CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

(A COMPONENT UNIT OF THE STATE OF CALIFORNIA)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2012/2013

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

Fiscal Unit
California Infrastructure and Economic Development Bank

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

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California Infrastructure and Economic Development Bank

September 24, 2013

To the Board of Directors:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the California Infrastructure and Economic Development Bank (I-Bank) for the fiscal year ended June 30, 2013. This report includes the financial activities of the I-Bank and the California Infrastructure and Economic Development Bank Fund (CIEDB Fund) and the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund). The continuing disclosure agreements related to the I-Bank's revenue bonds that provided funding for the Infrastructure State Revolving Fund (ISRF) Program (ISRF Program Bonds) require annual audited financial statements and this CAFR fulfills that requirement.

The net position of the I-Bank was $278,518,624 as of June 30, 2013, a 1.73% increase over the previous fiscal year. Embracing this momentum and to further improve its financial position, the I-Bank is in the process of developing a comprehensive plan which includes new programs and modified financing instruments with the objective of meeting the infrastructure and economic development funding needs of a wider spectrum of entities within the State. According to the 2012 California Infrastructure Report Card issued by the American Society of Civil Engineers, California's infrastructure investment is facing serious challenges keeping up with the State's growing population demands. In addition, the State and local governments continue to delay much-needed infrastructure projects vital to fueling the State's economic engine. Funding limitations continue to severely restrict the improvements that are absolutely necessary for the continued upkeep of California's infrastructure. The I-Bank is strategically positioned to be a major contributor to the success of the State's economic revitalization.

During July 2013, the Governor appointed a new I-Bank Executive Director and an inaugural Deputy Executive Director to further the administration's vision of economic development and to utilize the full potential of the I-Bank's legislatively granted authority to further assist in the growth of the State's economy. The new executive staff assumes full responsibility for the reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP has issued an unmodified ("clean") opinion on the I-Bank's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the I-Bank

The I-Bank was created in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act contained in the California Government Code section 63000 *et seq*. The I-Bank is a component unit of the State of California and through the end of the 2012-13 fiscal year was located within the Business, Transportation and Housing Agency. Under the Governor's Reorganization Plan No. 2 of 2012 effective July 1, 2013 (GRP2), the I-Bank was relocated under the Governor's Office of Business and Economic Development (GO-Biz). The I-Bank continues to be governed by a five-member Board of Directors; however, the GRP2 amended the makeup of the board, principally by installing the Director of GO-Biz, or his designee, as the chair.

The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. The I-Bank's current programs include the ISRF Program, 501(c)(3) Revenue Bond Program, Industrial Development Revenue Bond Program, Exempt Facility Revenue Bond Program and Public Agency Revenue Bond Program.

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

Economic Condition

The State is experiencing a gradual and broadening economic recovery with continued job growth. With the State's job growth came increases in personal income and consumer spending. In addition to the favorable impact these recovery indicators have on the private sector, the California Legislative Analyst forecasts that revenue will be increasing for the State and for local governments and employment by these governments will begin to expand.

Even though executed ISRF Program Loans and conduit bond sales during the 2012-13 fiscal year were lower than the previous year, financing applications in all I-Bank programs increased toward the end of the fiscal year and after. We anticipate more interest in the I-Bank programs as the economic recovery continues and our borrowers return to public infrastructure and private development projects that were postponed during the recession. I am pleased to report that both Fitch Ratings and Standard & Poor's both rate the ISRF Program Bonds as AA+ stable in their respective annual bond surveillance reviews, while recognizing strong program enhancement due to Loan repayments and pledged reserves that provide significant over collateralization, and good program financial policies.

Long-term Financial Planning

The financing transactions which the I-Bank closed during the 2012-13 fiscal year resulted from a relatively small number of funding requests. The norm experienced nationally and internationally with infrastructure banks is one where funding requests exceed available funds. Since this is not the case with the I-Bank, the new executive staff views this as a golden opportunity to expand the utilization and effectiveness of the I-Bank. The I-Bank will move towards increased participation in California's revitalization efforts by promoting the financing products it offers, developing new product lines, exploring refunding opportunities for the ISRF Program Bonds, and exploring additional funding sources.

The I-Bank's priorities for the upcoming years include but are not limited to the following: providing funding priority to existing infrastructure; creating sector-specific financing instruments and funds; developing public-private investment opportunities; and state-wide outreach to potential customers. These priorities are intended to create a rich environment of productivity for the I-Bank and provide a steady stream of financing for California infrastructure and economic development while maintaining the I-Bank's positive net position.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the I-Bank for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the second consecutive year that the I-Bank has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

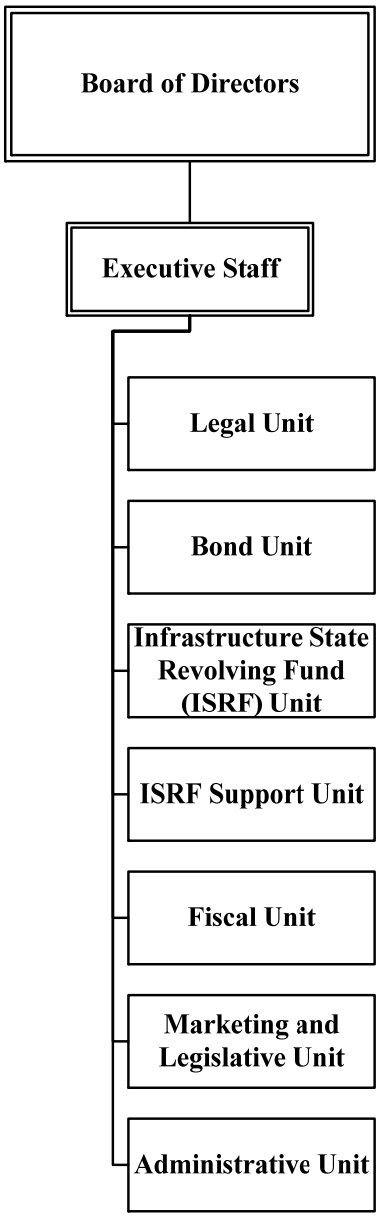
I wish to acknowledge the I-Bank staff for their consistent dedication and contribution to the success of the organization. In particular, I acknowledge the I-Bank's Fiscal Unit staff for the preparation of this Comprehensive Annual Financial Report.

