
 - 2. Establish and employ procedures for determining how to count and verify reported hours of work;
 - 3. Establish and employ procedures for identifying who is a work-eligible individual;
 - 4. Establish and employ internal controls to ensure compliance with the procedures; and
 - 5. Submit to the Secretary for approval the State's Work Verification Plan in accordance with paragraph (b) of this section.
 - c. Reviewing financial and performance reports required by the pass-through entity.
 - d. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - e. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Condition

A component of the Department of Social Services (Social Services) process for monitoring the county welfare departments, or subrecipients, is conducting on-site reviews of active case files to ensure the accuracy of data used by the subrecipients for determining the work participation rates in accordance with the State's Work Verification Plan. We tested three out of twenty-one on-site reviews conducted by the Performance Monitoring and Research Bureau (Bureau) and noted there were no internal controls in place to support that the Bureau performed the necessary follow-up procedures regarding the identified deficiencies from the on-site monitoring reviews and whether appropriate corrective action was taken by the subrecipients.

Cause

Current monitoring procedures primarily focus on reviewing the accuracy of work participation rates reported by the subrecipients and providing on-site training and technical assistance. The Bureau does not have an established written process and procedures requiring specific corrective action be taken by the subrecipients concerning the identified deficiencies and substantiating whether the appropriate corrective action was taken.

Effect

If there is no required corrective action and follow-up procedures performed by the Bureau to ensure identified deficiencies are remediated, the deficiencies could persist and there is no assurance that the subrecipients work participation rates are accurate and Social Services could be out of compliance with its HHS-approved Work Verification Plan.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Temporary Assistance for Needy Families program for the fiscal year ended June 30, 2020 totaled \$2,352,323,659.

The sample was not a statistically valid sample.

Recommendation

The Bureau should strengthen existing policies and procedures, which should require specific corrective action be taken by the subrecipients for any identified deficiencies concerning work participation rate data. Such corrective action should be communicated directly to the subrecipients via the Bureau's established Review Findings Report. Furthermore, the Bureau should establish a formal process for following-up with the subrecipients to verify whether corrective action was implemented.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number: 2020-011
Category of Finding: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Instance of Noncompliance

State Administering Department: Department of Social Services (Social Services)
Federal Catalog Number: 93.558
Federal Program Title: Temporary Assistance for Needy Families
Federal Award Number and Year: 1901CATANF; 2019
2001CATANF; 2020

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (c) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Subrecipient Monitoring and Management. §200.331 Requirements for pass-through entities (2 CFR 200.331) and Subpart F – Audit Requirements sections §200.521 (2 CFR 200.521):

2 CFR 200.331 All pass-through entities must:

- (4) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
 - a. Reviewing financial and performance reports required by the pass-through entity.
 - b. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - c. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
 - d. The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings.

2 CFR 200.521 Management decision:

- (5) As provided in § 200.331(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (6) The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Condition

The Office of Audit Services (OAS) of the Social Services facilitates the process for monitoring counties that meet the threshold set forth in §200.501 Audit Requirements. Completed subrecipient Single Audit reports received by OAS from the California State Controller's Office are sent to the responsible Social Services division to issue management decisions and follow-up with the subrecipient for any findings and corrective actions. We tested five out of thirty-eight subrecipient single audit reports received by Social Services for the fiscal year, and for four of the single audit reports tested, Social Services did not issue a management decision within six months of the subrecipients single audit acceptance by the Federal Audit Clearinghouse.

Cause

Upon receipt of the subrecipient single audit reports, OAS did not communicate the reports to the respective program divisions within Social Services for the appropriate follow-up to commence and subsequent issuance of management decisions to the subrecipients.

Effect

By Social Services not issuing timely management decisions, subrecipient deficiencies could persist and Social Services' risk assessment process for determining the appropriate monitoring procedures may be insufficient in evaluating the subrecipients compliance with the laws and regulations of the federal program.

Questioned Costs

No questioned costs were identified.

Context

Disbursements to subrecipients for the Temporary Assistance for Needy Families program for the fiscal year ended June 30, 2020, totaled \$2,352,323,659.

Recommendation

Social Services should implement policies and procedures which provide assurance that management decisions are issued within six months after receipt of the subrecipients audit report.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Reference Number:	2020-012
Category of Finding:	Special Tests and Provisions – Refunding of Federal Share of Medicaid/CHIP Overpayments to Providers
Type of Finding:	Significant Deficiency and Instance of Noncompliance
State Administering Department:	California Department of Health Care Services (Health Care Services)
Federal Catalog Number:	93.767
Federal Program Title	Children’s Health Insurance Program
Federal Award Numbers and Years:	2005CA5021; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5021; 2019 1805CA5021; 2018
Federal Catalog Number:	93.778
Federal Program Title	Medical Assistance Program
Federal Award Numbers and Years:	2005CA5ADM; 2020 2005CA5MAP; 2020 [includes COVID-19 FFCRA (HR6201/2020)] 1905CA5ADM; 2019 1905CA5MAP; 2019

Criteria

Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office of Management and Budget Guidance. Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart D - Post Federal Award Requirements. Standards for Financial and Program Management. §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 42 - Public Health, Chapter IV - Centers for Medicare & Medicaid Services, Department of Health and Human Services (Continued):

Subchapter C - Medical Assistance Programs, Part 433 - State Fiscal Administration, Subpart F - Refunding of Federal Share of Medicaid Overpayments to Providers:

§433.300 Basis (42 CFR 433.300). This subpart implements:

Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

§433.320 Procedures for refunds to CMS (42 CFR 433.320):

(a) Basic requirements:

- (1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).
- (2) The agency must credit CMS with the Federal share of overpayments subject to recovery on the earlier of –
 - (i) The Form CMS-64 submission due to CMS for the quarter in which the State recovers the overpayment from the provider; or
 - (ii) The Form CMS-64 due to CMS for the quarter in which the 1-year period following discovery, established in accordance with §433.316, ends.
- (3) A credit on the Form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.
- (4) If the State does not refund the Federal share of such overpayment as indicated in paragraph (a)(2) of this section, the State will be liable for interest on the amount equal to the Federal share of the non-recovered, non-refunded overpayment amount. Interest during this period will be at the Current Value of Funds Rate (CVFR), and will accrue beginning on the day after the end of the 1-year period following discovery until the last day of the quarter for which the State submits a CMS-64 report refunding the Federal share of the overpayment.

Subchapter D - State Children's Health Insurance Programs (SCHIPs), Part 457 - Allotments and Grants to States, Subpart F - Payment to States:

§457.628 Other applicable Federal regulations (42 CFR 457.628):

Other regulations applicable to CHIP programs include the following:

- (a) HHS regulations in §§433.312 through 433.322 of this chapter (related to Overpayments) apply to State's CHIP programs in the same manner as they apply to State's Medicaid programs.

Note that while for the Medical Assistance Program, the overpayments of the federal share must be refunded to the Centers for Medicare & Medicaid Services (CMS) via Form CMS-64 Summary, Line 9C1 - Fraud, Waste & Abuse Amounts, for the Children's Health Insurance Program, the overpayments of the federal share must be refunded to CMS via Form CMS-21 Summary, Line 4 - Adjustments Decreasing Claims - Collections.

Condition

There was a difference of \$51,947,058 between the overpayment report (MCC-R-032) of \$152,314,213 that was provided for this audit and the CMS-64 report of \$100,367,155 submitted for the second quarter of the 2019-20 fiscal year (42 CFR 433.320).

All 15 CHIP overpayments tested did not reflect the correct federal share (Federal Financial Participation or FFP rate). (42 CFR 433.320 via 42 CFR 457.628).

Cause

The difference between the MCC-R-032 report and the CMS-64 report for the second quarter of the 2019-20 fiscal year was due to Health Care Services using the amounts from an MCC-R-032 report that had been pulled prematurely, which resulted in the underreporting of FFP. After the auditors brought this discrepancy to its attention, the Third Party Liability and Recovery Division (TPLRD) corrected the issue by submitting an adjustment to account for the difference, based on the finalized report for the quarter. The existing internal controls did not prevent, or detect and correct, instances of reporting the incorrect total overpayment for the quarter.

The incorrect FFP rate being applied to the Children's Health Insurance Program (CHIP) overpayments was due to Health Care Services Claims Processing Accounts Receivable (AR) System's inability to distinguish between CHIP and Medical Assistance Program (Medicaid) overpayments. When Audits and Investigations (A&I) identifies an overpayment, they do not distinguish between the two programs. A&I then sends an Action Notice (AN) and the findings of overpayments to the Fiscal Intermediary (FI) to establish an AR on the system with a copy to TPLRD for collection purposes. Once the FI establishes an AR for an overpayment, the overpayment is recorded in the California Omnibus Budget Reconciliation Act of 1985 (COBRA) system (a department-developed application) and is automatically assigned the Medicaid FFP rate in effect upon AR creation. Due to system limitations (at the time), the COBRA system automatically assigns the Medicaid FFP rate in effect at AR creation for all overpayments and cannot assign a CHIP FFP rate to a CHIP overpayment. As such, all types of overpayments will utilize the Medicaid FFP rate. The existing controls did not prevent, or detect and correct instances of utilizing the correct FFP rate to differentiate between Medical Assistance Program and Children's Health Insurance Program overpayments.

Effect

Inaccurate reporting on the CMS-64 report and using incorrect CHIP FFP rates resulted in under/over funding and noncompliance with refunding the Federal share of Medicaid and CHIP overpayments.

Questioned Costs

Overpayments were underreported on the CMS-64 reports for the 2019-20 fiscal year for both Medicaid and CHIP by a total of \$51,947,058. Using the Medicaid FFP rate of 50% since the overpayments were all reported on the Medicaid CMS-64, questioned costs would be \$25,973,529. However, Health Care Services does not have a process in place that identifies the overpayments between the Medicaid and CHIP programs, and therefore, are not able to determine how much of the overpayments were for CHIP, which had a higher FFP rate of 76.5% during the second quarter.

