

**CALIFORNIA EDUCATIONAL
FACILITIES AUTHORITY**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2020 AND 2019**

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

TABLE OF CONTENTS JUNE 30, 2020 AND 2019

	<u>PAGE</u>
FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Balance Sheets	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of CEFA's Proportionate Share of the Net Pension Liability	28
Schedule of Pension Contributions	29
Schedule of CEFA's Proportionate Share of the Net OPEB Liability	30
Schedule of CEFA's Contributions, Other Postemployment Benefit Plan	31
SUPPLEMENTARY INFORMATION	
Statement of Bonds and Collateralized Notes, Authorized, Issued, and Outstanding	32
ADDITIONAL INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34

INDEPENDENT AUDITOR'S REPORT

CEFA Members
California Educational Facilities Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the California Educational Facilities Authority (CEFA), a related organization of the State of California, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise CEFA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of CEFA as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of CEFA's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of CEFA's Proportionate Share of the Net OPEB Liability, and Schedule of CEFA's Contributions, Other Postemployment Benefit Plan (on pages 3-7, 28, 29, 30, and 31, respectively), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CEFA's basic financial statements. The Statement of Bonds and Collateralized Notes, Authorized, Issued, and Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Bonds and Collateralized Notes, Authorized, Issued, and Outstanding is the responsibility of management and was derived from and relates 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. In our opinion, the Statement of Bonds and Collateralized Notes, Authorized, Issued, and Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2021 on our consideration of CEFA'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 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 CEFA's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

August 16, 2021

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

This section of the financial statements of the California Educational Facilities Authority (CEFA) presents management's discussion and analysis of the financial performance during the fiscal years that ended on June 30, 2020 and 2019. Please read it in conjunction with the financial statements that follow this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

CEFA was established in 1973 for the purpose of issuing revenue bonds to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities.

CEFA provides students with better access and broader opportunities in higher education by providing qualified non-profit private higher education institutions with the assistance needed to reduce their capital costs of financing academic-related facilities through a tax-exempt revenue bond program.

Conduit Financing Activity

During the fiscal years ended June 30, 2020 and June 30, 2019, CEFA issued bonds totaling \$51,620,000 and \$844,990,000, respectively. As of June 30, 2020, CEFA's total conduit debt issued was approximately \$14 billion and the total conduit debt outstanding was approximately \$4.3 billion. As of June 30, 2019, CEFA's total conduit debt issued was approximately \$14 billion and total conduit debt outstanding was approximately \$4.8 billion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of CEFA include the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), basic financial statements, accompanying notes and supplementary information.

REQUIRED FINANCIAL STATEMENTS

CEFA's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The *Balance Sheets* include CEFA's assets, deferred outflows, liabilities, deferred inflows, and net position for the years ended June 30, 2020 and 2019 and provide information about the nature and amounts of investments in resources (assets) and the obligations to CEFA's creditors (liabilities) (see Table 1).

Table 1				
Balance Sheets				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	
<i>Assets</i>				
Current Assets	\$ 1,046,567	\$ 1,062,969	\$ 1,008,535	
Total Assets	<u>1,046,567</u>	<u>1,062,969</u>	<u>1,008,535</u>	
<i>Deferred Outflows of Resources</i>	<u>216,826</u>	<u>202,918</u>	<u>380,716</u>	
Total Assets and Deferred Outflows of Resources	<u>\$ 1,263,393</u>	<u>\$ 1,265,887</u>	<u>\$ 1,389,251</u>	
<i>Liabilities</i>				
Current Liabilities	\$ 59,903	\$ 24,314	\$ 22,919	
Non-Current Liabilities	<u>1,689,645</u>	<u>1,781,015</u>	<u>2,954,443</u>	
Total Liabilities	<u>1,749,548</u>	<u>1,805,329</u>	<u>2,977,362</u>	
<i>Deferred Inflows of Resources</i>	<u>376,352</u>	<u>460,952</u>	<u>185,472</u>	
<i>Net Position</i>				
Restricted for Educational Purposes	<u>(862,507)</u>	<u>(1,000,394)</u>	<u>(1,773,583)</u>	
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,263,393</u>	<u>\$ 1,265,887</u>	<u>\$ 1,389,251</u>	

CEFA's Total Liabilities, Deferred Inflows of Resources, and Net Position was \$1,263,393 as of June 30, 2020, which was a very slight decrease from \$1,265,887 as of June 30, 2019. The Total Assets and Deferred Outflows of Resources as of June 30, 2020 exhibited a decrease in the amount of fees collected from bond issuances but was offset by an increase in reimbursements from State External Funds as well as a slight increase in Deferred Outflows of Resources related to pensions and OPEB. CEFA had fewer bond issuances in fiscal year ended June 30, 2020 as compared to previous years.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The *Statements of Revenues, Expenses, and Changes in Net Position* accounts for all of the revenue earned and expenses incurred by CEFA for the years ended June 30, 2020 and 2019. These statements reflect the results of CEFA's operations in each of the respective years (see Table 2).