Respectfully submitted,

Teveia Rose Barnes

Teveia R. Barnes
Executive Director

ORGANIZATION CHART



PRINCIPAL OFFICIALS

I-Bank Board of Directors as of June 30, 2013

Brian P. Kelly, Chair, Acting Secretary of the Business, Transportation, and Housing Agency

Bill Lockyer, State Treasurer

Anna M. Caballero, Secretary of the State and Consumer Services Agency

Ana J. Matosantos, Director of the Department of Finance

D. Everett Rice, Governor's Appointee

I-Bank Board of Directors as of July 2013
Pursuant to Governor's Reorganization Plan No. 2 of 2012

Michael E. Rossi, Chair, Senior Advisor for Jobs and Business to the Governor of California, Delegate of the Director, Governor's Office of Business & Economic Development

Bill Lockyer, State Treasurer

Brian P. Kelly, Secretary of the State Transportation Agency

Ana J. Matosantos, Director of the Department of Finance

D. Everett Rice, Governor's Appointee

I-Bank Executive and Management Staff as of July 2013

Teveia Barnes, Executive Director

Ruben Rojas, Deputy Executive Director

Roma Cristia-Plant, Senior Advisor to the Executive Director

Marilyn Muñoz, General Counsel

Joel Tokimitsu, Bond Unit Manager

Carlos Nakata, ISRF Unit Manager

Diane Cummings, ISRF Support Unit Manager

Julianne Talbot, Fiscal Unit Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

California Infrastructure and Economic Development Bank

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION

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MGO Certified Public Accountants.

Sacramento
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the California Infrastructure and Economic Development Bank (I-Bank), a component unit of the State of California, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the I-Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 I-Bank as of June 30, 2013, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note 2.B. to the financial statements, during the fiscal year ended June 30, 2013 the I-Bank adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the I-Bank's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Macias Gini & O'Connell LLP

Sacramento, California
September 24, 2013

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

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Introduction

The following Management's Discussion & Analysis (MD&A) provides an overview to the financial statements of the California Infrastructure and Economic Development Bank (I-Bank), a description of its activities, and an analysis of the financial position of the California Infrastructure and Economic Development Bank Fund (CIEDB Fund) and the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund) for the fiscal year ended June 30, 2013 (collectively, the CIEDB Fund and the Guarantee Trust Fund are the Funds). The information presented in this section should be read in conjunction with the information in our letter of transmittal on pages 3-5 of this report and the financial statements and notes that follow this section.

The I-Bank and Current Programs

The I-Bank is a State of California financing authority whose mission is to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong California economy, and improve the quality of life in California communities. The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. The I-Bank's current operations are funded solely from fees, interest earnings and Infrastructure State Revolving Fund Program loan[1] repayments. The I-Bank is a component unit of the State of California (State) and the I-Bank's financial statements are included in the State's Comprehensive Annual Financial Report.

The I-Bank's major programs include the Infrastructure State Revolving Fund (ISRF) Program, which is a revolving loan program that provides financing to local government entities for sixteen categories of public infrastructure projects, and a variety of conduit revenue bond financing programs, including the Industrial Development Bond Program for manufacturing and processing companies, the 501(c)(3) Revenue Bond Program for nonprofit public benefit corporations, State School Fund Bond Program and the Public Agency Revenue Bond Program for governmental entities. Conduit bonds issued by the I-Bank are a limited obligation of the I-Bank payable solely from the revenues generated by the underlying borrower.

Financial Highlights 2012-2013

- Net position increased by $3,473,149 to $278,518,624 during the fiscal year due to earnings from operations and investment income.
- Total cash, cash equivalents, and investments decreased during the fiscal year by $5,598,392 or 5.64% since disbursements of outstanding Loan commitments exceeded net ISRF program receipts and program support expenses exceeded administration fees revenue.
- Total pledged and non-pledged loans receivable decreased during the fiscal year by $8,519,809 because Loan repayments exceeded new Loan closings during the fiscal year.
- Total operating revenues were $11,699,015 for the fiscal year, a decrease of $496,028 or 4.07% from the previous fiscal year due to reduced interest on loans receivable and reduced administration fee revenue.

[1] "Loan" is generically used to refer to a loan, a lease or an installment sale agreement.

- Total operating expenses were $8,438,168 during the fiscal year compared to $9,521,384 for the prior fiscal year, a decrease of 11.38%. The decrease in operating expenses is mostly due to a decrease in expenses for program support.
- Interest on bond debt was $5,379,682 during the fiscal year, a decrease of $172,918 or 3.11% from the prior fiscal year. The decrease is attributable to the decreased balance of revenue bonds payable.
- Investment income, a nonoperating revenue, was $212,302 for the fiscal year, a decrease of $207,126 from the prior fiscal year, due to reduced interest earnings and the prior fiscal year recognition of an arbitrage rebate refund.

Overview of the Financial Statements

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

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

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

The financial statements included in this annual financial report are those of the I-Bank. As discussed in Note 1, The Financial Reporting Entity, the basic financial statements herein are intended to present the financial position, change in financial position and cash flows of only the I-Bank. The financial statements do not purport to present the financial position of any other reporting entity.

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

Statement of Net Position

The net position of the I-Bank was $278,518,624 as of June 30, 2013, all of which was restricted. Net position increased by $3,473,149 over the previous fiscal year directly as a result of positive earnings from operating and nonoperating activities.

The following table presents a condensed, combined Statement of Net Position as of June 30, 2013 and 2012, and the dollar and percentage change from the prior year. The 2011-12 fiscal year amounts have been restated as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. Note 2, sections B, E and G provide more information about the implementation of GASB 65.

	2012-2013	2011-2012	$ Change	% Change
Cash, cash equivalents, and investments--restricted	$ 93,685,407	$ 99,283,799	$ (5,598,392)	-5.64%
Program loans receivable	314,813,422	323,333,231	(8,519,809)	-2.63%
Other assets	4,371,482	4,238,038	133,444	3.15%
Total Assets	**$ 412,870,311**	**$ 426,855,068**	**$ (13,984,757)**	**-3.28%**
Accounts payable	$ 10,661	$ 134,310	$ (123,649)	-92.06%
Revenue bonds payable	123,683,680	129,526,688	(5,843,008)	-4.51%
Other liabilities	2,777,094	2,841,223	(64,129)	-2.26%
Undisbursed loan commitments	7,880,252	19,307,372	(11,427,120)	-59.19%
Total Liabilities	**134,351,687**	**151,809,593**	**(17,457,906)**	**-11.50%**
Net Position	**278,518,624**	**275,045,475**	**3,473,149**	**1.26%**
Total Liabilities and Net Position	**$ 412,870,311**	**$ 426,855,068**	**$ (13,984,757)**	**-3.28%**

Assets

Total assets decreased by $14.0 million from the prior year. Cash, cash equivalents, and investments--restricted decreased because disbursements of new and previously outstanding Loan commitments exceeded net ISRF Program receipts, and program support expenses exceeded administration fees revenue.