Overpayments utilizing the incorrect CHIP FFP rate resulted in known questioned costs of \$26,719 for the 2019-20 fiscal year.

Context

Expenditures for the 2019-20 fiscal year totaled \$61,561,477,130 for Medicaid and \$2,958,448,448 for CHIP.

The \$26,719 known questioned costs for using the incorrect CHIP FFP rate resulted from a total of \$60,770 for the fifteen CHIP samples tested. In addition, a total of \$487,727,920 in overpayments were reported for the 2019-20 fiscal year that applied the Medicaid FFP rate even though a portion of that total was for CHIP.

Recommendation

Health Care Services should have a process in place to ensure the reports are not pulled prematurely so that the correct amounts are reported on the CMS-64.

Health Care Services should update the system to assign the appropriate FFP rate for each overpayment. With this implementation, CHIP overpayments can be appropriately identified with the correct FFP rate and reported on the CMS-21.

Views of Responsible Officials and Corrective Action Plan

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

Auditee's Section

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**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020**

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STATE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

California State Auditor Report 2020-002 63
February 2022

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture				
Agricultural Research Basic and Applied Research	10.001		\$ 178,413	\$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025		45,096,132	17,406,477
Federal-State Marketing Improvement Program	10.156		64,674	-
Inspection Grading and Standardization	10.162		776	-
Market Protection and Promotion	10.163		3,022,205	-
Specialty Crop Block Grant Program - Farm Bill	10.170		20,185,681	4,198,240
Organic Certification Cost Share Programs	10.171		2,167,443	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178		6,301,564	231,307
<i>Trade Mitigation Program Eligible Recipient Agency Operational Funds (Noncash)</i>	10.178		129,955,150	-
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds			136,256,714	231,307
Food Insecurity Nutrition Incentive Grants Program	10.331		1,968,992	1,958,203
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		90,176	-
Meat, Poultry, and Egg Products Inspection	10.477		23,210	-
CACFP Meal Service Training Grants	10.534		121,133	-
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537		385,306	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		781,118,013	277,053,956
Child and Adult Care Food Program	10.558		455,260,675	450,251,613
State Administrative Expenses for Child Nutrition	10.560		32,419,397	-
WIC Farmers' Market Nutrition Program (FMNP)	10.572		2,790,183	48,019
Farm to School Grant Program	10.575		13,201	-
Senior Farmers Market Nutrition Program	10.576		681,537	-
WIC Grants to States (WGS)	10.578		17,930,058	-
Child Nutrition Discretionary Grants Limited Availability	10.579		3,304,474	3,029,194
Fresh Fruit and Vegetable Program	10.582		10,990,318	10,654,304
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		2,605,978	2,604,182
Cooperative Forestry Assistance	10.664		8,438,345	2,081,315
Urban and Community Forestry Program	10.675		845,499	731,431
Forest Legacy Program	10.676		6,876,337	3,450
Forest Stewardship Program	10.678		96,557	89,254
Forest Health Protection	10.680		414,204	253,896
Good Neighbor Authority	10.691		499,710	265,569
Watershed Restoration and Enhancement Agreement Authority	10.693		110,616	-
Partnership Agreements	10.699		180,043	-
Total Excluding Clusters			1,534,136,000	770,860,410
Child Nutrition Cluster				
School Breakfast Program	10.553		433,518,076	433,518,076
COVID-19 - School Breakfast Program	10.553		96,977,238	96,977,238
Total School Breakfast Program			530,495,314	530,495,314
National School Lunch Program	10.555		1,071,226,238	1,071,226,238
COVID-19 - National School Lunch Program	10.555		389,263,532	389,263,532
<i>National School Lunch Program (Noncash)</i>	10.555		192,695,149	-
Total National School Lunch Program			1,653,184,919	1,460,489,770
Special Milk Program for Children	10.556		197,927	197,927
Summer Food Service Program for Children	10.559		25,284,459	24,162,912
COVID-19 - Summer Food Service Program for Children	10.559		44,789,453	44,789,453
Total Summer Food Service Program for Children			70,073,912	68,952,365
Total Child Nutrition Cluster			2,253,952,072	2,060,135,376
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565		8,138,840	8,013,063
<i>Commodity Supplemental Food Program (Noncash)</i>	10.565		24,596,849	-
Total Commodity Supplemental Food Program			32,735,689	8,013,063
Emergency Food Assistance Program (Administrative Costs)	10.568		20,702,188	20,298,489
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568		79,393	-
Total Emergency Food Assistance Program (Administrative Costs)			20,781,581	20,298,489
Emergency Food Assistance Program (Food Commodities)	10.569		225,000	29,815
<i>Emergency Food Assistance Program (Food Commodities - Noncash)</i>	10.569		75,986,538	-
Total Emergency Food Assistance Program (Food Commodities)			76,211,538	29,815
Total Food Distribution Cluster			129,728,808	28,341,367

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665		26,161,766	26,161,766
Total Forest Service Schools and Roads Cluster			26,161,766	26,161,766
Research and Development Cluster				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		119,356	-
Specialty Crop Block Grant Program - Farm Bill	10.170		1,291,738	1,291,738
Total Research and Development Cluster			1,411,094	1,291,738
SNAP Cluster				
Supplemental Nutrition Assistance Program (Noncash)	10.551		8,097,846,043	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,023,219,925	865,679,959
Total SNAP Cluster			9,121,065,968	865,679,959
Total U.S. Department of Agriculture			13,066,455,708	3,752,470,616
U.S. Department of Commerce				
Coastal Zone Management Administration Awards	11.419		2,676,740	-
Coastal Zone Management Estuarine Research Reserves	11.420		1,179,488	714,915
Unallied Management Projects	11.454		428,562	-
Meteorological and Hydrologic Modernization Development	11.467		890,895	-
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		305,955	275,826
State and Local Implementation Grant Program	11.549		318,818	-
Total Excluding Clusters			5,800,458	990,741
Research and Development Cluster				
Interjurisdictional Fisheries Act of 1986	11.407		187,694	-
Coastal Zone Management Estuarine Research Reserves	11.420		69,629	69,629
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438		15,169,364	12,597,723
Unallied Science Program	11.472		759,737	450,539
Total Research and Development Cluster			16,186,424	13,117,891
Total U.S. Department of Commerce			21,986,882	14,108,632
U.S. Department of Defense				
Payments to States in Lieu of Real Estate Taxes	12.112		199,677	199,677
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		11,126,918	-
Basic and Applied Scientific Research	12.300		51,807	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401		91,189,989	-
COVID-19 - National Guard Military Operations and Maintenance (O&M) Projects	12.401		19,972	-
Total National Guard Military Operations and Maintenance (O&M) Projects			91,209,961	-
National Guard ChalleNGe Program	12.404		23,781,553	-
COVID-19 - National Guard ChalleNGe Program	12.404		17,132	-
Total National Guard ChalleNGe Program			23,798,685	-
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		280,492	280,492
Economic Adjustment Assistance for State Governments	12.617		3,482,677	3,152,364
Legacy Resource Management Program	12.632		21	-
Air Force Defense Research Sciences Program	12.800		4,494	-
Total Excluding Clusters			130,154,732	3,632,533
Research and Development Cluster				
Other - U.S. Department of Defense	12.U01		1,288,284	8,812
Total Research and Development Cluster			1,288,284	8,812
Total U.S. Department of Defense			131,443,016	3,641,345
U.S. Department of Housing and Urban Development				
Manufactured Home Dispute Resolution	14.171		221,391	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		22,016,654	17,860,446
Emergency Solutions Grant Program	14.231		6,962,175	6,160,754
Home Investment Partnerships Program	14.239		16,859,139	13,788,625
Housing Opportunities for Persons with AIDS	14.241		3,554,007	3,444,792
Housing Trust Fund	14.275		1,050,883	-
Equal Opportunity in Housing	14.400		2,851,071	-
COVID-19 - Equal Opportunity in Housing	14.400		313,764	-
Total Equal Opportunity in Housing			3,164,835	-
Total Excluding Clusters			53,829,084	41,254,617

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster				
National Disaster Resilience Competition	14.272		8,868,796	8,082,214
Total CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster			8,868,796	8,082,214
Total U.S. Department of Housing and Urban Development			62,697,880	49,336,831
U.S. Department of the Interior				
Southern Nevada Public Land Management	15.235		859,662	-
Environmental Quality and Protection	15.236		44,090	-
Wildlife Resource Management	15.247		15,157	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		1,065,050	-
Geothermal Resources	15.434		3,445,370	3,445,370
Minerals Leasing Act	15.437		36,326,718	36,326,718
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508		117,865	-
Central Valley Project Improvement Act, Title XXXIV	15.512		2,684,298	-
Fish and Wildlife Coordination Act	15.517		77,676	-
Recreation Resources Management	15.524		2,817,754	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		73,371	-
California Water Security and Environmental Enhancement	15.533		99,303	19,337
Lake Tahoe Regional Wetlands Development	15.543		25,402	-
San Joaquin River Restoration	15.555		1,156,203	32,199
SECURE Water Act - Research Agreements	15.560		24,554	-
Fish and Wildlife Management Assistance	15.608		287,229	143,226
Coastal Wetlands Planning, Protection and Restoration	15.614		767,781	749,996
Cooperative Endangered Species Conservation Fund	15.615		9,037,930	212,175
Clean Vessel Act	15.616		1,323,659	611,695
Sportfishing and Boating Safety Act	15.622		261,078	261,078
North American Wetlands Conservation Fund	15.623		468,119	468,119
Coastal	15.630		15,499	-
State Wildlife Grants	15.634		41,568	-
Central Valley Project Improvement Act (CVPIA)	15.648		504,647	8,645
Endangered Species Recovery Implementation	15.657		94,159	-
Earthquake Hazards Program Assistance	15.807		26,891	-
U.S. Geological Survey_ Research and Data Collection	15.808		17,194	-
National Cooperative Geologic Mapping	15.810		100,952	-
National Geological and Geophysical Data Preservation	15.814		968	-
Historic Preservation Fund Grants-In-Aid	15.904		1,551,015	81,359
Outdoor Recreation Acquisition, Development and Planning	15.916		5,687,442	5,239,533
National Maritime Heritage Grants	15.925		565,501	556,455
ARRA - Redwood National Park Cooperative Management with the State of California	15.937		86,846	-
Natural Resource Stewardship	15.944		147,769	-
Other - U.S. Department of the Interior	15.U02		3,843,254	-
Total Excluding Clusters			73,661,974	48,155,905
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605		7,000,922	-
Wildlife Restoration and Basic Hunter Education	15.611		9,262,528	-
Enhanced Hunter Education and Safety	15.626		223,273	-
Total Fish and Wildlife Cluster			16,486,723	-
Research and Development Cluster				
Wildlife Resource Management	15.247		36,411	10,459
Central Valley Improvement Act, Title XXXIV	15.512		3,016,392	-
Fish and Wildlife Coordination Act	15.517		9,856	-
San Luis Unit, Central Valley	15.527		17,039	-
Central Valley, Trinity River Division, Trinity River Fish and Wildlife Management	15.532		686,084	-
Sport Fish Restoration	15.605		13,801,067	279,913
Fish and Wildlife Management Assistance	15.608		74,296	47,695
Wildlife Restoration and Basic Hunter Education	15.611		21,900,672	1,161,206
Cooperative Endangered Species Conservation Fund	15.615		2,572,950	2,572,950
Landowner Incentive	15.633		208,027	208,027
State Wildlife Grants	15.634		2,534,058	871,085
Endangered Species Conservation - Recovery Implementation Funds	15.657		57,891	-
Endangered Species Recovery Implementation	15.670		303,979	-
Total Research and Development Cluster			45,218,722	5,151,335
Total U.S. Department of the Interior			135,367,419	53,307,240