Table 2			
Statements of Revenues, Expenses, and Changes In Net Position			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Fee Revenue	\$ 345,548	\$ 556,635	\$ 448,354
Other Revenue	192,935	188,436	18,354
Total Operating Revenues	<u>538,483</u>	<u>745,071</u>	<u>466,708</u>
Operating Expenses			
Personnel	296,417	347,678	231,866
Pension and OPEB	(39,104)	(642,432)	222,593
Operating Expenses	<u>157,140</u>	<u>284,311</u>	<u>393,865</u>
Total Operating Expenses	<u>414,453</u>	<u>(10,443)</u>	<u>848,324</u>
Operating Income (Loss)	124,030	755,514	(381,616)
Non-Operating Revenues			
Interest Income on Investments	<u>13,857</u>	<u>17,675</u>	<u>13,176</u>
Change in Net Position	137,887	773,189	(368,440)
<i>Net Position - Beginning of Year, as restated in FY 2018</i>	<u>(1,000,394)</u>	<u>(1,773,583)</u>	<u>(1,405,143)</u>
<i>Net Position - End of Year</i>	<u>\$ (862,507)</u>	<u>\$ (1,000,394)</u>	<u>\$ (1,773,583)</u>

For the fiscal year ended June 30, 2020, CEFA's Change in Net Position of \$137,887 reflects a significant decrease from fiscal year end June 30, 2019. This decrease can be attributed to reduced initial fee revenue, as CEFA had less bond issuances in fiscal year ended June 30, 2020 and higher total operating expenses. It should be noted that fiscal year ended June 30, 2019 reflects a significant decrease in total operating expenses as a result of a one-time change of CEFA's proportionate share of OPEB liabilities due to a change in the basis for determining each fund's share. The change in liabilities were recorded all at once rather than amortized, and these liabilities account for the one-time significant decrease in total operating expenses in fiscal year end June 30, 2019. In fiscal year ended June 30, 2020, both salary and wages and operating expenses decreased from the previous fiscal year. Although total operating revenues decreased in fiscal year ended June 30, 2020, operating income remained positive.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The *Statements of Cash Flows* provide information about CEFA's cash receipts and cash payments during the years ended June 30, 2020 and 2019. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statements provide answers to questions of where cash came from, what cash was used for, and what caused changes in cash for the reporting period covered (see Table 3).

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities			
Net Cash Provided (Used) by Operating Activities	\$ 17,945	\$ (334,973)	\$ (336,622)
Cash Flows from Investing Activities			
Net Cash Provided by Investing Activities	15,667	17,269	12,498
Net Increase in Cash and Cash Equivalents	33,612	(317,704)	(324,124)
Beginning Cash and Cash Equivalents	562,316	880,020	1,204,144
Ending Cash and Cash Equivalents	<u>\$ 595,928</u>	<u>\$ 562,316</u>	<u>\$ 880,020</u>

The Ending Cash and Cash Equivalents increased in fiscal year ending June 30, 2020 from \$562,316 to \$595,928. This net increase is primarily due to an increased amount of receipts from fees, much of which is attributable to funds from Account Receivable that were billed in fiscal year ending June 30, 2019 but collected in fiscal year ended June 30, 2020. In addition in fiscal year ended June 30, 2020, there were fewer payments to suppliers of goods and services.

ANALYSIS OF FISCAL YEAR (FY) 2019/2020 ACTIVITIES

Applications received in FY 2019/2020:	1
Final Resolutions Adopted in FY 2019/2020:	1
Bonds Sold in FY 2019/2020:	\$51,620,000

ANALYSIS OF FISCAL YEAR (FY) 2018/2019 ACTIVITIES

Applications received in FY 2018/2019:	5
Final Resolutions Adopted in FY 2018/2019:	5
Bonds Sold in FY 2018/2019:	\$844,990,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CEFA's financial position and is intended for distribution to a variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Acting Executive Director, California Educational Facilities Authority, 915 Capitol Mall, Suite 435, Sacramento, California 95814.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

BALANCE SHEETS JUNE 30, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and Cash Equivalents in the State Treasury	\$ 595,928	\$ 562,316
Accounts Receivable	255,631	336,995
Due from State - External Funds	195,008	163,658
Total Current Assets	<u>1,046,567</u>	<u>1,062,969</u>
TOTAL ASSETS	<u>1,046,567</u>	<u>1,062,969</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	156,826	171,918
Deferred Outflows of Resources Related to OPEB	60,000	31,000
Total Deferred Outflows of Resources	<u>216,826</u>	<u>202,918</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,263,393</u>	<u>\$ 1,265,887</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts Payable	\$ 3,030	\$ 560
Current Accrued Vacation	13,954	13,443
Due to State - External Funds	23,298	3,109
Loan Payable - SMIF (SB 84)	19,621	7,202
Total Current Liabilities	<u>59,903</u>	<u>24,314</u>
NON-CURRENT LIABILITIES:		
Accrued Vacation (Net)	13,032	38,020
Loan payable - SMIF (SB 84)	84,177	103,798
Net OPEB Liability	953,000	1,020,000
Net Pension Liability	639,436	619,197
Total Non-Current Liabilities	<u>1,689,645</u>	<u>1,781,015</u>
TOTAL LIABILITIES	<u>1,749,548</u>	<u>1,805,329</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	225,352	266,952
Deferred Inflows of Resources Related to OPEB	151,000	194,000
Total Deferred Inflows of Resources	<u>376,352</u>	<u>460,952</u>
NET POSITION (DEFICIT):		
Restricted for Educational Purposes	<u>(862,507)</u>	<u>(1,000,394)</u>
Total Net Position (Deficit)	<u>(862,507)</u>	<u>(1,000,394)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 1,263,393</u>	<u>\$ 1,265,887</u>

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

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Fee Revenue	\$ 345,548	\$ 556,635
Other Revenue	<u>192,935</u>	<u>188,436</u>
Total Operating Revenues	<u>538,483</u>	<u>745,071</u>
OPERATING EXPENSES:		
Salaries and Wages	231,133	281,792
Benefits and Other Personnel Related	65,284	65,886
Pension and OPEB	(39,104)	(642,432)
Operating Expenses	<u>157,140</u>	<u>284,311</u>
Total Operating Expenses	<u>414,453</u>	<u>(10,443)</u>
OPERATING INCOME	124,030	755,514
NON-OPERATING REVENUES:		
Interest Income on Investments	<u>13,857</u>	<u>17,675</u>
Total Non-Operating Revenues	<u>13,857</u>	<u>17,675</u>
CHANGE IN NET POSITION	137,887	773,189
NET POSITION (DEFICIT)		
NET POSITION (DEFICIT), Beginning of Year	<u>(1,000,394)</u>	<u>(1,773,583)</u>
NET POSITION (DEFICIT), End of Year	<u>\$ (862,507)</u>	<u>\$ (1,000,394)</u>