ISRF Program loans receivable (both pledged and non-pledged) totaled $314,813,422 as of June 30, 2013, a decrease of $8,519,809 from the prior year since Loan prepayments and scheduled Loan repayments exceeded the amount of Loan closings during the fiscal year.

Liabilities

Total liabilities were $134,351,687 as of June 30, 2013, a decrease of 11.50% from the prior fiscal year. The largest liability is revenue bonds payable, which consists of three series of ISRF Program Bonds issued in prior years to leverage the ISRF Program. Revenue bonds payable decreased by $5.8 million from the prior year as scheduled bond repayments were made and bond premiums were amortized. Undisbursed loan commitments decreased as Loan disbursements were made during the fiscal year and accounts payable for operating expenses decreased.

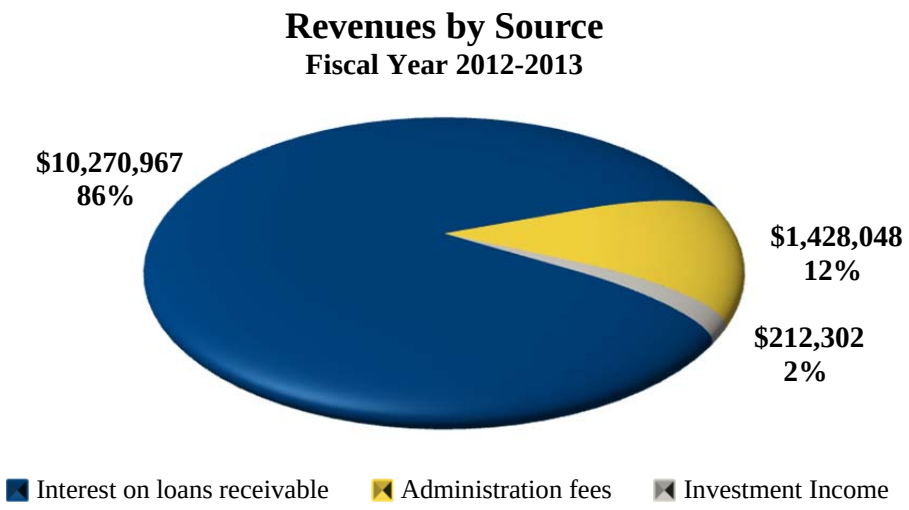
Statement of Revenue, Expenses, and Change in Net Position

Operating income was $3,260,847 for the fiscal year ending June 30, 2013. The following table presents the condensed, combined Statement of Revenues, Expenses, and Change in Net Position for the 2012-2013 and 2011-2012 fiscal years. The 2011-12 fiscal year amounts have been restated as a result of implementing GASB 65.

	2012-2013	2011-2012	$ Change	% Change
Interest on loans receivable	$ 10,270,967	$ 10,419,722	$ (148,755)	-1.43%
Administration fees	1,428,048	1,775,321	(347,273)	-19.56%
Total operating revenues	11,699,015	12,195,043	(496,028)	-4.07%
Total operating expenses	8,438,168	9,521,384	(1,083,216)	-11.38%
Operating income	3,260,847	2,673,659	587,188	21.96%
Nonoperating revenue	212,302	419,428	(207,126)	-49.38%
Change in net position	**3,473,149**	**3,093,087**	**380,062**	**12.29%**
Net Position, Beginning of year, restated	**275,045,475**	**271,952,388**	**3,093,087**	**1.14%**
Net Position, End of year	**$ 278,518,624**	**$ 275,045,475**	**$ 3,473,149**	**1.26%**

Revenues

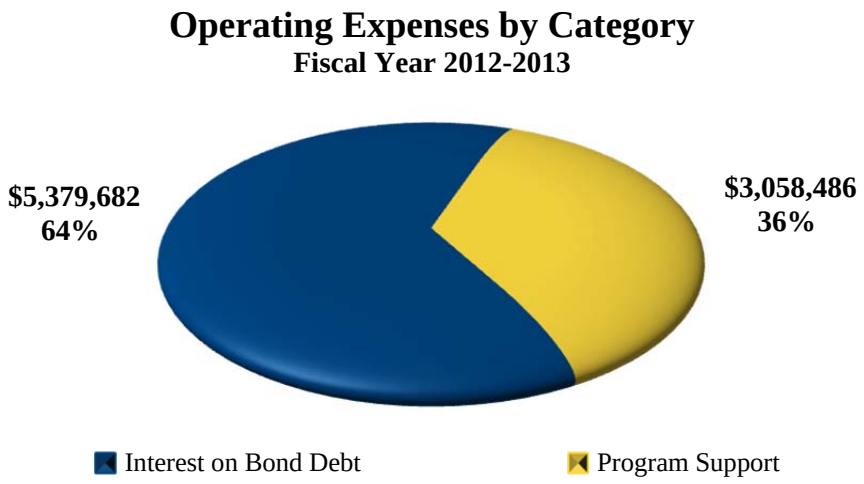
The following chart presents Operating and Nonoperating revenues by source:



Total operating revenue, which includes interest on loans receivable and administration fees, decreased 4.07% from the prior fiscal year principally from reduced administration fees from a reduced amount of conduit bonds sold during the fiscal year. Nonoperating revenue consists of investment income of $212,302 for the fiscal year. Investment income decreased during the fiscal year because continued Loan disbursements reduced the balance of cash and equivalents available for investment, low interest earning rates on cash deposits in the State's Surplus Money Investment Fund and on investments, and the prior fiscal year recognition of an ISRF Program Bond arbitrage rebate refund.

Operating Expenses

The following chart presents Operating Expenses by category:



Total operating expenses were $8,438,168 during the fiscal year, a 11.38% decrease from the prior fiscal year.