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Justice				
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		167,860	-
Sexual Assault Services Formula Program	16.017		1,148,794	1,148,794
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034		8,663	-
Services for Trafficking Victims	16.320		434,148	366,370
Antiterrorism Emergency Reserve	16.321		5,894,692	92,481
Juvenile Justice and Delinquency Prevention	16.540		2,764,351	2,136,389
National Criminal History Improvement Program (NCHIP)	16.554		1,415,803	-
Crime Victim Assistance	16.575		265,490,920	255,660,825
Crime Victim Compensation	16.576		16,126,588	-
Crime Victim Assistance/Discretionary Grants	16.582		46,227	46,227
Violence Against Women Formula Grants	16.588		14,608,250	13,876,011
Residential Substance Abuse Treatment for State Prisoners	16.593		913,295	842,408
State Criminal Alien Assistance Program	16.606		120,697,583	-
Project Safe Neighborhoods	16.609		162,148	162,148
Regional Information Sharing Systems				
<i>Pass-Through from Western States Information Network</i>	16.610	2018-RS-CX-0004	1,870,776	-
Public Safety Partnership and Community Policing Grants	16.710		636,296	-
Special Data Collections and Statistical Studies	16.734		376,736	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		7,563,182	6,878,413
DNA Backlog Reduction Program	16.741		1,431,930	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		2,216,364	2,125,557
Edward Byrne Memorial Competitive Grant Program	16.751		317,229	317,229
Economic, High-Tech, and Cyber Crime Prevention	16.752		2,950	-
Harold Rogers Prescription Drug Monitoring Program	16.754		126,841	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		114,006	-
Postconviction Testing of DNA Evidence	16.820		495,948	480,367
Justice Reinvestment Initiative	16.827		92,812	-
STOP School Violence	16.839		306,931	-
Equitable Sharing Program	16.922		11,284,608	-
Other - U.S. Department of Justice	16.U03		544,216	-
Total U.S. Department of Justice			457,260,147	284,133,219
U.S. Department of Labor				
Labor Force Statistics	17.002		6,674,402	-
Compensation and Working Conditions	17.005		1,086,390	-
Unemployment Insurance	17.225		13,697,752,061	-
COVID-19 - Unemployment Insurance	17.225		27,156,377,360	-
Total Unemployment Insurance			40,854,129,421	-
Senior Community Service Employment Program	17.235		6,377,628	6,069,906
Trade Adjustment Assistance	17.245		7,083,008	-
Work Opportunity Tax Credit Program (WOTC)	17.271		2,630,472	-
Temporary Labor Certification for Foreign Workers	17.273		1,510,290	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277		23,636,734	22,101,159
Apprenticeship USA Grants	17.285		2,064,671	-
Hurricanes and Wildfire of 2017 Supplemental - National Dislocated Worker Grants	17.286		4,745,014	4,744,815
Occupational Safety and Health State Program	17.503		37,704,230	-
Consultation Agreements	17.504		7,549,648	-
Mine Health and Safety Grants	17.600		493,884	-
Disability Employment Policy Development	17.720		872,113	-
Total Excluding Clusters			40,956,557,905	32,915,880
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207		76,937,144	2,323,974
Jobs for Veterans State Grants	17.801		14,711,996	-
Total Employment Service Cluster			91,649,140	2,323,974
WIOA Cluster				
WIOA Adult Program	17.258		95,279,171	92,404,077
WIOA Youth Activities	17.259		126,762,708	111,571,582
WIOA Dislocated Worker Formula Grants	17.278		152,440,982	133,903,946
Total WIOA Cluster			374,482,861	337,879,605
Total U.S. Department of Labor			41,422,689,906	373,119,459

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Transportation				
Airport Improvement Program	20.106		190,316	-
Highway Research and Development Program	20.200		313,984	-
Highway Training and Education	20.215		263,232	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		900,363	-
Commercial Driver's License Program Implementation Grant	20.232		21,836	-
Fuel Tax Evasion-Intergovernmental Enforcement Effort	20.240		28,213	-
Capital Assistance to States - Intercity Passenger Rail Service	20.317		652,562	652,562
ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		(522,402)	-
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319		2,166,383	2,166,357
Total High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants			1,643,981	2,166,357
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		73,658,598	73,658,598
Formula Grants for Rural Areas and Tribal Transit Program	20.509		24,721,002	22,919,672
Paul S. Sarbanes Transit in the Parks	20.520		56,570	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528		3,352,915	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		33,202,895	21,796,536
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		781,786	-
Pipeline Safety Program State Base Grant	20.700		7,943,863	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,334,125	176,248
PHMSA Pipeline Safety Underground Natural Gas Storage Unit	20.725		1,351,494	-
Total Excluding Clusters			150,417,735	121,369,973
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205		4,458,548,195	1,330,016,736
Recreational Trails Program	20.219		2,178,321	1,922,808
Total Highway Planning and Construction Cluster			4,460,726,516	1,331,939,544
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218		16,842,778	-
Total FMCSA Cluster			16,842,778	-
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		19,331,669	18,185,239
Total Transit Services Programs Cluster			19,331,669	18,185,239
Federal Transit Cluster				
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		3,311,034	3,311,034
Total Federal Transit Cluster			3,311,034	3,311,034
Highway Safety Cluster				
State and Community Highway Safety	20.600		26,234,616	16,377,094
National Priority Safety Programs	20.616		22,007,387	12,661,959
Total Highway Safety Cluster			48,242,003	29,039,053
Research and Development Cluster				
Highway Planning and Construction	20.205		3,450,481	-
State and Community Highway Safety	20.600		53,707	-
Total Research and Development Cluster			3,504,188	-
Total U.S. Department of Transportation			4,702,375,923	1,503,844,843
U.S. Department of the Treasury				
Equitable Sharing	21.016		1,022,535	-
Total U.S. Department of the Treasury			1,022,535	-
Equal Employment Opportunity Commission				
Other - Equal Opportunity Employment Commission	30.U04		2,342,720	-
Total Equal Employment Opportunity Commission			2,342,720	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
General Services Administration				
Donation of Federal Surplus Personal Property (Noncash)	39.003		22,393,982	-
Total General Services Administration			22,393,982	-
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025		1,331,600	100,000
Grants to States	45.310		13,597,224	9,139,568
Total National Endowment for the Arts			14,928,824	9,239,568
Small Business Administration				
State Trade Expansion	59.061		534,415	504,155
Total Small Business Administration			534,415	504,155
U.S. Department of Veterans Affairs				
Burial Expenses Allowance for Veterans	64.101		591,395	-
Veterans Housing Guaranteed and Insured Loans	64.114		199,117,544	-
All-Volunteer Force Educational Assistance	64.124		723,655	-
Total U.S. Department of Veterans Affairs			200,432,594	-
Environmental Protection Agency				
Air Pollution Control Program Support	66.001		7,192,188	107,311
State Indoor Radon Grants	66.032		155,591	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		1,151,255	-
State Clean Diesel Grant Program	66.040		520,479	-
The San Francisco Bay Water Quality Improvement Fund	66.126		4,366	-
Congressionally Mandated Projects	66.202		30,282	21,217
Multipurpose Grants to States and Tribes	66.204		24,693	24,991
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		13,095,636	4,687,949
State Public Water System Supervision	66.432		6,250,000	-
State Underground Water Source Protection	66.433		337,942	-
Water Quality Management Planning	66.454		943,175	135,200
Nonpoint Source Implementation Grants	66.460		7,875,233	4,422,751
Regional Wetland Program Development Grants	66.461		130,635	127,100
Beach Monitoring and Notification Program Implementation Grants	66.472		424,502	377,000
Performance Partnership Grants	66.605		1,263,984	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		65,749	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		424,429	-
Pollution Prevention Grants Program	66.708		3,505	-
Hazardous Waste Management State Program Support	66.801		7,511,218	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		964,054	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		170,000	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		2,150,000	-
State and Tribal Response Program Grants	66.817		832,941	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		786,299	400,000
Total Excluding Clusters			52,308,156	10,303,519
Research and Development Cluster				
Regional Wetland Program Development Grants	66.461		72,176	68,641
Total Research and Development Cluster			72,176	68,641
Total Environmental Protection Agency			52,380,332	10,372,160