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

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Fees	\$ 585,996	\$ 373,139
Payments to Employees	(433,570)	(424,367)
Payments to Suppliers of Goods and Services	(134,481)	(283,745)
Net Cash Provided (Used) by Operating Activities	<u>17,945</u>	<u>(334,973)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Investment Income	<u>15,667</u>	<u>17,269</u>
Net Cash Provided by Investing Activities	<u>15,667</u>	<u>17,269</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,612	(317,704)
BEGINNING CASH AND CASH EQUIVALENTS	<u>562,316</u>	<u>880,020</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 595,928</u>	<u>\$ 562,316</u>
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 124,030	\$ 755,514
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATIONS:		
(Increase) Decrease in:		
Accounts Receivable	81,364	(231,202)
Due to/from State - External Funds	(12,971)	(138,488)
Deferred outflows related to pensions	15,092	183,365
Deferred outflows related to OPEB	(29,000)	(5,567)
Increase (Decrease) in:		
Accounts Payable	2,470	(1,476)
Accrued Vacation	(24,477)	24,281
Loan Payable - SMIF (SB 84)	(7,202)	-
Net OPEB Liability	(67,000)	(694,000)
Net Pension Liability	20,239	(502,880)
Deferred inflows related to pensions	(41,600)	256,480
Deferred inflows related to OPEB	<u>(43,000)</u>	<u>19,000</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,945</u>	<u>\$ (334,973)</u>

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

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

The California Educational Facilities Authority (CEFA) was created by Chapter 1432, Statutes of 1972, which became effective March 7, 1973, and was subsequently amended. Legislation pertaining to the Act is contained in Division 10, Part 59, Chapter 2 of the California Education Code commencing with Code Section 94100. Effective January 1, 1996, legislation was passed to consolidate the California Student Loan Authority (CSLA) with CEFA. The Educational Facilities Authority Fund (EFAF) is maintained within CEFA.

CEFA was created for the purpose of issuing revenue bonds to assist California private non-profit institutions of higher learning in the expansion and construction of educational facilities. Because it is authorized to issue tax-exempt bonds, CEFA may provide more favorable financing to such private institutions to reduce their capital costs of financing.

The law specifically provides that bonds issued under the Act shall not be a debt, liability or claim on the faith and credit or the taxing power of CEFA, the State of California, or any of its political subdivisions. The full faith and credit of the participating institutions, however, is normally pledged to the payment of the bonds. Bonds are issued at either public or private sales after details of the proposed project and satisfactory evidence of the ability of the participating institution to meet financial obligations have been submitted to CEFA and approved by the Board.

The CSLA was originally established for the primary purpose of financing insured student and parent loans directly to students. Following the consolidation with CEFA, CEFA is authorized to issue negotiable revenue bonds in order to provide funds for achieving its purposes and to assign and pledge all or any portion of its interests in insured loans or the revenue there from for the benefit of holders of CEFA's bonds. Neither the full faith and credit nor the taxing power of the State of California or its political subdivisions is liable for payment of the debt of the CEFA.

CEFA contracts with the California State Treasurer's Office to provide administrative support including, but not limited to accounting, budgets, data processing, personnel, legal, insurance, and business services.

B. THE REPORTING ENTITY

These financial statements present information on the financial activities of CEFA. CEFA is a related organization of the State of California. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of CEFA.

C. BASIS OF PRESENTATION

As an enterprise fund, the accrual basis of accounting is utilized, whereby revenues are recorded when earned and expenses are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The financial statements of CEFA have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

D. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of initial and annual administration fees receivable from conduit bond financing borrowers.

E. REVENUES

Fees are for the staff work related to bond and equipment financing and post-issuance activities and for the review of bond transactions.

Bond financing program fees are as follows:

Closing Date of Issuance	Application Fee	Initial Fee	Annual Administrative Fee
December 5, 2013 – June 30, 2020:	\$1,000, applied to the Initial Fee at closing	0.15% of the par amount up to \$10,000,000, plus 0.05% of the par amount in excess of \$10,000,000, up to a maximum fee of \$75,000	For issuances closed on or before July 31, 2013: \$500 annually. For issuances closed August 1, 2013 and thereafter: 0.015% of the par amount outstanding, up to a maximum fee of \$12,000.

Equipment financing program fees are as follows:

Closing Date of Issuance	Application Fee	Initial Fee	Annual Administrative Fee
July 1, 2013 – June 30, 2020:	None	0.075% of the financed amount	\$500 annually for the first five years, \$250 annually thereafter. Fee is waived for participants with other outstanding CEFA debt.

Fees are used to cover operating costs such as general communications, printing, professional services both internal and external, facilities operations, employee benefits, and other miscellaneous operating expenses, in addition to salaries and wages.

Cash is held by Surplus Money Investment Fund (SMIF) and generates investment income.

CEFA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from issuing bonds.

F. BUDGET

As an enterprise fund, CEFA is designed to be self-supporting, and therefore is not considered a budgetary fund. The California Educational Facilities Authority (Education Code Section 94100 et. seq.) does not require annual budgets or the establishment of appropriations limits. Section 94141 of the Act specifically limits expenses to moneys from revenues generated by operations.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

G. CASH AND CASH EQUIVALENTS

CEFA considers all short-term investments with an original maturity of three months or less to be cash equivalents.