The interest on ISRF Program Bonds of $5,379,682 represents the largest operating expense category and accounts for 64% of total operating expenses, and was $172,918 less than the prior fiscal year. The decrease is directly related to the decreased balance of revenue bonds payable. Program support, which represents 36% of total operating expenses, decreased from the prior fiscal year by $910,298. The decrease in program support expenses is primarily due to a decrease in I-Bank's share of government-wide general administrative expenses, including annual OPEB costs, and the prior fiscal year recognition of accumulated expenses for previously unreported compensated absences.

Budgetary Information

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

Debt Administration

I-Bank administers the ISRF Program, a leveraged revolving loan program. Initial ISRF Program Loans were funded with previous State General Fund appropriations. The I-Bank issued $51.37 million in ISRF Program Revenue Bonds in March 2004, $52.80 million in December 2005, and $48.37 million in September 2008 (ISRF Program Bonds) to provide additional funding for ISRF Program Loans. The ISRF Program Bonds were sold without a credit enhancement, and in 2004 and 2005, and were initially rated AA, Aa2, and AA by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively. Upon the issuance of the 2008 ISRF Program Bonds, Standard & Poor's and Fitch Ratings raised the ratings on the ISRF Program Bonds to AA+, citing proactive and strong program oversight and management, and thorough ongoing surveillance of existing Loans as key factors to the high credit ratings on the bonds. Standard & Poor's and Fitch Ratings each reaffirmed their AA+ ratings during the fiscal year.

Existing ISRF Program Loans are either funded from previous State General Fund appropriations, interest earnings, the repayment of principal on ISRF Program loans receivable, investment earnings, administration fee revenue, or the proceeds of previously issued ISRF Program Bonds. The ISRF Program Bonds are structured under a master-series model, and are a limited obligation of the I-Bank payable solely from and secured by pledged ISRF Program Loans. Note 5 of the Notes to the Financial Statements contain additional information about the outstanding ISRF Program Bonds. No new ISRF Program Bonds were issued during the fiscal year, while principal payments on the ISRF Program Bonds reduced the outstanding balance by $5,545,000 during the year.

The I-Bank also issues conduit revenue bonds including Industrial Development Bonds for certain privately-owned manufacturing and processing businesses, 501(c)(3) Revenue Bonds for nonprofit entities, State School Fund Bonds for financially troubled public school districts, and Public Agency Revenue Bonds for other state and local governmental entities. During the fiscal year, the I-Bank served as the issuer for $328,780,000 of conduit revenue bonds. Conduit bonds are a limited obligation of the I-Bank payable solely from the pledged revenues of the conduit borrower. As such, except for administration fee revenue related to the conduit bond programs, conduit bond financial information is not reflected in the I-Bank's financial statements.

Economic Condition and Outlook

The California economy is experiencing a gradual and broadening recovery. Continued job growth is being supplemented by better residential construction and real estate conditions. According to the State Controller's Office in the summary analysis of its July 2013 *Statement of General Fund Cash Receipts and Disbursement*, job growth in California outperformed the U.S for the first time since the beginning of the 2007 recession. Not only did the pace of job creation pick up steam, but the recovery was broad-based, with the largest number of new jobs in the leisure and hospitality, education and health services, and construction sectors. By June 2013, estimates were that California had added back about half the jobs lost during the recession. The State's unemployment rate decreased from 10.6% to 8.5% during the 2012-13 fiscal year, but is still well above the pre-recession low. With the State's job growth came increases in California's personal income and taxable sales during the 2012-13 fiscal year.

After hitting a low in the middle of 2007, sales of existing single-family homes in California have rebounded. In addition, the pace of home building accelerated sharply during the early months of 2013 with the number of residential building permits issued during the 2012-13 fiscal year increasing almost 56% over the previous fiscal year. The California Department of Finance (DOF) expects that California will continue its modest pace of economic growth. With unemployment falling, personal income rising, and the housing sector slowly recovering, the economy's growth is expected to become more sustainable. However, the DOF predicts it will be some time before California's economy has completely recovered.

The slow recovery and continued state and local government financial challenges had some impact on the I-Bank's program activity. The number of new financing transactions during the 2012-13 fiscal year was down slightly from the prior year; however, by the end of the fiscal year and subsequently, borrower inquiries and financing applications began to increase. While the ISRF Program's local government borrowers continue to experience financial challenges, all required repayments were made by the borrowers on ISRF Program Loans during the fiscal year and continued timely repayment is expected.

The I-Bank does not receive any on-going State General Fund support and its programs continued to provide revenues sufficient to support operating expenses.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the finances of the I-Bank and the Funds. Questions concerning the information provided in this report or requests for additional information should be addressed to Teveia Barnes, Executive Director, California Infrastructure and Economic Development Bank, 980 9th Street, Suite 900, Sacramento, California 95814.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents - restricted	$ 59,306,033	$ 24,581,278	$ 83,887,311
Pledged loans receivable - disbursed	12,463,594	-	12,463,594
Non-pledged loans receivable - disbursed	847,428	-	847,428
Interest and other receivables	4,356,427	15,055	4,371,482
Total current assets	76,973,482	24,596,333	101,569,815
NON-CURRENT ASSETS			
Investments - restricted	9,798,096	-	9,798,096
Pledged loans receivable - disbursed	273,573,245	-	273,573,245
Pledged loans receivable - undisbursed	7,880,252	-	7,880,252
Non-pledged loans receivable - disbursed	20,048,903	-	20,048,903
Total non-current assets	311,300,496		311,300,496
TOTAL ASSETS	$ 388,273,978	$ 24,596,333	$ 412,870,311
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	$ 10,661	$ -	$ 10,661
Other liabilities	45,388	-	45,388
Revenue bond interest payable	1,406,001	-	1,406,001
Revenue bonds payable	5,745,000	-	5,745,000
Undisbursed loan commitments	6,421,463	-	6,421,463
Total current liabilities	13,628,513	-	13,628,513
NON-CURRENT LIABILITIES			
Compensated absences payable	377,705	-	377,705
Net other postemployment benefit obligation	948,000	-	948,000
Undisbursed loan commitments	1,458,789	-	1,458,789
Revenue bonds payable	117,938,680	-	117,938,680
Total non-current liabilities	120,723,174	-	120,723,174
Total liabilities	134,351,687	-	134,351,687
NET POSITION			
Restricted - Expendable:			
Statute	253,922,291	24,596,333	278,518,624
Total net position	253,922,291	24,596,333	278,518,624
TOTAL LIABILITIES AND NET POSITION	$ 388,273,978	$ 24,596,333	$ 412,870,311