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Energy				
State Energy Program	81.041		3,300,720	-
Weatherization Assistance for Low-Income Persons	81.042		11,688,958	10,413,344
Nuclear Legacy Cleanup Program	81.065		1,190,443	-
Environmental Remediation and Waste Processing and Disposal	81.104		375,475	-
Long-Term Surveillance and Maintenance	81.136		33,166	-
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214		43,535	-
Sustainable Energy for Homes and Business	81.U05		178,578	-
Total U.S. Department of Energy			16,810,875	10,413,344
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		103,246,901	99,538,930
Title I Grants to Local Educational Agencies	84.010		1,961,058,347	1,961,058,347
Migrant Education State Grant Program	84.011		93,413,002	87,796,483
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		3,065,153	3,030,527
Career and Technical Education -- Basic Grants to States	84.048		117,888,405	115,102,955
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		337,489,444	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		3,369,993	3,055,156
Special Education-Grants for Infants and Families	84.181		74,810,230	-
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		2,031,442	-
Education for Homeless Children and Youth	84.196		8,328,653	8,266,949
Charter Schools	84.282		16,197,022	15,294,703
Twenty-First Century Community Learning Centers	84.287		143,137,791	143,067,618
Special Education - State Personnel Development	84.323		2,486,919	2,486,919
Rural Education	84.358		6,195,506	6,140,970
English Language Acquisition State Grants	84.365		130,778,401	129,778,987
Mathematics and Science Partnerships	84.366		1,657,505	1,574,000
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		234,079,700	233,444,911
Grants for State Assessments and Related Activities	84.369		40,137,007	23,607,768
Comprehensive Literacy Development	84.371		54,925	54,925
School Improvement Grants	84.377		55,362,162	53,390,979
Promoting Readiness of Minors in Supplemental Security Income	84.418		2,466,631	-
Disability Innovation Fund (DIF)	84.421		1,448,501	-
Student Support and Academic Enrichment Program	84.424		103,260,400	102,673,818
Disaster Recovery Assistance for Education	84.938		27,399,774	27,304,727
Total Excluding Clusters			3,469,363,814	3,016,669,672
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027		1,240,951,458	1,240,951,458
Special Education Preschool Grants	84.173		39,767,027	37,748,908
Total Special Education Cluster (IDEA)			1,280,718,485	1,278,700,366
Total U.S. Department of Education			4,750,082,299	4,295,370,038
U.S. Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401		5,692,724	-
2018 HAVA Election Security Grants	90.404		1,080,364	-
Total U.S. Election Assistance Commission			6,773,088	-

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Health and Human Services				
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		279	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		545,964	545,964
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		1,944,993	1,811,222
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043		3,424,696	3,424,696
National Family Caregiver Support, Title III, Part E	93.052		24,400,985	23,641,483
Public Health Emergency Preparedness	93.069		44,400,692	32,068,365
Environmental Public Health and Emergency Response	93.070		840,920	82,211
Medicare Enrollment Assistance Program	93.071		1,823,268	1,697,733
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		45,862	-
Guardianship Assistance	93.090		75,631,566	75,357,096
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		7,496,403	5,826,103
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094		3	-
Food and Drug Administration Research	93.103		2,768,666	252,391
Maternal and Child Health Federal Consolidated Programs	93.110		260,903	18,533
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		9,946,071	5,225,772
Preventative Medicine Residency	93.117		805,458	-
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		253,321	-
Emergency Medical Services for Children	93.127		131,762	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		564,000	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		7,411,765	3,086,341
Projects for Assistance in Transition from Homelessness (PATH)	93.150		7,797,534	7,598,586
Grants to States for Loan Repayment	93.165		1,020,000	-
Traumatic Brain Injury State Demonstration Grant Program	93.234		127,805	-
Grants to States to Support Oral Health Workforce Activities	93.236		447,605	-
State Capacity Building	93.240		625,995	-
State Rural Hospital Flexibility Program	93.241		522,125	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		3,195,779	2,653,925
Early Hearing Detection and Intervention	93.251		115,678	79,102
Immunization Cooperative Agreements	93.268		35,720,402	13,530,458
<i>Immunization Cooperative Agreements (Noncash)</i>	93.268		<i>468,386,833</i>	<i>-</i>
Total Immunization Cooperative Agreements			504,107,235	13,530,458
Viral Hepatitis Prevention and Control	93.270		246,510	8,663
Small Rural Hospital Improvement Grant Program	93.301		443,147	-
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health Funds (PPHF)	93.305		2,055,131	35,885
State Health Insurance Assistance Program	93.324		3,757,608	3,003,907
Behavioral Risk Factor Surveillance System	93.336		35,377	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		2,198,891	40,000
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		41,864,371	41,136,931
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			44,063,262	41,176,931

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367		1,006,369	-
ACL Independent Living State Grants	93.369		2,756,107	2,506,392
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426		2,857,184	-
Every Student Succeeds Act/Preschool Development Grants	93.434		7,440,484	6,875,251
State Physical Activity and Nutrition (SPAN)	93.439		702,237	137,387
Food Safety and Security Monitoring Project	93.448		247,270	-
ACL Assistive Technology	93.464		1,619,014	-
Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	93.478		98,407	-
Pregnancy Assistance Fund Program	93.500		1,124,936	882,430
Promoting Safe and Stable Families	93.556		36,105,273	33,208,839
Temporary Assistance for Needy Families	93.558		3,418,775,128	2,352,323,659
Child Support Enforcement	93.563		696,008,876	541,780,414
Child Support Enforcement Research	93.564		446,089	446,089
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		33,250,671	15,668,869
Low-Income Home Energy Assistance	93.568		197,991,217	185,603,695
Community Services Block Grant	93.569		66,250,183	61,859,315
Refugee and Entrant Assistance Discretionary Grants	93.576		235,780	228,985
U.S. Repatriation	93.579		52,122	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584		390,135	119,718
State Court Improvement Program	93.586		2,030,486	-
Community-Based Child Abuse Prevention Grants	93.590		3,663,659	1,941,521
Grants to States for Access and Visitation Programs	93.597		807,168	-
Chafee Education and Training Vouchers Program (ETV)	93.599		4,400,865	-
Head Start	93.600		6,595,179	2,831,702
Adoption and Legal Guardianship Incentive Payments	93.603		6,080,047	3,339,769
Developmental Disabilities Basic Support and Advocacy Grants	93.630		7,423,000	-
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634		1,375,181	252,333
Children's Justice Grants to States	93.643		1,571,758	1,413,249
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		21,697	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		28,958,581	28,656,877
Foster Care Title IV-E	93.658		1,227,150,282	1,099,467,280
Adoption Assistance	93.659		615,485,509	595,960,482
Social Services Block Grant	93.667		496,567,646	227,929,667
Child Abuse and Neglect State Grants	93.669		5,640,902	111,937
Child Abuse and Neglect Discretionary Activities	93.670		276,467	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		8,395,956	8,070,703
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		16,910,477	15,011,551
State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	93.735		1,561,458	901,156
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		617,151	39,182
PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		347,792	-
Elder Abuse Prevention Interventions Program	93.747		188,094	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	93.757		(41,919)	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		4,712	-
Children's Health Insurance Program	93.767		2,923,211,807	7,805,070
COVID-19 - Children's Health Insurance Program	93.767		35,236,641	-
Total Children's Health Insurance Program			2,958,448,448	7,805,070

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Opioid STR	93.788		137,059,636	1,427,432
Money Follows the Person Rebalancing Demonstration	93.791		572,131	-
Organized Approaches to Increase Colorectal Cancer Screening	93.800		758,287	531,983
Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810		875,882	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		982,313	790,566
Maternal, Infant and Early Childhood Home Visiting Grant	93.870		26,574,129	22,125,694
The Reduction of Issuer Burden Through Technology Grant Program and the Health Insurance Enforcement and Consumer Protections Grant Program	93.881		230,976	-
National Bioterrorism Hospital Preparedness Program	93.889		19,915,587	13,743,016
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		10,974,474	140,862
Grants to States for Operation of State Offices of Rural Health	93.913		247,357	-
HIV Care Formula Grants	93.917		149,301,342	23,668,110
HIV Prevention Activities Health Department Based	93.940		19,525,010	7,195,745
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,016,585	250,522
Assistance Programs for Chronic Disease Prevention and Control	93.945		43,137	-
Tuberculosis Demonstration, Research, Public and Professional Education	93.947		100,034	100,034
Block Grants for Community Mental Health Services	93.958		92,208,149	90,343,428
Block Grants for Prevention and Treatment of Substance Abuse	93.959		186,116,719	168,490,785
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		7,329,864	1,733,786
Mental Health Disaster Assistance and Emergency Mental Health	93.982		6,952,150	6,768,187
Preventive Health and Health Services Block Grant	93.991		10,725,603	1,238,434
Maternal and Child Health Services Block Grant to the States	93.994		53,002,736	26,034,972
Other - U.S. Department of Health and Human Services	93.U06		48,608,151	-
Total Excluding Clusters			11,386,216,698	5,781,082,445
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		51,400,030	48,074,173
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		86,225,698	84,012,478
COVID-19 - Special Programs for the Aging, Title III Part C, Nutrition Services	93.045		24,431,016	24,431,016
Total Special Programs for the Aging, Title III Part C, Nutrition Services			110,656,714	108,443,494
Nutrition Services Incentive Program	93.053		15,295,859	15,295,859
Total Aging Cluster			177,352,603	171,813,526
CCDF Cluster				
Child Care and Development Block Grant	93.575		491,919,830	439,198,423
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		263,201,072	247,595,783
Total CCDF Cluster			755,120,902	686,794,206
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775		33,914,668	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		52,713,300	7,739,179
Medical Assistance Program	93.778		60,545,958,811	1,686,658,880
COVID-19 - Medical Assistance Program	93.778		1,012,368,131	-
Total Medical Assistance Program			61,558,326,942	1,686,658,880
Total Medicaid Cluster			61,644,954,910	1,694,398,059
Research and Development Cluster				
Food and Drug Administration Research	93.103		23,851	-
Total Research and Development Cluster			23,851	-
Total U.S. Department of Health and Human Services			73,963,668,964	8,334,088,236
Corporation for National and Community Service				
State Commissions	94.003		165,324	-
AmeriCorps	94.006		25,634,225	24,884,482
Training and Technical Assistance	94.009		287,320	-
Volunteers in Service to America				
<i>Pass-Through from KUPU</i>	94.013	825068047	7,263	-
Volunteer Generation Fund	94.021		157,213	-
Total Excluding Clusters			26,251,345	24,884,482
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011		1,664,709	-
Total Foster Grandparent/Senior Companion Cluster			1,664,709	-
Total Corporation for National and Community Service			27,916,054	24,884,482