H. CAPITAL ASSETS

Capital assets are defined as assets with a useful life of at least one year and a unit acquisition cost of at least \$5,000. Equipment is depreciated using the straight-line method over five years. Computer software is amortized using the straight-line method over 3 years.

I. RISK MANAGEMENT

CEFA is a related organization of the State of California and participates in its risk management program. The State of California is primarily self-insured against loss or liability, with a few exceptions. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. CEFA has not had any claims subject to this coverage in the last ten years. Additional disclosures are presented in the financial statements of the State of California.

J. ACCRUED VACATION

The accrued liability for vacation compensation is recognized as an expense and liability in CEFA's financial statements. Additionally, accumulated sick-leave balances are not recorded as compensated absences because they do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

K. PENSION

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

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of CEFA's portion of the State Substantive Plan (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. NET POSITION

Net position is restricted by enabling legislation for the purposes of issuing revenue bonds to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

N. USE OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

2. CASH AND CASH EQUIVALENTS IN THE STATE TREASURY

CEFA considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash and equivalents in the State Treasury at June 30 were as follows:

	<u>2020</u>	<u>2019</u>
Deposits in SMIF	\$ 590,000	\$ 547,000
Cash in the State Treasury	<u>5,928</u>	<u>15,316</u>
Total Cash and Cash Equivalents	<u>\$ 595,928</u>	<u>\$ 562,316</u>

The investments must be allowable through the Pooled Money Investment Account (PMIA), which is operated by the State Treasurer's Office, which invests under statutory authority granted by California Government Code Sections 16430 and 16480.4. Allowable investments are as follows:

- U.S. government securities
- Securities of federally-sponsored agencies
- Domestic corporate bonds
- Interest-bearing time deposits in California banks
- Savings and loan associations and credit unions
- Prime-rated commercial paper
- Repurchase and reverse repurchase agreements
- Security Loans
- Banker's Acceptances
- Negotiable certificates of deposits
- Loans to various bond funds

CEFA invests excess cash funds in SMIF. All of the resources of SMIF are invested through the PMIA. The PMIA investment program is governed by the Pooled Money Investment Board and is administered by the Office of the State Treasurer.

Additional disclosure detail required by GASB Statements No. 3, No. 31, No. 40, and No. 72 regarding cash deposits and investments in the State Treasury, including disclosures related to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, are presented in the financial statements of the State of California.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

3. DUE TO/FROM STATE – EXTERNAL FUNDS

Due to/from state external funds at June 30 includes the following:

<u>Due From (Due To)</u>	<u>Description</u>	<u>2020</u>	<u>2019</u>
CA Health Facilities Finance Authority	Personnel Costs	\$ 153,879	\$ 145,539
College Access Tax Credit Fund	Cost Recovery - Abatement	39,056	13,545
SMIF	Interest Income	2,073	3,883
State Compensation Insurance Fund	Insurance Premium Refund	(4)	691
General Fund	Miscellaneous	(23,094)	(2,957)
Department of General Services	Records Center Management	-	(152)
Public Employee Retirement Fund	Pension contribution	<u>(200)</u>	<u>-</u>
Net Due From (To) State External Funds		<u>\$ 171,710</u>	<u>\$ 160,549</u>

The amount due from SMIF represents unpaid interest earned by CEFA. The amount due from the CA Health Facilities Financing Authority (CHFFA) and the College Access Tax Credit Fund (CATCF) represent reimbursements to CEFA for the support functions, analytical functions, duties and responsibilities provided to carry the services of CHFFA and the CATCF by CEFA administrative, analytical, and management staff. The amount due to other funds represents expenses paid by other funds within the State of California on behalf of CEFA.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets, being depreciated and amortized:				
Equipment	\$ 7,071	\$ -	\$ -	\$ 7,071
Computer software - amortizable	<u>65,000</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>
Total capital assets being depreciated and amortized:	<u>72,071</u>	<u>-</u>	<u>(65,000)</u>	<u>7,071</u>
Less accumulated depreciation and amortization for:				
Equipment	(7,071)	-	-	(7,071)
Computer Software	<u>(65,000)</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Total accumulated depreciation and amortization	<u>(72,071)</u>	<u>-</u>	<u>65,000</u>	<u>(7,071)</u>
Total capital assets, being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. ACCRUED VACATION

CEFA employees are granted vacation and sick leave in varying amounts, depending upon the employee. These hours are accrued for all employees on the basis of monthly payrolls. Upon separation, employees are paid for accumulated vacation days up to specified limits. Accrued vacation and sick leave follow state employees from agency to agency and are not necessarily earned since the inception of CEFA's fund.

Accrued vacation activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Accrued vacation	\$ 51,463	\$ 41,225	\$ (65,702)	\$ 26,986	\$ 13,954

Accrued vacation activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Accrued vacation	\$ 27,182	\$ 42,691	\$ (18,410)	\$ 51,463	\$ 13,443

6. RETIREMENT PLAN

A. General Information about the Pension Plan

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

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

Benefits Provided – The benefits for the Plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five or ten years of credited service.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

The Plan's provisions and benefits are summarized as follows:

First Tier:

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

Second Tier:

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

Contributions – Government Code Section 20814(c) of the California Public Employees Retirement Law (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 July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. CEFA 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 CEFA to satisfy contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2019 (the measurement date), the employer's contribution rate is approximately 29.289% of annual payroll. For the measurement period ended June 30, 2018, the employer's contribution rate was approximately 28.325% of annual payroll.