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
OPERATING REVENUES			
Interest on loans receivable	$ 10,270,967	$ -	$ 10,270,967
Administration fees	1,428,048	-	1,428,048
Total operating revenues	11,699,015	-	11,699,015
OPERATING EXPENSES			
Interest on revenue bond debt	5,379,682	-	5,379,682
Program support	3,058,486	-	3,058,486
Total operating expenses	8,438,168	-	8,438,168
OPERATING INCOME	3,260,847	-	3,260,847
NONOPERATING REVENUE			
Investment income	139,487	72,815	212,302
Total nonoperating revenue	139,487	72,815	212,302
Change in net position	3,400,334	72,815	3,473,149
NET POSITION, Beginning of year, restated	250,521,957	24,523,518	275,045,475
NET POSITION, End of year	$ 253,922,291	$ 24,596,333	$ 278,518,624

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

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of interest on loans receivable	$ 10,217,301	$ -	$ 10,217,301
Receipt of administration fees	1,493,320	-	1,493,320
Receipt of principal on loans receivable	16,019,808	-	16,019,808
Payment of outstanding loan commitments	(18,927,119)	-	(18,927,119)
Payment of program support	(3,272,751)	-	(3,272,751)
Net cash provided by operating activities	5,530,559	-	5,530,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment of principal on revenue bond debt	(5,545,000)	-	(5,545,000)
Payment of interest on revenue bond debt	(5,731,377)	-	(5,731,377)
Net cash used for noncapital financing activities	(11,276,377)	-	(11,276,377)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest on investments	208,307	79,748	288,055
Purchase of investments	(9,924,822)	-	(9,924,822)
Proceeds from investment maturity	10,468,000		10,468,000
Net cash provided by investing activities	751,485	79,748	831,233
CHANGE IN CASH AND EQUIVALENTS	(4,994,333)	79,748	(4,914,585)
CASH AND EQUIVALENTS, Beginning of year	64,300,366	24,501,530	88,801,896
CASH AND EQUIVALENTS, End of year	$ 59,306,033	$ 24,581,278	$ 83,887,311
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 3,260,847	$ -	$ 3,260,847
Adjustments to reconcile operating income to net cash provided by operating activities:			
Interest on revenue bond debt	5,379,682	-	5,379,682
Changes in assets and liabilities:			
Loans receivable	8,519,809	-	8,519,809
Interest and other receivables	(77,583)	-	(77,583)
Accounts payable	(123,649)	-	(123,649)
Other liabilities	4,933	-	4,933
Compensated absences payable	(89,360)	-	(89,360)
Net other postemployment benefit obligation	83,000	-	83,000
Undisbursed loan commitments	(11,427,120)	-	(11,427,120)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,530,559	$ -	$ 5,530,559
NONCASH FINANCING AND INVESTING ACTIVITIES			
Amortization of revenue bond premiums	$ 298,008	$ -	$ 298,008
Unrealized loss on investments	140,629	-	140,629

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. THE FINANCIAL REPORTING ENTITY

The California Infrastructure and Economic Development Bank (I-Bank), a component unit of the State of California (State), is a public instrumentality of the State, organized and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code commencing with Section 63000 (Act). The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. The mission of the I-Bank is to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong California economy, and improve the quality of life in California communities. As of the end of the 2012-13 fiscal year, the I-Bank was governed by a five-member Board of Directors (Board) consisting of the Secretary of the Business, Transportation and Housing Agency, who served as the chair, the Director of the Department of Finance, the State Treasurer, the Secretary of the State and Consumer Services Agency and an appointee of the Governor.

The I-Bank issues loans to municipal entities pursuant to the Infrastructure State Revolving Fund (ISRF) Program. The ISRF Program provides financing to local government entities for a wide variety of infrastructure projects throughout the State. Eligible ISRF Program borrowers include cities, counties, special districts, assessment districts, joint power authorities and non-profit corporations formed by local government entities. The I-Bank issued three series of revenue bonds (ISRF Program Bonds) to provide additional funding for the ISRF Program. Each series of bonds is issued under a master indenture (Master Indenture) and its own series indenture (Series Indenture). The I-Bank also serves as a conduit issuer of revenue bonds, loans, and commercial paper for private, nonprofit and other governmental entities (Conduit Bond Programs).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION / FUND FINANCIAL STATEMENTS

The basic financial statements of the I-Bank include the financial activities of the California Infrastructure and Economic Development Bank Fund (CIEDB Fund) and the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund) (collectively, the CIEDB Fund and the Guarantee Trust Fund are the Funds).

Monies in the Funds are held within the California State Treasury or by the bond trustee for the ISRF Program Bonds (Trustee).

CIEDB Fund – With the exception of amounts spent for program support that require an annual appropriation by the State Legislature, the CIEDB Fund is continuously appropriated without regard to fiscal year and is available for expenditure for the program related purposes stated in the Act. The CIEDB Fund is an enterprise fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION / FUND FINANCIAL STATEMENTS (Continued)

Guarantee Trust Fund – The Guarantee Trust Fund is continuously appropriated to the I-Bank without regard to fiscal year for the purpose of insuring all or a portion of the accounts and subaccounts within the CIEDB Fund, any contracts or obligations of the I-Bank or a sponsor, as that term is defined in the Act, and all or a part of any series of bonds issued by the I-Bank, by a special purpose trust or by a sponsor. Uncommitted monies may be transferred between the CIEDB Fund and the Guarantee Trust Fund when appropriate to accomplish the financing objectives of the I-Bank. The Guarantee Trust Fund is an enterprise fund.

B. ACCOUNTING PRINCIPLES

The accompanying financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The I-Bank's implementation of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the 2012-2013 fiscal year resulted in the elimination of unamortized bond issuance costs of $1,163,152 and unearned loan origination fees of $2,439,714 on the Statement of Net Position and an increase of $1,276,562 to beginning of the year net position on the Statement of Revenues, Expenses, and Change in Net Position.