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FEDERAL AGENCY/FEDERAL PROGRAM TITLE/ PASS-THROUGH ENTITY OR PROGRAM	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	AMOUNTS PASSED THROUGH TO SUBRECIPIENTS
Executive Office of the President				
High Intensity Drug Trafficking Areas Program				
<i>Pass-Through from CV HIDTA/LA Police Chief's Association/Sacramento City</i>	95.001	G18CV0002A	6,975	-
<i>Pass-Through from INCH/LA Police Chief's Association/Riverside County</i>	95.001	G19LA0007A	91,777	-
<i>Pass-Through from LA Clear/LA Police Chief's Association of Monrovia</i>	95.001	G18LA0006A	125,279	-
<i>Pass-Through from LA Clear/LA Police Chief's Association of Monrovia</i>	95.001	G19LA0006A	1,203,027	-
<i>Pass-Through from San Diego Imperial HIDTA</i>	95.001	G19SC0001A	402,902	-
Total Executive Office of the President			1,829,960	-
Social Security Administration				
Disability Insurance/SSI Cluster				
Social Security Disability Insurance	96.001		220,480,746	-
Total Social Security Administration			220,480,746	-
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008		1,305,689	1,305,689
Boating Safety Financial Assistance	97.012		4,325,679	2,160,017
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		840,744	-
Flood Mitigation Assistance	97.029		1,278,136	1,252,562
Crisis Counseling	97.032		468,047	468,047
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		996,028,682	974,897,722
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		264,235,111	162,661,489
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			1,260,263,793	1,137,559,211
Hazard Mitigation Grant	97.039		34,291,818	26,337,241
National Dam Safety Program	97.041		79,931	-
Emergency Management Performance Grants	97.042		26,014,540	13,022,589
State Fire Training Systems Grants	97.043		11,385	-
Cooperating Technical Partners	97.045		135,799	-
Fire Management Assistance Grant	97.046		34,840,130	34,041,990
Pre-Disaster Mitigation	97.047		2,615,327	2,438,315
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050		897,541	-
Homeland Security Grant Program	97.067		160,033,708	128,302,718
Earthquake Consortium	97.082		265,248	245,196
Disaster Assistance Projects	97.088		3,213,886	-
Severe Repetitive Loss Program	97.110		(1)	(1)
Other - Department of Homeland Security	97.U07		11,366	-
Total U.S. Department of Homeland Security			1,530,892,766	1,347,133,574
Total Expenditures of Federal Awards			\$ 140,812,767,035	\$ 20,065,967,742

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Notes to the Schedule of Expenditures of Federal Awards

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STATE OF CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures for all federal award programs received by the State of California (State) for the fiscal year ended June 30, 2020, except for federal awards received by the University of California system, a component unit of the State, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State. These entities engaged other auditors to perform an audit in accordance with the U.S. Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200) also referred to as the “Uniform Guidance.” Expenditures funded by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are denoted by the prefix COVID-19 in the federal program title.

The State’s basic financial statements include the operations of the University of California system, a component unit of the State of California, the California State University system, the California State Water Resources Control Board Water Pollution Control Revolving Fund, the California State Water Resources Control Board Safe Drinking Water State Revolving Fund, and the California Housing Finance Fund of the California Housing Finance Agency, a component unit of the State. As noted above, the Schedule presents only a portion of the State’s operations. The Schedule is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the State.

2. BASIS OF ACCOUNTING

The federal awards expenditures reported in the Schedule are prepared from records maintained by each State department for federal funds, and are reported on the cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State. All expenditures for each program are net of applicable program income and refunds.

State departments’ records are periodically reconciled to the California State Controller’s Office federal receipts and department expenditure reports. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers and federal program titles listed in the Schedule were obtained from the federal funding agency, the pass-through grantor, or the CFDA for the audit period covered.

The CFDA is a five-digit number. The first two digits represent the federal funding agency and the last three digits identify the specific federal program. If a CFDA number is unknown or unavailable, the two digit number identifying the federal funding agency is used along with a “U” followed by a two digit number (e.g. U01, U02, etc.).

4. NONCASH FEDERAL AWARDS

The State is the recipient of federal award programs that do not result in cash receipts or disbursements. These noncash federal awards include a variety of items, such as food and nutritional purchase assistance, commodities, vaccines, or federal excess property. Noncash awards received by the State are included in the Schedule. Noncash awards for the fiscal year ended June 30, 2020, are as follows:

Federal Catalog Number	Federal Program Title	Noncash Awards for the Fiscal Year Ended June 30, 2020
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	\$ 129,955,150
10.551	Supplemental Nutrition Assistance Program	8,097,846,043
10.555	National School Lunch Program	192,695,149
10.565	Commodity Supplemental Food Program	24,596,849
10.569	Emergency Food Assistance Program (Food Commodities)	75,986,538
39.003	Donation of Federal Surplus Personal Property	22,393,982
93.268	Immunization Cooperative Agreements	468,386,833
	Total	\$ 9,011,860,544

5. LOANS, LOAN GUARANTEES OUTSTANDING, AND INSURANCE IN EFFECT

Loans and loan guarantees outstanding, and insurance in effect at June 30, 2020, are summarized in the schedule below.

Federal Catalog Number	Federal Program Title	Loan Guarantees Outstanding for the Fiscal Year Ended June 30, 2020	Insurance In Effect as of June 30, 2020
64.114	Veterans Housing Guaranteed and Insured Loans	\$ -	\$ 199,117,544
81.041	State Energy Program	1,011,978	-
	Total	\$ 1,011,978	\$ 199,117,544

6. PASS-THROUGH AWARDS

The State receives the majority of its federal assistance directly from the federal awarding agencies. Federal awards received by the State from a pass-through entity are included in the Schedule and are italicized.

7. SUBRECIPIENTS

The State awards federal funds to non-federal entities (subrecipients) to assist with the implementation and administration of federal programs. Subrecipients are monitored by the State to ensure federal funds are expended in accordance with authorized laws, regulations, and the provisions of contracts or grant agreements. Amounts provided to subrecipients from each federal program are included in a separate column in the Schedule.

8. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash expenditure basis as explained in Note 2.

9. INDIRECT COST RATE

The majority of State entities claim indirect costs in accordance with a federally approved indirect cost rate plan. State entities that utilize the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance are as follows:

- Governor's Office of Planning and Research
- California Tahoe Conservancy
- California Sierra Nevada Conservancy
- California Emergency Medical Services Authority
- California Department of Veterans Affairs

The Governor's Office of Planning and Research, the California Tahoe Conservancy, and the California Department of Veterans Affairs also administer other federal programs that utilize other indirect cost rate methodologies.

10. DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

The State is the recipient of federally donated Personal Protective Equipment (PPE). The fair market value of the PPE at the time of receipt was \$11.3 million.

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Summary Schedule of Prior Audit Findings
Prepared by Department of Finance

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Reference Number:	2019-001
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	<u>Significant Deficiency and Instance of Noncompliance.</u> During the transition from the California State Accounting and Reporting System (CalSTARS) to the Financial Information System for California (FI\$Cal), remaining encumbrance balances from CalSTARS were converted to prior year encumbrance reversals. These transactions were included as negative balances in the expenditure reports used to report federal expenditures, which resulted in the understatement of expenditures in the Immunization Cooperative Agreements program (CDFA 93.268) \$211,247 and the HIV Care Formula Grants (CDFA 93.917) of \$22,224,797. Public Health should establish a more thorough internal review and communication process to ensure the information submitted to Finance for compilation of the Schedule is complete and accurate.
Status of Corrective Action:	<u>Partially Corrected.</u> Public Health has already trained staff on procedures for the Schedule of Expenditures of Federal Awards (Schedule) reporting to ensure the Schedule is complete and accurate. Fiscal year 2018-19 was Public Health's first year of FI\$Cal implementation, and since that time, Public Health has benefited from lessons learned. Public Health does not anticipate this issue will arise in the future as the encumbrance reversal cited was implemented in connection with a one-time migration of CalSTARS data to FI\$Cal. Additionally, Public Health has established communication protocols to enhance the review process moving forward. Refer to finding 2020-001 regarding the cause for a recurrence and the planned corrective action.

Reference Number:	2019-002
Federal Program:	20.205
State Administering Department:	California Department of Transportation (Transportation)
Audit Finding:	<u>Special Tests and Provisions - Quality Assurance.</u> At the completion of a construction project, the resident engineer reviews all quality assurance documents within the project records and certifies all materials and workmanship for the project and the required specifications on the final materials certification form for submission to the Federal Highway Administration. Per Transportation's policies and procedures, this form is required to be retained within the permanent project records. For 3 of 25 projects sampled, Transportation could not locate the final materials certificate within the project records.

Transportation's current document retention is paper based. The transition of project files from active storage location to completed and archived file storage resulted in the misplacement of required quality assurance project documentation.

Transportation should develop a more robust file storage process, as well as consider an electronic storage method for key required permanent project records, which would provide for permanent project records to be available as requested.