These rates reflect Government Code Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the Plan were \$75,165 and \$72,170 for the fiscal years ended June 30, 2020 and 2019, respectively.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

In addition to CEFA's contributions to the plan, during the fiscal year ended June 30, 2018, SMIF made a contribution to the Plan of \$111,000, on behalf of CEFA, as required by Senate Bill No. 84, Chapter 50, Statutes of 2017 (SB 84), to fund future Net Pension Liabilities. CEFA established a loan payable to SMIF for this contribution as required by SB 84. This loan payable is required to be repaid by CEFA by June 30, 2030. The outstanding balance on the loan payable as of June 30, 2020 was \$103,798.

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

As of June 30, 2020 and 2019, CEFA reported net pension liabilities for its proportionate share of the net pension liability of \$639,436 and \$619,197, respectively.

CEFA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. CEFA's proportion of the net pension liability was based on the State Controller's Office (SCO) projection for CEFA. The SCO identified a total of 29 entities that are reported in the State's CAFR which are proprietary funds (enterprise and internal service) and fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations, that have state employees with pensionable compensation (covered payroll). The SCO calculated and provided these funds/organizations with their allocated pensionable compensation percentages by plan. CEFA's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2018 was 0.00190% and 0.00197%, respectively.

For the fiscal years ended June 30, 2020 and 2019, CEFA's recognized pension expense was \$68,896 and \$9,135, respectively.

At June 30, 2020, CEFA's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 75,165	\$ -
Change in assumptions	26,935	(13,414)
Change in proportion	-	(205,336)
Difference between expected and actual experience	33,555	(1,840)
Change in proportionate share of contributions	21,171	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>(4,762)</u>
Total	<u>\$ 156,826</u>	<u>\$ (225,352)</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

The \$75,165 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	
2021	\$ (55,312)
2022	(85,798)
2023	(4,923)
2024	2,343

At June 30, 2019, CEFA's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 72,170	\$ -
Change in assumptions	55,854	(20,530)
Change in proportion	-	(242,107)
Difference between expected and actual experience	6,643	(4,315)
Change in proportionate share of contributions	30,854	-
Net difference between projected and actual earnings on plan investments	<u>6,397</u>	<u>-</u>
Total	<u>\$ 171,918</u>	<u>\$ (266,952)</u>

The \$72,170 reported as deferred outflows of resources related to contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	
2020	\$ (2,035)
2021	(60,799)
2022	(92,877)
2023	(11,493)

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Actuarial Assumptions – For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Interest Rate of Return	7.15%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾ The mortality rate table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the 2017 Experience Study and Review of Actuarial Assumptions Report (Experience Study).

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions – For the measurement period ended June 30, 2019 (the measurement date), there were no changes in assumptions. For the measurement period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. The projection of cash flows used to determine the discount rate assumed the contributions from plans members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 benefits payments to determine the total pension liability. CalPERS' approach for the cash flow projections are presented in the GASB 67 and 68 Crossover Testing Report, which may be obtained from the CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes,

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 – 10^{(a)(b)}</u>	<u>Real Return Years 11+^(c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

^(a) In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; and Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation rate of 2.0% was used for this period.

^(c) An expected inflation rate of 2.92% was used for this period.

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

The following presents CEFA’s proportionate share of the net pension liability of the Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 7.15%, as well as what CEFA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
CEFA’s Proportionate Share of Plan’s Net Pension Liability	\$ 911,126	\$ 639,436	\$ 411,848

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

The following presents CEFA's proportionate share of the net pension liability of the Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 7.15%, as well as what CEFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
CEFA's Proportionate Share of Plan's Net Pension Liability	\$ 887,694	\$ 619,197	\$ 394,192

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description - The State also provides postemployment medical and prescription drug benefits to employees and dependents through CalPERS under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act. The State, and certain bargaining units and judicial employees (valuation groups) have agreed to prefund retiree healthcare benefits. Assets are held in separate accounts by valuation group within the California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS, an agent multiple-employer defined benefit other postemployment benefits plan (State Substantive Plan, or Plan). Assets within each valuation group benefit retirees and dependents associated with that valuation group. CalPERS reports on the CERBT as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

The State has identified 25 separate valuation groups within the Plan. For each agency and/or fund, the SCO determined the proportion of OPEB employer contributions attributable to employees within these valuation groups. SCO then used these proportions to allocate the OPEB accounting elements from the June 30, 2019, and June 30, 2018, respectively, State of California Retiree Health Benefits Program Actuarial Valuation Report to state agencies and their funds.

Benefits Provided - In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon the completed years of credited state service at retirement and the dental coverage selected. The maximum 2019 monthly state contribution was \$734 for one-party coverage, \$1,398 for two-party coverage, and \$1,788 for family coverage. The maximum 2018 monthly State contribution was \$725 for one-party coverage, \$1,377 for two-party coverage, and \$1,766 for family coverage. To be eligible for these benefits, primary government first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits.

Contributions - The design of the health and dental benefit programs can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. Employer and retiree contributions are governed by the State and may be amended by the Legislature.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

CEFA participates in the Plan on a cost-sharing basis. The state funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis. The state obtains an annual actuarial valuation of the Plan which can be found on the SCO's website at www.sco.ca.gov. Contributions to the Plan from CEFA were \$31,000 and \$29,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

B. Net OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2020 and 2019, CEFA reported a liability of \$953,000 and \$1,020,000, respectively, for its proportionate share of the Plan net OPEB liability. The net OPEB liability at June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The net OPEB liability at June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. CEFA's proportion of the net OPEB liability was based on the SCO's projection for CEFA. CEFA's combined proportionate share, based on its attributable employee valuation group's OPEB employer contributions as of June 30, 2019 and 2018 was 0.001244% and 0.003308%, respectively.

For the fiscal years ended June 30, 2020 and 2019, CEFA recognized OPEB expense of \$(108,000) and \$(651,567), respectively.