The I-Bank distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with I-Bank's principal ongoing operations. The primary operating revenue of the I-Bank is financing income, representing interest on loans provided to ISRF Program borrowers. The I-Bank also recognizes as operating revenue the fees charged to ISRF Program borrowers and Conduit Bond Programs borrowers. Operating expenses primarily include interest expense on the ISRF Program Bonds and program support expenses. Investment income is reported as nonoperating revenue.

C. CASH AND EQUIVALENTS, AND INVESTMENTS

The I-Bank considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash and investments held in either the State's Surplus Money Investment Fund (SMIF), an internal investment pool, or money market funds held by the Trustee are considered to be highly liquid and cash equivalents. All investments are stated at fair value in the Statement of Net Position. All investment income, including changes in the fair value of investments, is recognized as revenue in the Statement of Revenues, Expenses, and Change in Net Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

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

D. LOANS RECEIVABLE

The I-Bank enters into loan agreements, installment sale agreements and lease agreements (Loans) for the purpose of financing public infrastructure pursuant to the ISRF Program. A majority of the Loans are pledged to the ISRF Program Bonds or the related Master Indenture. Loans receivable includes pledged and non-pledged Loans. Pledged and non-pledged Loans receivable consists of two components – the disbursed and the undisbursed amount of Loans. The disbursed amount of pledged Loans receivable includes amounts drawn by the borrower for reimbursement or payment of project costs. The undisbursed amount of pledged Loans receivable includes the balance available to be drawn by the borrowers and draws submitted for payment but unpaid at year-end, and is offset by a liability for outstanding undisbursed loan commitments. The current portion of undisbursed pledged and non-pledged Loan commitments is an estimate and is generally based upon projections provided by borrowers. These estimates are subject to change due to unforeseen weather conditions, construction delays related to change orders, delayed material shipment, subcontractor performance problems and other factors that cannot be reasonably predicted.

Prior to the issuance of the ISRF Program Bonds, Loans were funded solely by General Fund appropriations received from the State, Loan repayments, fee revenue, and investment income. Since the issuance of the ISRF Program Bonds, Loans have been funded from the proceeds of the ISRF Program Bonds and/or from proceeds of Loan repayments, fee revenue and investment income. There is no provision for uncollectible accounts as all Loans are current and expected at this time to be repaid according to the scheduled terms.

E. ISSUANCE COSTS

Costs associated with the issuance of each series of the ISRF Program Bonds included bond counsel fees, trustee fees, rating agency fees, underwriting costs, financial advisor fees and other miscellaneous expenses. Prior to the 2012-13 fiscal year, bond issuance costs were amortized using the effective-interest method. During the 2012-13 fiscal year, the I-Bank implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulting in the elimination of all unamortized bond issuance costs and the restatement of beginning net position. The ISRF Program bond issuance costs are now recognized as an expense when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. REVENUE BONDS PAYABLE

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

G. LOAN AND CONDUIT BOND FEES

The I-Bank charges an origination fee and an annual servicing fee to ISRF Program borrowers. The origination fee is due upon execution of the Loan agreement and is collected no later than the date of the borrower's first disbursement. Prior to the 2012-13 fiscal year, loan origination fees were reported as unearned revenue when due and recognized as revenue on a straight line basis over the life of the corresponding Loan. During the 2012-13 fiscal year, the I-Bank implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulting in the elimination of all unearned loan origination fees and the restatement of beginning net position. Loan origination fees are now recognized as revenue when due. The annual servicing fee is recognized as revenue when earned. The I-Bank also charges application, bond issuance and annual fees to Conduit Bond Programs borrowers. Conduit bond fees are recognized as revenue when earned.

H. COMPENSATED ABSENCES PAYABLE

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

I. CLASSIFICATION OF NET POSITION

Restricted net position represents amounts restricted due to external restrictions imposed by creditors, laws or regulations of the government, and restrictions imposed by law through constitutional provisions or enabling legislation.

The net position of the I-Bank is restricted by statute for programs established by the I-Bank and for programs administered pursuant to the Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. USE OF ESTIMATES

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

3. CASH AND EQUIVALENTS, AND INVESTMENTS

The I-Bank follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of the interest rate, credit, custodial credit, concentration of credit and foreign currency risks to the extent that they exist at the date of the Statement of Net Position. Additional disclosure detail required by GASB Statement No. 40 can be found in the State's Comprehensive Annual Financial Report for the year ended June 30, 2012, which is the latest available, for cash deposits, investments, and derivatives within the State's centralized treasury system.

Due to the specified nature of the I-Bank's activities as established in the Act, all cash, cash equivalents, and investments are considered restricted at June 30, 2013, since these funds cannot be spent for any purpose other than as established in the Act.

Investments are made pursuant to an investment policy initially adopted by the Board in March 2006 and as amended by the Board on April 27, 2010 (Investment Policy). The Investment Policy is annually reviewed by the Board. The Investment Policy was reviewed by the Board in May 2013 with minor changes and its next scheduled review is in March 2014. The Investment Policy provides guidelines for the prudent investment of the Funds while maximizing efficiency and financial return in conformance with all applicable State statutes governing the investment of public funds, with the foremost objectives being safety and liquidity.

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

Government Code Sections 63052(e), 63062(b) and 5922(d) provide that bond proceeds and monies set aside and pledged to the repayment of bonds may be invested in securities or obligations described in the indenture for those bonds. Monies held by the Trustee in each of the funds and accounts under the ISRF Program Bonds Series Indenture and Master Indenture shall be invested and reinvested by the Trustee in permitted investments, as that term is defined in the respective indenture, which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed.

3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the Investment Policy

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

Authorized Investments

Authorized Investment Type	Maximum Maturity[1]	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating[3]
U.S. Treasury Securities	5 Years	N/A[2]	N/A	N/A
Federal Agency Securities	5 Years	N/A	30%	N/A
State of California Securities	5 Years	N/A	30%	N/A
Local Agency Securities	5 Years	30%	10%	N/A
Commercial Paper	180 Days	30%	10%	A1/P1/F1
Bankers Acceptances	180 Days	40%	10%	N/A
Negotiable Certificates of Deposit	5 Years	N/A	10%	N/A
U.S. SBA or U.S. FHA Securities	5 Years	25%	N/A	N/A
Export-Import Bank Securities	5 Years	10%	N/A	N/A
Guaranteed Student Loan Program Securities	5 Years	10%	N/A	N/A
Development Bank Securities	5 Years	N/A	10%	N/A
Corporate Debt Securities	5 Years	30%	10%	A

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

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

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

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

Investment of debt proceeds and Loan repayments that are held by the Trustee are governed by the provisions of the ISRF Program Bond Series Indentures or the Master Indenture. Such investments are referenced in the Investment Policy, which references Government Code sections 63052(e) and 5922(d).