Status of Corrective Action: Fully Corrected. Transportation has procured and implemented the Falcon electronic document management system (Falcon DMS). In June 2021, Transportation issued Construction Procedures Directive (CPD) 21-11, requiring all project records for construction projects awarded on or after July 1, 2021, to be stored electronically in FalconDMS.

Reference Number: **2019-003**

Federal Program: 93.767
93.778

State Administering Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Activities Allowed or Unallowed. Twenty-one of 56 contractor counties of Short-Doyle funding were tested and seven had not submitted their cost reports by the December 31 due date. One of the seven contractor counties had not submitted its cost report for fiscal year 2016-17 (more than 22 months late) and fiscal year 2017-18 (more than 10 months late) and six of the seven contractor counties had not submitted their cost reports for fiscal year 2017-18 (more than 10 months late).

Although the Mental Health Division of Health Care Services took the required action of notifying the seven contractor counties in writing within 30 days of the noncompliance, it has not taken any additional action necessary to ensure contract and performance compliance.

Health Care Services should develop and follow policies and procedures to take additional action for significantly late annual cost reports. These policies and procedures should include imposing sanctions, including, but not limited to, fines, penalties, the withholding of payments, probationary or corrective actions, or any other actions deemed necessary to promptly ensure contract and performance compliance.

Status of Corrective Action: Partially Corrected – repeat finding – refer to 2020-007. Health Care Services is still reviewing its draft policy and procedure to impose sanctions, fines and penalties on mental health plans that submit late cost reports. Health Care Services review of its draft

policy and procedures were delayed as a result of responding to the impacts of the coronavirus disease 2019 (COVID-19) pandemic on the behavioral health delivery system. Health Care Services expects to finish its review and implement the policy and procedure by October 31, 2022.

Reference Number: **2019-004**

Federal Program: 93.991

State Administering Department: California Department of Public Health (Public Health)

Audit Finding: Allowable Costs/Costs Principles. During the fiscal year ended June 30, 2019, the conversion to FISCAL led to errors in the FISCAL Cost Allocation tables through which the Statewide Cost Allocation Plan (SWCAP) table was set up to calculate indirect costs as of the year-to-date amounts. This resulted in compounding charges. Public Health detected the error and made adjustments to the charges. However, the adjusted indirect costs still exceeded the maximum amounts as determined using the federally-approved negotiated indirect cost rates by \$496,563.

Public Health should contact the funding agency to determine any corrective action necessary to rectify the identified errors.

Status of Corrective Action: Fully Corrected. Starting in fiscal year 2019-20, Public Health has revised and loaded updated cost allocation tables into FISCAL that align with United States Department of Agriculture (USDA)-approved Indirect Cost Rate (ICR) and SWCAP levels. Public Health provided fiscal year 2019-20 financial data to the auditor demonstrating the indirect costs now align with approved indirect cost rates, which was validated. On a monthly basis, Public Health will continue to monitor and confirm the indirect charges align with approved levels. After fiscal year 2019-20 year-end close was complete, Public Health's Accounting Section provided a final indirect charges report to the Administration Division's Deputy Director and the Director's Office with the final fiscal year 2019-20 indirect costs by program and fund to confirm the charges are within the approved USDA ICR and SWCAP levels.

Reference Number:	2019-005
Federal Program:	93.767 93.778
State Administering Department:	California Department of Health Care Services (Health Care Services)
Audit Finding:	<u>Eligibility.</u> Out of 135 Medical Assistance Program (Medi-Cal) and Children’s Health Insurance programs beneficiaries tested, 36 beneficiaries had eligibility exceptions. Additionally, in 2018 reports from the U.S. Department of Health and Human Services, Office of Inspector General, and California State Auditor highlighted payments made to ineligible and potentially ineligible beneficiaries. Health Care Services should continue its practice of performing regular focus reviews on county welfare agencies to identify factors contributing to the delays and errors in the redetermination process, such as misinterpretations of policies, systems issues, business practices, etc., and then work with county welfare agencies to provide appropriate training and/or creating corrective action plans. Health Care Services should continue with the pilot quality control process used to monitor all critical and urgent level Medi-Cal Eligibility Data System (MEDS) alerts to be able to quickly identify county welfare agencies not resolving MEDS alerts in a timely manner. Health Care Services should continue its efforts to incorporate into the MEDS alert functionality the ability to alert county welfare agencies when eligibility redeterminations are required or overdue. Health Care Services should then work with those county welfare agencies that are not performing eligibility redeterminations in a timely manner and who may not be correctly verifying eligibility through training and site visits to implement policies and procedures to improve their compliance status.
Status of Corrective Action:	<u>Remains Uncorrected – repeat finding – refer to 2020-008.</u> DHCS performs site visits/focus reviews on counties to identify factors (training issues, misinterpretation of policy, systems issues, and business practices) contributing to delays/error in renewal processing. Depending on the outcome of each review, counties may be required to submit a CAP. The CAP must include: 1. A timeframe for the development and implementation of policies/procedures to address the issues identified. 2. How the policies/procedures, once implemented, will reduce similar occurrences in future renewals.

DHCS allots the county six months after the date the CAP is implemented to demonstrate improvement, and will follow up with the county on a regular basis to affirm the policies/procedures implemented are effective. If sufficient improvement is not seen, counties will be required to amend the CAP. DHCS will then perform a subsequent review within a year after the original review.

DHCS continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. Through the course of the reviews DHCS staff confirm the following:

- The appropriate documents (manual and/or electronic) were received prior to the completion of the eligibility determination.
- All required data elements were electronically/manually verified prior to the completion of eligibility determinations.
- Eligibility systems are updated with current information, and used appropriately in eligibility determinations.
- Applicant information is correctly entered into eligibility systems (data entry errors).
- Eligibility determinations are performed for only individuals who request an evaluation for eligibility to health insurance programs.
- All documents used in the eligibility information are:
 - o Appropriately retained in the case file.
 - o Received in the last 12 months.
 - o Used appropriately in the eligibility determination.
 - o Confirms eligibility to the assigned aid category.

The reviews are used to identify:

- Error trends attributed to caseworker actions.
- Errors trends related to systems issues.
- Gaps in policy which need further clarification/guidance.

Upon implementation of the Focus Review Monitoring program, DHCS selected counties based on the population size. Counties with the highest population were reviewed first, since high population counties are responsible for the majority of determinations made statewide. DHCS plans to review each county on a biennial basis once an initial review is performed in all 58 counties.

DHCS completed a focus review for the following counties: Alameda, Calaveras, Colusa, Contra Costa, El Dorado, Fresno, Kern, Kings, Lake, Los Angeles, Madera, Marin, Mendocino, Merced, Monterey, Napa, Orange, Placer, Plumas, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San

Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Shasta, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tulare, Tuolumne, Ventura, Yuba, and Yolo.

DHCS reviewed the 39 counties listed above and planned to review the remaining 19 counties listed below by December 31, 2020.

Alpine, Amador, Butte, Del Norte, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, San Benito, San Mateo, Santa Cruz, Sierra, Tehama, and Trinity.

Due to the COVID-19 pandemic, DHCS temporarily suspended the 2020 site visits and focus reviews. DHCS will resume efforts upon termination of the COVID-19 pandemic. DHCS also plans to enhance its county oversight, monitoring, and accountability.

DHCS is working to develop two new MEDS alerts which will be used to notify counties of past due renewals and track the number of months since the last renewal. The alerts will be used by DHCS' quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of alerts. DHCS will work with counties to implement processes/procedures to reduce the number of renewals processed in excess of federal/state timeframes.

Reference Number:	2019-006
Federal Program:	93.917
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	<u>Eligibility.</u> Out of 60 individuals reviewed, 6 individuals did not submit all required documentation, including medical reports to support a positive HIV/AIDS diagnosis or income documentation to verify their annual Modified Adjusted Gross Income did not exceed 500 percent of the Federal Poverty Level based on household size and income. These individuals were placed on a temporary access period without meeting the necessary eligibility requirements. This practice was unallowable prior to the revised Policy Clarification Notice (PCN) 13-02 in May 2019, and was acceptable after the release of the PCN if Public Health used a funding source other than the Ryan White HIV/AIDS Program for individuals ultimately determined to be ineligible.

In December 2018, the Aids Drug Assistance Program (ADAP) guidelines were updated to include a secondary review of ADAP applications that requires a review of specified eligibility criteria. The ADAP Branch should continue to monitor compliance with its policies to ensure enrollment workers follow the established guidelines and retain acceptable

documentation to support eligibility determinations.

Status of Corrective Action:

Partially Corrected. The Office of AIDS (OA) communicated a process change that was initiated prior to the commencement of fiscal year 2017-18 that would enable OA to flag expenditures incurred while clients were on a Temporary Access Period (TAP), giving OA the ability to charge separate funding other than federal funds. This process was fully implemented in July 2019. In order to ensure that TAPs are paid from a separate fund source, TAP reports are run for the specified billing period to verify the total TAP costs. OA then ensures these costs are coded separately prior to invoice submission to Public Health's Accounting Section.

Refer to finding 2020-009 regarding the cause for the recurrence and the planned corrective action.

Reference Number:

2019-007

Federal Program:

93.658

State Administering Department:

California Department of Social Services (Social Services)

Audit Finding:

Subrecipient Monitoring. Due to a misinterpretation of the requirement, the Funding and Eligibility Unit has not yet developed and documented a formal risk assessment process to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward to determine the frequency and extent of the monitoring activities to be performed.

The Funding and Eligibility Unit should develop and document a formal process for performing risk assessments over all its subrecipients in order to determine the frequency and extent of such monitoring activities to be performed that is commensurate with the identified risk for each subrecipient. Further, the Funding and Eligibility Unit should retain evidence that the policies and procedures were implemented to evaluate the subrecipient's risk of noncompliance.