At June 30, 2020, CEFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 27,000	\$ (68,000)
Difference between expected and actual experience	2,000	(83,000)
OPEB contributions subsequent to measurement date	31,000	-
Total	\$ 60,000	\$ (151,000)

The \$31,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in CEFA's OPEB expense as follows:

Year Ending June 30		
2021	\$	(28,400)
2022		(27,800)
2023		(28,300)
2024		(25,500)
2025		(13,500)
Thereafter		1,500

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

At June 30, 2019, CEFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (117,000)
Differences in PAY GO contributions	2,000	-
Difference between expected and actual experience	-	(77,000)
OPEB contributions subsequent to measurement date	<u>29,000</u>	<u>-</u>
Total	<u>\$ 31,000</u>	<u>\$ (194,000)</u>

The \$29,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in CEFA's OPEB expense as follows:

Year Ending June 30	
2020	\$ (35,200)
2021	(34,200)
2022	(33,400)
2023	(33,400)
2024	(32,800)
Thereafter	(23,000)

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Actuarial Assumptions

For the measurement period ended June 30, 2019 (the measurement date), the total OPEB liability was determined using a June 30, 2019 valuation date. The June 30, 2019 total OPEB liability was based on the following actuarial methods and assumptions:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal
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
Health care cost trend rates	<i>Pre-Medicare coverage:</i> 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 <i>Post-Medicare coverage:</i> 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 <i>Dental coverage:</i> 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter
Mortality Rate Table	Derived using CalPERS' Membership data for all members

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% Scale MP 2016. For more details on this table, refer to the 2017 *CalPERS Experience Study and Review of Actuarial Assumptions* report (Experience Study) for the period from 1997 to 2015. Other demographic assumptions used in the June 30, 2019 valuation were also based on the results of the Experience Study, including updates to termination, disability, mortality assumptions, and retirement rates. The Experience Study report 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 GRS 2018 Experience Review is available at StateGovReports@sco.ca.gov, or visit sco.ca.gov.

Changes in Assumptions – For the actuarial valuation date of June 30, 2019, the discount rate was lowered from 7.00% to 6.75%. In addition, both the price inflation assumption and the wage inflation assumption were reduced by 0.25%. For the actuarial valuation as of June 30, 2018, healthcare related assumptions, including per capita healthcare cost and healthcare trend rates, were updated based on experience through June 30, 2018.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Discount Rate – The discount rate used to measure the total OPEB liability was based on a blended rate for each valuation group. The blended rate used to measure the June 30, 2019 total OPEB liability consists 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 rate were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, on the State Controller’s Office website, at www.SCO.ca.gov.

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 real 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 nominal 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.

The following table reflects the long-term expected real rate of return by asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11-40</u>
Global Equity	59.00%	4.80%	5.98%
Fixed Income	25.00%	1.10%	2.62%
Treasury Inflation-Protected Securities	5.00%	0.25%	1.46%
Real Estate Investment Trusts	8.00%	3.50%	5.00%
Commodities	3.00%	1.50%	2.87%

GRS used an expected inflation rate of 1.75% for the real return rates in years 1-10 and 2.67% for the real return rates in years 11-40.

Sensitivity of CEFA’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents CEFA’s proportionate share of the net OPEB liability, as well as what CEFA’s proportionate share of the net OPEB 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 discount rate:

	<u>Blended Discount Rate –1%</u>	<u>Blended Discount Rate</u>	<u>Blended Discount Rate +1%</u>
Net OPEB liability	\$ 1,121,504	\$ 953,000	\$ 818,809

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Sensitivity of CEFA's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Costs Trend Rates

The following presents CEFA's proportionate share of the net OPEB liability, as well as what CEFA's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	<u>Healthcare Cost Trend Rates -1%</u>	<u>Healthcare Cost Trend Rates</u>	<u>Healthcare Cost Trend Rates +1%</u>
Net OPEB liability	\$ 809,429	\$ 953,000	\$ 1,137,463

OPEB Plan Fiduciary Net Position - Detailed information about the State's Substantive Plan fiduciary net position is available on CalPERS' website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer". Additionally, CalPERS annually issues a Comprehensive Annual Financial Report which includes the CERBT fund's financial statements.

8. CONDUIT FINANCING PROGRAMS

CEFA acts as a conduit issuer by assisting eligible private nonprofit institutions of higher learning in obtaining financing through the issuance of revenue bonds. The financings are secured by the full faith and credit of the participating institutions, and CEFA is not responsible for payment on any financing. As a result, the financing obligations are not recorded in CEFA's financial statements. The borrowers' obligations generally are, but need not be, secured by insurance, a letter of credit or guaranty.

As of June 30, 2020 and 2019, there were \$4,294,142,047 and \$4,767,113,440, respectively, in conduit financings outstanding. CEFA assisted with the issuance of financings in the amount of \$51,620,000 and \$844,990,000 for the years ended June 30, 2020 and 2019, respectively. Additionally, the amounts of bonds authorized by CEFA with active resolutions that remain unsold were \$186,390,000 and \$235,680,000 as of June 30, 2020 and 2019, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

SCHEDULE OF CEFA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2020 LAST 10 YEARS*

	<u>Measurement Date</u>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
CEFA's proportion of the net pension liability	0.0019%	0.0020%	0.0031%	0.0032%	0.0026%	0.0032%
CEFA's proportionate share of the net pension liability	\$ 639,436	\$ 619,197	\$ 1,122,077	\$ 1,075,056	\$ 737,826	\$ 816,426
CEFA's covered-employee payroll	\$ 245,551	\$ 246,287	\$ 367,327	\$ 343,432	\$ 277,995	\$ 318,863
CEFA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.41%	251.41%	305.47%	313.03%	265.41%	256.04%
Plan fiduciary net position as a percentage of the total pension liability	71.34%	71.83%	66.42%	66.81%	70.68%	73.05%

Notes to Schedule:

Change of benefit terms – For the measurement dates ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the financial reporting discount rate for the Plan lowered from 7.65% to 7.15%. For the measurement date ended June 30, 2018, demographic assumptions and inflation rate were changed.