3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

Authorized Investments

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

1 The Investment Policy authorizes investing bond reserve funds and bond revenue funds beyond five years if prudent in the opinion of the Executive Director.
2 N/A means neither the Government Code nor the Investment Policy sets a limit.
3 As rated by each of S&P, Moody's and Fitch.

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

Cash and equivalents at June 30, 2013 were as follows:

Cash on Hand	$ 3,000
Deposits in Surplus Money Investment Fund	79,551,489
Deposits in Money Market Funds	4,332,822
Total Cash and Equivalents	**$ 83,887,311**

3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

The I-Bank has invested a portion of the monies set aside for ISRF Program Bond repayment that are held by the Trustee in federal agency bonds maturing on March 13, 2015.

Investments in federal agency bonds at June 30, 2013 were as follows:

	Face Value	Cost	Fair Value
Federal Agency Bonds	$ 9,415,000	$ 9,804,513	$ 9,798,096

Deposit and Investment Risk Disclosures

Interest Rate Risk. Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with a shorter duration. Information about the sensitivity of the fair values of the I-Bank's investments to market interest rate risk fluctuations is provided by the following table that shows the weighted-average to maturity of each investment.

Investment		Weighted - Average to Maturity
Surplus Money Investment Fund	$ 79,551,489	278 days
Money Market Funds	4,332,822	39 days
Federal Agency Bonds	9,798,096	1.7 years
Total Cash and Equivalents and Investments	**$ 93,682,407**	

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the table below is the minimum rating required by, and where applicable, the California Government Code, the Investment Policy or the ISRF Program Bond Series Indenture along with the investment's actual rating as of year end for each investment type.

		Minimum Legal Rating	Rating as of Year End[1]
Surplus Money Investment Fund	$ 79,551,489	N/A	Not Rated
Money Market Funds	4,332,822	Am	AAAm/Aaa
Federal Agency Bonds	9,798,096	N/A	AA+/Aaa
Total Cash and Equivalents and Investments	**$ 93,682,407**		

[1] As rated by each of S&P and Moody's, respectively.

3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the I-Bank will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, the I-Bank had no funds on deposit with a depository financial institution.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the I-Bank will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2013, the I-Bank's SMIF and money market investments were not subject to custodial credit risk. The I-Bank's investment in federal agency bonds were not subject to custodial credit risk as of June 30, 2013, because the securities are held by the Trustee and registered in the I-Bank's name.

Concentration of Credit Risk. Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The Investment Policy places no limitation as to the percentage of the portfolio that may be invested in the SMIF, money market funds, or federal agency bonds. Within the investments permitted by Government Code Section 16430, the Investment Policy places limitations on the percentage of deposits and investments that can be invested with any one entity in order to provide sufficient diversification by security type and institution to avoid incurring unreasonable and avoidable risks. As of June 30, 2013, the I-Bank's investment in Federal Home Loan Bank (10% of its investments) was the only investment in any one issuer (other than money market funds and the Surplus Money Investment Fund) that represents 5% or more of its investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Government Code does not allow investment in foreign currency.

4. PLEDGED LOANS RECEIVABLE

Pledged loans receivable consist of Loans that were pledged by the I-Bank to the ISRF Program Bonds Series Indentures (Series-Pledged Loans) and Loans that were pledged to the Master Indenture (Master-Pledged Loans) until the ISRF Program Bonds mature in 2036. The principal and interest payments received during the fiscal year from the Series-Pledged Loans are paid to the Trustee in amounts and at times sufficient to make the semi-annual debt service payments on the ISRF Program Bonds as they become due. Principal and interest payments from Master-Pledged Loans are also paid to the Trustee and available for repayment of the ISRF Program Bonds, if needed.

For the 2012-13 fiscal year, the principal and interest payments recognized from Series-Pledged Loans were $14,804,305 and represented 60% of all pledged Loan repayments recognized. The debt service payments on ISRF Program Bonds for the fiscal year was $11,222,690, resulting in a bond debt coverage ratio for the fiscal year of 1.32 times. The total principal and interest remaining to be paid on the ISRF Program Bonds is $181,587,982.

5. REVENUE BONDS PAYABLE

The following is a summary of bonds payable at June 30, 2013:

Infrastructure State Revolving Fund Revenue Bonds, Series 2004, issued $51,370,000 bearing 2.00% to 5.00% interest payable semi-annually, final maturity October 1, 2032 (2004 ISRF Programs Bonds)	$ 40,525,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2005, issued $52,800,000 bearing 4.00% to 5.00% interest payable semi-annually, final maturity October 1, 2033 (2005 ISRF Program Bonds)	41,360,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2008, issued $48,375,000 bearing 2.60% to 5.00% interest payable semi-annually, final maturity October 1, 2036 (2008 ISRF Program Bonds)	40,095,000
Plus: Unamortized Premiums	1,703,680
Net ISRF Program Bonds Payable	$ 123,683,680

The following is a schedule of the debt service requirements for the 2004 ISRF Program Bonds as of June 30, 2013:

Year Ending June 30	Principal	Interest	Total Debt Service
2014	1,600,000	1,876,368	3,476,368
2015	1,640,000	1,826,127	3,466,127
2016	1,690,000	1,757,638	3,447,638
2017	1,765,000	1,671,262	3,436,262
2018	1,765,000	1,594,044	3,359,044
2019-2023	9,835,000	6,604,625	16,439,625
2024-2028	11,300,000 [1]	3,984,750	15,284,750
2029-2033	10,930,000 [2]	1,027,612	11,957,612
Total	**$ 40,525,000**	**$ 20,342,426**	**$ 60,867,426**

[1] Principal payments in the amount of $7,085,000 are made from sinking fund payments for the 2029 term bonds.
[2] Principal payments in the amount of $2,585,000 and $4,660,000 are made from sinking fund payments for the 2029 and 2032 term bonds, respectively.