Status of Corrective Action:

Partially Corrected. In response to the finding, the Funding and Eligibility Unit in the Foster Care Audits and Rates Branch has strengthened its county monitoring procedures and has developed a corrective action plan that includes developing a formal risk assessment process that examines the following risk factors:

- Number of foster children
- Number of errors/findings from previous reviews
- Date of last review (within the last 3 – 5 years)
- Results from internal audits, program monitoring, and technical assistance
- Review of findings from the Judicial Review

and Technical Assistance Court Project
quarterly reports

A risk assessment tool will be used to prioritize the selection of counties for the annual reviews. The corrective action plan also includes the activities to revise the written monitoring procedures, develop and conduct training for the counties and monitoring staff on the new procedures and how the risk assessment tool will be implemented.

Reference Number:	2019-008
Federal Program:	93.268
State Administering Department:	California Department of Public Health (Public Health)
Audit Finding:	<u>Special Tests and Provisions.</u> The Immunization Branch of Public Health has about 3,700 enrolled and active Vaccines for Children (VFC) providers located in the State of California. For the period from July 1, 2018 to June 30, 2019, 214 active providers were overdue for a visit as required by the Center for Disease Control and Prevention, representing approximately 6 percent of the program's total enrolled and active VFC providers. In addition, 819 of 1,249 outstanding follow-up actions for the same period were overdue. The Immunization Branch of Public Health misinterpreted the visit frequency requirement such that a provider should be visited within 2 calendar years of the last compliance visit date. However, the Center for Disease Control and Prevention's timeframe requirement is within 24 months from the date of the last compliance visit. The Immunization Branch of Public Health also experienced a staff shortage in Southern California where approximately 70 percent of these overdue providers were located. The Immunization Branch of Public Health should develop a plan to perform the VFC Compliance Site Visits, including any follow-up actions, within the required timeframe.
Status of Corrective Action:	<u>Fully Corrected.</u> At the time of the initial findings, 214 active providers were overdue. As of November 2020, only 1 provider from the original list has not received a compliance visit. The last remaining visit of the initial 214 was scheduled for March 2020, but was postponed due to the COVID-19 pandemic. The visit was not performed before March 2020 because the provider account was placed on hold due to fraud and abuse allegations. In regard to the 1,249 outstanding follow-up actions from the same time period, all follow-up actions have been completed.

Reference Number: **2019-009**

Federal Program: 93.778

State Administering Department: California Department of Health Care Services (Health Care Services)

Audit Finding: Special Tests and Provisions. The California Medicaid Management Information System Division (CA-MMIS) uses a service organization/fiscal intermediary to perform many fiscal components of the administration of the program. CA-MMIS obtained from the fiscal intermediary an independent service auditor's Service Organization Control (SOC) report on the suitability of the design and operating effectiveness of controls for the period July 1, 2015 to June 30, 2016. The report included a number of exceptions, three of which were significant enough to warrant the service auditor to modify its opinion on controls.

CA-MMIS continued to monitor the fiscal intermediary's efforts to implement required corrective actions to resolve the exceptions. However, the fiscal intermediary has demonstrated its inability to implement the required corrective actions.

Since the fiscal intermediary has not been effective in implementing CA-MMIS corrective actions required to resolve exceptions noted for general controls over logical access to systems, programs and data, CA-MMIS should evaluate the continued risks associated with these exceptions and consider further actions permitted under its contract to remediate the exceptions or consider alternative service providers.

Status of Corrective Action: Fully Corrected. Adoption of the new service management framework and assumption of operations to the new IBM contract occurred October 1, 2019. Some Health Care Services owned access control activities have started. Further improvements, such as automated workflows, will evolve over time as Health Care Services develops its IT Service Management operating model.

Reference Number:	2018-001	Partially Corrected – refer to finding 2020-001
	2018-004	Partially Corrected – refer to finding 2020-007
	2018-007	Partially Corrected – refer to finding 2020-008
	2018-008	Partially Corrected – refer to finding 2020-009
	2018-009	Fully Corrected

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Department of Finance Response Letter

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Gavin Newsom ■ Governor

1021 O Street, Suite 3110 ■ Sacramento CA 95814 ■ www.dof.ca.gov

Transmitted via e-mail

February 18, 2022

Macias, Gini & O'Connell, LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

Thank you for the opportunity to respond to the federal compliance audit report for the fiscal year ended June 30, 2020. This report was the result of your examination of the State's administration of federal programs and will be part of the Single Audit Report covering this period. California is committed to ensuring all its state entities implement effective accounting, reporting, and operational practices. State entities with findings and recommendations provided responses directly to Macias, Gini & O'Connell, LLP (MGO). The responses and corrective action plans, compiled by MGO and provided to Finance, are attached. Finance will remind state entities of their responsibility for implementing corrective actions.

We appreciate MGO's efforts in completing the Single Audit for the State. If you have any questions concerning this letter, please contact Cheryl L. McCormick, Chief, Office of State Audits and Evaluations, at (916) 322-2985.

Sincerely,

KEELY MARTIN BOSLER
Director

Enclosure

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Management's Response and Corrective Action Plan

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**STATE OF CALIFORNIA
MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Reference No. 2020-002:

The Women, Infants, and Children Division (WIC) of the California Department of Public Health (Public Health) agrees that the WIC WISE system does not currently store eligibility history that should be included in the "Cert History Report". Currently, the initial eligibility data is overwritten when subsequent eligibility information is keyed into WIC WISE.

WIC WISE does include preventative internal stops or check points that do not allow ineligible individuals to be certified and issued benefits (e.g., over income, not a CA resident, no nutrition risk factor, etc.). User acceptance testing vetted these items prior to system implementation.

The certification history condition will be remediated via a system Defect Correction to WIC WISE. WIC has entered Defect Correction #6972 in Team Foundation Services (TFS), the tracking system used to capture system changes and defects. This correction will be included in a future release, which is targeted for late 2022. The defect supports a system change to ensure initial eligibility information is retained when subsequent eligibility information is entered into WIC WISE.

Estimated Implementation Date: December 2022

Contact: William Welch, Assistant Division Chief, Operations
Women, Infants, and Children Division
California Department of Public Health

Reference No. 2020-003:

The Office of Audit Services (OAS) at the California Department of Social Services (Social Services) concurs with the finding. Although the OAS has multiple levels of review in place to enhance controls for the Single Audit Report (SAR) review process, appropriate first line supervisory review of Management Decision Letter (MDL) memos and MDL forms sent to the affected program area did not always occur. As a result, there were due date discrepancies between the MDL memo and MDL forms, which caused the delays. Additionally, the coronavirus outbreak and program area management and staff turnover also contributed to the overdue MDLs. However, in January 2021, OAS hired a Certified Public Accountant to supervise the SAR coordination function. The new supervisor updated the SAR procedures to ensure the due date on the MDL memo and MDL form is accurate and monitoring of the due date occurs.

Estimated Implementation Date: January 2021

Contact: Debbie Richardson, Chief
Office of Audit Services
California Department of Social Services

Reference No. 2020-004:

From the beginning of the pandemic in March 2020 through mid-January 2021, the Employment Development Department (EDD) was forced to suspend the adjudication of most potential eligibility issues due to the historic number of claims filed during the pandemic, limited trained staffing resources, and the need to ensure timely filing of claims and payment of benefits to the extent possible.

The EDD resumed adjudicating all potential eligibility issues as of January 2021. We are also currently adjudicating the potential eligibility issues not adjudicated prior to January 2021, have brought on a vendor to assist with this workload, and expect to complete that effort no later than September 2022.

Estimated Implementation Date: January 2021

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2020-005:

As with all other states nationwide, the EDD experienced an increase in fraudulent activity during the pandemic, especially related to the new federal Pandemic Unemployment Assistance (PUA) program. In addition to employing the fraud detection activities the EDD already had in place, which included but were not limited to cross-matches with Social Security Administration data and Department of Motor Vehicle records, as well as regular queries to identify claims containing known indicators of potential fraud, the EDD has taken action to implement additional measures to identify potential fraudulent activity not already being detected in order to stop individuals committing fraud from being paid unemployment benefits.

To enhance the measures the EDD already had in place when the pandemic started, during the years 2020 and 2021, the EDD implemented the following major fraud prevention measures, which have enabled the EDD to detect further instances of fraud and stop those individuals from being paid benefits.

<u>Fraud Prevention Measure</u>	<u>Implementation Date</u>
Implementation of a cross-match to detect multiple claims filed using the same address.	September 2020
Implementation of ID.me, which requires claimants to verify their identity with ID.me before they can submit a UI claim application online.	October 2020
Implementation of an inmate cross-match with the California Department of Corrections and Rehabilitation to detect incarcerated individuals.	November 2020
Utilization of the Thomson Reuters (TR) identity proofing and authentication platform to conduct a fraud analysis of all unemployment claims, which helps identify both identity and non-identity fraud.	December 2020

Furthermore, the EDD continues to work in concert with a state-led task force comprised of state and local agencies in an effort to support unemployment fraud investigation, and, with the Governor's Office appointment of a Fraud Special Counsel that brings former U.S. Attorney and federal prosecutor experience. Additionally, the EDD Investigation Division is directly involved in hundreds of joint criminal

investigations with local, state and federal law enforcement entities in an ongoing effort to identify and prosecute the individuals who participated in fraud schemes during the pandemic. Moving forward, the EDD will continue to look for ways to enhance our detection and prevention tools in order to protect against fraud in the unemployment program.

Estimated Implementation Date: September 2020

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2020-006:

Since the beginning of the pandemic in March 2020, the EDD has continued to face many challenges in processing unemployment claims workloads given the historic number of claims filed, which were beyond even the worst of recessions, as well as the limited trained staffing resources to work these workloads. The EDD has been increasing our capacity to process these workloads and prioritizing our workloads with the primary focus being on ensuring that timely payments of benefits are being made to the extent possible. The workloads include those associated with the regular Unemployment Insurance (UI) claims, as well as the multiple federal pandemic programs, including the Pandemic Unemployment Assistance (PUA) program. The PUA income verification workload is one such workload.