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

AS OF JUNE 30, 2020

LAST 10 YEARS*

	Fiscal Year					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 75,165	\$ 72,170	\$ 68,654	\$ 95,152	\$ 91,367	\$ 67,497
Contributions in relation to the contractually required contribution	<u>(75,165)</u>	<u>(72,170)</u>	<u>(179,654)</u>	<u>(95,152)</u>	<u>(91,367)</u>	<u>(67,497)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CEFA's covered-employee payroll	\$ 255,610	\$ 245,551	\$ 246,287	\$ 367,327	\$ 343,432	\$ 277,995
Contributions as a percentage of covered-employee payroll	29.41%	29.39%	72.94%	25.90%	26.60%	24.28%

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

SCHEDULE OF CEFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS OF JUNE 30, 2020 LAST 10 YEARS*

	<u>Measurement Date</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
CEFA's proportion of the net OPEB liability	0.001244%	0.003308%	0.002210%
CEFA's proportionate share of the net OPEB liability	\$ 953,000	\$ 1,020,000	\$ 1,714,000
CEFA's covered-employee payroll	\$ 245,551	\$ 246,287	\$ 367,327
CEFA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	388.11%	414.15%	466.61%
Plan fiduciary net position as a percentage of the total OPEB liability	1.693%	1.011%	0.546%

Notes to Schedule:

Change of benefit terms – For the measurement dates ended June 30, 2019, 2018, and 2017, there were no changes to the benefit terms.

Changes in assumptions – For the measurement period ended June 30, 2019, 2018, and 2017, healthcare related assumptions were updated based on experience through June 30, 2019, 2018, and 2017, respectively.

* Fiscal year 2018 was the first year of implementation, therefore only three years are presented.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

SCHEDULE OF CEFA'S CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN AS OF JUNE 30, 2020 LAST 10 YEARS*

	<u>Fiscal Year</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 31,000	\$ 29,000	\$ 25,433
Contributions in relation to the contractually required contributions	<u>(31,000)</u>	<u>(29,000)</u>	<u>(25,433)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CEFA's covered-employee payroll	\$ 255,610	\$ 245,551	\$ 246,287
Contributions as a percentage of covered-employee payroll	12.13%	11.81%	10.33%

* Fiscal year 2018 was the first year of implementation, therefore only three years are presented.

SUPPLEMENTARY INFORMATION

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING JUNE 30, 2020

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Defeased/ Retired	Bonds Outstanding as of June 30, 2020
Art Center College of Design, Series 2018A	30-Aug-18	1-Dec-48	\$100,000,000	\$ 1,080,000	\$ 98,920,000
California Institute of Technology, Series 1994 (Variable Rate Demand)	27-Oct-94	1-Jan-24	30,000,000	-	30,000,000
California Institute of Technology, Series 2006 A (Variable Rate Demand)	12-Jul-06	1-Oct-36	82,500,000	-	82,500,000
California Institute of Technology, Series 2006 B (Variable Rate Demand)	12-Jul-06	1-Oct-36	82,500,000	-	82,500,000
Carnegie Institution of Washington, 2010 Series A	24-Mar-10	1-Jul-40	34,525,000	-	34,525,000
Chapman University, Series 2011	3-Oct-11	1-Apr-31	100,000,000	30,780,000	69,220,000
Chapman University, Series 2015	21-Jul-15	1-Apr-45	114,485,000	8,040,000	106,445,000
Chapman University, Series 2017A (Taxable)	16-Nov-17	1-Apr-42	111,015,000	8,980,000	102,035,000
Chapman University, Series 2017B	16-Nov-17	1-Apr-47	37,650,000	-	37,650,000
Charles Drew University, Series 2014 (Private Placement)	22-Dec-14	1-Jan-42	32,875,000	1,235,000	31,640,000
Claremont McKenna College, Series 2015	3-Dec-15	1-Jan-39	111,785,000	9,280,000	102,505,000
Claremont University Consortium, Series 2011	7-Apr-11	1-Oct-35	9,000,000	3,635,000	5,365,000
Claremont University Consortium, Series 2012	2-Aug-12	1-Oct-33	8,065,000	2,065,000	6,000,000
Golden Gate University, Series 2012 (Private Placement)	19-Dec-12	1-Jan-43	46,000,000	17,157,147	28,842,853
Loma Linda University, Series 2017A	8-Mar-17	1-Apr-47	134,945,000	4,040,000	130,905,000
Loma Linda University, Series 2017B (Taxable)	8-Mar-17	1-Apr-33	43,440,000	6,430,000	37,010,000
Loyola Marymount University, Series 2001A (CAB & CIB)	14-Jun-01	1-Oct-39	75,449,126	46,794,466	28,654,660
Loyola Marymount University, Series 2011	22-Nov-11	1-Oct-24	22,105,000	16,720,000	5,385,000
Loyola Marymount University, Series 2013A (Taxable)	26-Mar-13	1-Oct-43	37,000,000	5,225,000	31,775,000
Loyola Marymount University, Series 2018A (Taxable)	6-Nov-18	1-Oct-48	29,210,000	-	29,210,000
Loyola Marymount University, Series 2018B	6-Nov-18	1-Oct-48	57,330,000	-	57,330,000
Loyola Marymount University, Series 2019	10-Sep-19	1-Oct-40	51,620,000	-	51,620,000
Mount Saint Mary's University, Series 2018A	6-Sep-18	1-Oct-46	34,940,000	-	34,940,000
Mount Saint Mary's University, Series 2018B (Taxable)	6-Sep-18	1-Oct-48	5,800,000	-	5,800,000
Occidental College, Series 2015	7-Jan-16	1-Oct-45	34,270,000	7,445,000	26,825,000
Occidental College Taxable Series 2013B	5-Jun-13	1-Oct-27	6,370,000	895,000	5,475,000
Pepperdine University, Series 2015	2-Sep-15	1-Sep-45	76,455,000	5,115,000	71,340,000
Pepperdine University, Series 2016	17-Mar-16	1-Oct-49	100,000,000	1,065,000	98,935,000
Pepperdine University, Series 2017B	21-Dec-17	1-Sep-33	20,870,000	-	20,870,000
Pomona College, Series 2005 A/2 (CAB)	24-Feb-05	1-Jul-41	25,144,739	5,265,948	19,878,791
Saint Mary's College of California, Series 2007	30-Aug-07	1-Oct-43	71,100,000	14,825,000	56,275,000
Santa Clara University, Series 1999 (CAB & CIB)	15-Apr-99	1-Sep-26	82,181,741	46,255,741	35,926,000
Santa Clara University, Series 2015	28-Aug-15	1-Apr-45	102,230,000	4,360,000	97,870,000
Santa Clara University, Series 2017A (Taxable)	10-Aug-17	1-Apr-37	97,530,000	-	97,530,000
Santa Clara University, Series 2017B	10-Aug-17	1-Apr-40	25,035,000	-	25,035,000
Santa Clara University, Series 2017C	28-Dec-17	1-Apr-48	52,485,000	-	52,485,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED,
ISSUED, AND OUTSTANDING
JUNE 30, 2020

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Defeased/ Retired	Bonds Outstanding as of June 30, 2020
Southwestern University, Series 2003	29-May-03	01-Nov-23	11,880,000	8,660,000	3,220,000
Stanford University, Series 1998 L-6	28-Oct-98	1-Oct-22	17,815,000	-	17,815,000
Stanford University, Series 1999 L-7	28-Oct-99	1-Oct-22	18,393,000	-	18,393,000
Stanford University, Series 2004 S-1	24-Jun-04	1-Nov-39	40,000,000	-	40,000,000
Stanford University, Series 2004 S-2	24-Jun-04	1-Nov-39	40,000,000	9,790,000	30,210,000
Stanford University, Series 2004 S-3	24-Jun-04	1-Nov-39	50,000,000	-	50,000,000
Stanford University, Series 2004 S-4 (Variable Rate Demand)	24-Jun-04	1-Nov-50	51,200,000	-	51,200,000
Stanford University, Series T-1	19-Jun-07	15-Mar-39	111,775,000	-	111,775,000
Stanford University, Series T-3	6-Sep-07	15-Mar-26	25,360,000	-	25,360,000
Stanford University, Series T-5	28-Jul-09	15-Mar-23	51,765,000	-	51,765,000
Stanford University, Series U-1	6-May-10	1-Apr-40	215,375,000	-	215,375,000
Stanford University, Series U-2	17-Apr-12	1-Oct-32	77,760,000	-	77,760,000
Stanford University, Series U-3	15-May-13	1-Jun-43	261,410,000	-	261,410,000
Stanford University, Series U-4	15-May-13	1-Jun-43	39,215,000	-	39,215,000
Stanford University, Series U-5	14-May-14	1-May-21	124,115,000	-	124,115,000
Stanford University, Series U-6	14-May-14	1-May-45	278,980,000	-	278,980,000
Stanford University, Series U7	22-Jun-16	1-Jun-46	170,350,000	-	170,350,000
Stanford University, Series V-1	14-Apr-19	1-May-49	441,830,000	-	441,830,000
University of Redlands, 2014 Series A	7-Jan-15	1-Oct-35	31,595,000	7,625,000	23,970,000
University of Redlands, 2016 Series A	1-Apr-16	1-Oct-38	30,690,000	1,480,000	29,210,000
University of San Diego, Series 1999 (Part Capital Appreciation)	4-Feb-99	1-Oct-28	31,778,189	27,331,446	4,446,743
University of San Diego, Series 2011	16-Mar-11	1-Oct-22	18,640,000	13,515,000	5,125,000
University of San Francisco, 2017 Tax Exempt Loan	21-Dec-17	1-Oct-36	31,310,000	-	31,310,000
University of San Francisco, Series 2017 (Private Placement)	3-Apr-17	1-Oct-35	75,000,000	9,025,000	65,975,000
University of San Francisco, Series 2018A	21-Nov-18	1-Oct-53	140,000,000	-	140,000,000
University of San Francisco, Series 2018B (Taxable)	21-Nov-18	1-Oct-36	35,880,000	1,690,000	34,190,000
University of the Pacific, Series 2009	28-May-09	1-Nov-39	15,000,000	3,945,000	11,055,000
University of the Pacific, Series 2012A	26-Jan-12	1-Nov-42	35,435,000	9,580,000	25,855,000
University of the Pacific, Series 2014 (Private Placement)	12-May-14	1-May-34	36,500,000	20,545,000	15,955,000
University of the Pacific, Series 2015	4-Aug-15	1-Nov-36	68,005,000	8,950,000	59,055,000
TOTAL					<u>\$ 4,294,142,047</u>

ADDITIONAL INFORMATION

**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

**CEFA Members
California Educational Facilities Authority
Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the California Educational Facilities Authority (CEFA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CEFA's basic financial statements, and have issued our report thereon dated August 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CEFA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEFA's internal control. Accordingly, we do not express an opinion on the effectiveness of CEFA'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 statements will not be prevented, or detected and corrected on a timely basis. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

August 16, 2021