In November 2020, the EDD implemented programming to perform an automated cross-match of the EDD wage records and records available from the Franchise Tax Board to assist in verifying the income of PUA claimants who received a weekly benefit amount greater than the minimum \$167 available in California. The EDD uses this automation to the extent possible to verify income to support the increase in claimants' weekly benefit amount and limit the amount of staffing resources required to process this work. For the claims that the EDD cannot verify through this automated cross-match process, the claimants were required to submit documents to substantiate their income, which must be reviewed by staff. The EDD has continued to prioritize the review of these documents among the other workloads that need to be completed and expects to begin the processing of these documents in March 2022.

Estimated Implementation Date: November 2020

Contact: Diane Underwood, Division Chief
Unemployment Insurance Branch
California Employment Development Department

Reference No. 2020-007:

Health Care Services agrees with the recommendation and is developing the draft policy and procedure to impose sanctions, fines, and penalties on mental health plans which submit late cost reports. While much of the documentation is completed, Health Care Services is strategizing how to best operationalize the comprehensive sanction policies including sanctions for network adequacy and contract compliance. As such, Health Care Services plans to include the specific sanction policy in the contract compliance sanctions policy, which is anticipated to be released by October 31, 2022.

Estimated Implementation Date: October 31, 2022

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services

Reference No. 2020-008:

Health Care Services agrees with the recommendation. Health Care Services performs focus reviews on counties to identify factors (training issues, misinterpretation of policy, systems issues, and business practices) contributing to delays/error in renewal processing. Depending on the outcome of each review, counties may be required to submit a corrective action plan (CAP).

The CAP must include:

1. A timeframe for the development and implementation of policies/procedures to address the issues identified.
2. How the policies/procedures, once implemented, will reduce similar occurrences in future renewals.

Health Care Services allots the county six months after the date the CAP is implemented to demonstrate improvement, and follows up with the county on a regular basis to affirm the policies/procedures implemented are effective. If sufficient improvement is not seen, counties will be required to amend the CAP. Health Care Services then performs a subsequent review within a year after the original review.

Health Care Services continues to conduct regular focused reviews of counties to ensure eligibility determinations are performed in accordance with federal/state regulations. Through the course of the reviews Health Care Services staff confirm the following:

- The appropriate documents (manual and/or electronic) were received prior to the completion of the eligibility determinations.
- All required data elements were electronically/manually verified prior to the completion of eligibility determinations.
- Eligibility systems are updated with current information, and used appropriately in eligibility determinations.
- Applicant information is correctly entered into eligibility systems (data entry errors).
- Eligibility determinations are performed for only individuals who request an evaluation for eligibility to health insurance programs.
- All documents used in the eligibility information are:
 - o Appropriately retained in the case file.
 - o Received in the last 12 months.
 - o Used appropriately in the eligibility determination.
 - o Confirms eligibility to the assigned aid category.

The reviews are used to identify:

- Error trends attributed to caseworker actions.
- Errors trends related to systems issues.
- Gaps in policy that need further clarification/guidance.

Upon implementation of the Focus Review Monitoring program, which was developed in response to external audit findings to identify business and operational issues at the county level that contribute to issues with eligibility determinations, Health Care Services selected counties based on the population size. Counties with the highest population were reviewed first, since high-population counties are responsible for the majority of determinations made statewide. Health Care Services plans to review each county on a biennial basis once an initial review is performed in all 58 counties.

Health Care Services completed a focus review for the following counties:

Alameda, Calaveras, Colusa, Contra Costa, El Dorado, Fresno, Kern, Kings, Lake, Los Angeles, Madera, Marin, Mendocino, Merced, Monterey, Napa, Orange, Placer, Plumas, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Shasta, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tulare, Tuolumne, Ventura, Yuba, and Yolo.

Health Care Services had reviewed the 39 counties listed above and had planned to review the remaining 19 counties listed below by December 31, 2020:

Alpine, Amador, Butte, Del Norte, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, San Benito, San Mateo, Santa Cruz, Sierra, Tehama, and Trinity.

Due to the COVID-19 pandemic, Health Care Services temporarily suspended the 2020 site visits and focus reviews. Health Care Services will resume efforts upon termination of the COVID-19 pandemic.

Health Care Services is working to develop two new MEDS alerts, which will be used to notify counties of past due renewals and track the number of months since the last renewal. The alerts will be used by Health Care Services' quality control staff to monitor overdue renewals and quickly identify counties accruing a high volume of alerts. Health Care Services will work with counties to implement processes/procedures to reduce the number of renewals processed in excess of federal/state timeframes.

Please note, due to the public health emergency, Health Care Services suspended this effort through December 31, 2022.

Health Care Services continues to work with its business partners to enhance CalHEERS functionality on an as-needed basis, and add additional features to increase automation of the Medi-Cal eligibility application and renewal process, to the extent possible.

Estimated Implementation Date: December 31, 2022

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services

Reference No. 2020-009:

The California Department of Public Health, Office of AIDS (OA) is in agreement with the finding. The OA will work to continue monitoring compliance with established policies to ensure enrollment workers and secondary reviews of the AIDS Drug Assistance Program (ADAP) applications follow the guidelines, and retain acceptable documentation to support eligibility determinations. Additionally, ADAP Eligibility and ADAP Fiscal Forecasting, Evaluation, & Monitoring Section (AFFEM) will work with Public Health's surveillance system development contractor to implement the necessary reporting mechanism to identify ADAP clients who receive eligibility extensions to ensure that a more in-depth analysis of eligibility can be determined.

Estimated Implementation Date: June 2022

Contact: Sharisse Kemp, Assistant Division Chief
Office of AIDS
California Department of Public Health

Reference No. 2020-010:

In response to the compliance audit finding regarding Social Services' monitoring of the Temporary Assistance for Needy Families (TANF), known as the CalWORKs program in California, Work Participation Rate (WPR) data, the following actions were taken to establish a formal corrective action plan for subrecipients:

- 1) As of October 2018, case file review procedure questions were updated to include questions subrecipient counties are required to complete that document what changes were made since the county's last review to address inaccuracies. Moving forward, this procedure will now include questions specifically related to employment and workforce supports implemented by counties that are intended to better support clients enrolled in the CalWORKs program.
- 2) All County Letter (ACL) 20-59 "*Temporary Assistance For Needy Families And Work Incentive Nutritional Supplement Validation Review Corrective Action Plans*" was released informing case review agencies that beginning with their federal fiscal year (FFY) 2020 reviews (conducted October 2021-July 2022), a corrective action plan will be submitted to Social Services to address any findings listed in the subrecipient county's final report of findings. For each finding, the case review agency shall describe the corrective actions the case review agency will take and the date the corrective actions will be implemented.
- 3) Instructions sent to the case review agencies before a review, were updated to include information regarding the corrective action plan and what is required if the review resulted in findings.

Also, effective July 2021, counties have launched the CalWORKs Outcomes and Accountability Review (Cal-OAR) process. Cal-OAR is a local, data-driven program management system that facilitates continuous improvement of county CalWORKs programs, including workforce participation and employment program components, by collecting, analyzing, and disseminating outcomes and best practices. As required by Welfare and Institutions Code (WIC) 11523, Cal-OAR consists of three core components: performance indicators, a county CalWORKs self-assessment (Cal-CSA), and a CalWORKs system improvement plan (Cal-SIP). The Cal-OAR continuous quality improvement (Cal-CQI) process (which includes the Cal-CSA and Cal-SIP) will take place over five-year cycles.

Subrecipient county corrective actions may include adding information to a form used by a county to track participation hours, ensuring contact information is included in case files, modifying county processes to ensure documentation supports reported activity hours and training new and current staff on the appropriate ways to collect and report activity hours. Social Services issues corrective action plans to counties through the Final Report of Findings and will ensure actions are taken by counties during the following review year, per county review calendars which land on either a two or three-year cycle.

Estimated Implementation Date: July 2021

Contact: Jennifer Hernandez, Deputy Director
Family Engagement & Empowerment Division
California Department of Social Services

Reference No. 2020-011:

The Office of Audit Services (OAS) at the California Department of Social Services (Social Services) concurs with the finding. Although the OAS has multiple levels of review in place to enhance controls for the Single Audit Report (SAR) review process, appropriate first line supervisory review of Management Decision Letter (MDL) memos and MDL forms sent to the affected program area did not always occur. As a result, there were due date discrepancies between the MDL memo and MDL forms, which caused the delays. Additionally, the coronavirus outbreak and program area management and staff turnover also contributed to the overdue MDLs. However, in January 2021, OAS hired a Certified Public Accountant to supervise the SAR coordination function. The new supervisor updated the SAR procedures to ensure the due date on the MDL memo and MDL form is accurate and monitoring of the due date occurs.

Estimated Implementation Date: January 2021

Contact: Debbie Richardson, Chief
Office of Audit Services
California Department of Social Services

Reference No. 2020-012:

Health Care Services agrees with the recommendation. To ensure reports are not pulled prematurely so the correct amounts are reported in the CMS-64, Health Care Services confirmed when the California Omnibus Budget Reconciliation Act of 1985 (COBRA) reports are finalized each month, and created a calendar to display the earliest date COBRA reports can be pulled each month. In addition, Health Care Services pulls the finalized COBRA reports and reports the overpayment amounts for Centers for Medicare & Medicaid Services (CMS) reporting.

Effective, September 1, 2021, System Development Notice (SDN) 20039 made updates to the Claims Processing Accounts Receivable System, requiring the Fiscal Intermediary (FI) to record the Federal Financial Participation (FFP) rate including the Budget Program (i.e., Medicaid Assistance Program vs. Children's Health Insurance Program) for each overpayment account receivable set up after the effective date. The FFP rate and Budget Program information for each overpayment is provided on the Action Notices to the FI. The SDN also made updates to the COBRA system to enable the system to receive the FFP rate and Budget Program information for each overpayment set up by the FI and updated COBRA reports, thereby allowing Health Care Services to report the correct FFP rate for overpayments on the CMS-64 and CMS-21.

Estimated Implementation Date: September 1, 2021

Contact: Wendy Griffe, Chief
Internal Audits
California Department of Health Care Services



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