5. REVENUE BONDS PAYABLE (Continued)

The following is a schedule of the debt service requirements for the 2005 ISRF Program Bonds as of June 30, 2013:

Year Ending June 30	Principal	Interest	Total Debt Service
2014	1,845,000	1,965,731	3,810,731
2015	1,935,000	1,880,456	3,815,456
2016	2,025,000	1,781,456	3,806,456
2017	2,140,000	1,677,332	3,817,332
2018	2,240,000	1,567,831	3,807,831
2019-2023	12,895,000	6,009,156	18,904,156
2024-2028	8,815,000 [3]	3,388,122	12,203,122
2029-2033	8,650,000 [4]	1,160,444	9,810,444
2034	815,000	20,375	835,375
Total	**$ 41,360,000**	**$ 19,450,903**	**$ 60,810,903**

[3] Principal payments in the amount of $8,815,000 are made from sinking fund payments for the 2028 term bonds.
[4] Principal payments in the amount of $6,620,000 are made from sinking fund payments for the 2033 term bonds.

The following is a schedule of the debt service requirements for the 2008 ISRF Program Bond as of June 30, 2013:

Year Ending June 30	Principal	Interest	Total Debt Service
2014	2,300,000	1,691,104	3,991,104
2015	2,360,000	1,614,004	3,974,004
2016	2,455,000	1,530,593	3,985,593
2017	1,595,000	1,462,481	3,057,481
2018	1,655,000	1,397,481	3,052,481
2019-2023	8,995,000	5,863,131	14,858,131
2024-2028	8,885,000	3,869,359	12,754,359
2029-2033	7,515,000 [5]	1,968,875	9,483,875
2034-2037	4,335,000 [6]	417,625	4,752,625
Total	**$ 40,095,000**	**$ 19,814,653**	**$ 59,909,653**

[5] Principal payments in the amount of $4,285,000 and $1,270,000 are made from sinking fund payments for the 2031 and 2036 term bonds, respectively.
[6] Principal payments in the amount of $3,300,000 are made from sinking fund payments for the 2036 term bonds.

6. LONG-TERM OBLIGATIONS

The changes in long-term obligations for the year ended June 30, 2013 were as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion June 30, 2013
Revenue Bonds Payable:					
2004 ISRF Program Bonds	$ 42,055,000	$ -	$ 1,530,000	$ 40,525,000	$ 1,600,000
2005 ISRF Program Bonds	43,140,000	-	1,780,000	41,360,000	1,845,000
2008 ISRF Program Bonds	42,330,000	-	2,235,000	40,095,000	2,300,000
Unamortized Premiums	2,001,688	-	298,008	1,703,680	-
Total Revenue Bonds Payable	129,526,688	-	5,843,008	123,683,680	5,745,000
Net Other Postemployment Benefit Obligation	865,000	83,000	-	948,000	-
Compensated Absences Payable	467,065	165,232	254,592	377,705	-
Total	**$ 130,858,753**	**$ 248,232**	**$ 6,097,600**	**$ 125,009,385**	**$ 5,745,000**

7. CONDUIT BOND INFORMATION AND DEBT OBLIGATIONS

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

Conduit Bond information [1]:

• Fees earned from 7/1/12 thru 6/30/13:	
o Application Fees	$ 7,500
o Issuance Fees	$ 350,573
o Annual Fees	$ 73,000
• Conduit Bond Support Operating Expenses	$ 952,039 [2]
• Amount of conduit bonds authorized but unsold as of 6/30/13	$ 40,000,000
• Amount of conduit bond debt issued from 7/1/12-6/30/13	$328,780,000
• Amount of conduit bonds outstanding as of 6/30/13	$ 4.5 billion [3]
• Number of conduit bonds transactions outstanding as of 6/30/13	114

[1] This information is provided pursuant to Government Code section 5872(a).

[2] Conduit Bond Support Operating Expenses include expenses such as salaries and benefits, administrative services, rent, utilities, travel, training, equipment and external services.

[3] Includes bonds issued by the former California Economic Development Financing Authority, which were assumed by the I-Bank pursuant to Chapter 4, Statutes of 1998, bonds issued by the California Consumer Power and Conservation Financing Authority, which were assumed by the I-Bank pursuant to Resolution 04-37 adopted by the I-Bank Board on September 28, 2004, and excludes conduit bonds that were issued by special purpose trusts created by the I-Bank.

8. RETIREMENT PLAN

Plan Description

All of the employees of the I-Bank participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report as a fiduciary component unit. CalPERS administers the Public Employees' Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit retirement plan. Departments and agencies within the State of California, including the I-Bank, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. 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.

8. RETIREMENT PLAN (Continued)

The PERF provides retirement benefits based on employee's years of service, age, final compensation, and benefit formula. Vesting occurs after five or ten years of credited service depending on the benefit tier. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit payable monthly for the remainder of their lives. In addition, the PERF provides benefits for death, disability, and survivors. All employees are also covered by group term life insurance. Benefit provisions and other requirements are established by State statute.

Funding Policy

Benefits are funded by contributions from members and participating State agencies and by earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Members contribution rates are defined by State statute and employer contribution rates are determined by periodic actuarial valuation or by statute. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For the year ended June 30, 2013, the State elected to use higher required employer retirement contribution rates for State Miscellaneous Tier 1 and State Miscellaneous Tier 2 active members than the ones adopted by CalPERS. CalPERS adopted updated economic assumptions for the valuation of PERF and a phase-in of the impact of the assumption changes. The State adopted higher rates that did not reflect the phase-in.

To fund the retirement benefits of its employees, the I-Bank is required to contribute to PERF at the contribution rates adopted by the State. The required employer contribution rates for the year ended June 30, 2013 were 20.503% for State Miscellaneous Tier 1 and 20.457% for State Miscellaneous Tier 2. I-Bank's contribution requirement for the year ended June 30, 2013 was $291,911. The employee contribution rate for State Miscellaneous Tier 1 is 8% of salary above $513 per month for employees covered by social security, or 9% of salary above $317 per month for employees not covered by social security. State Miscellaneous Tier 2 employees do not contribute. The funded status of PERF is reported at a statewide level in the State's Comprehensive Annual Financial Report available on the State Controller's Office website at www.sco.ca.gov.

The following table shows the I-Bank's required contributions (annual pension cost) and the percentage contributed for the past three fiscal years:

Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2011	$309,184	100%
June 30, 2012	272,703	100%
June 30, 2013	291,911	100%

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

Annual required contribution	$	125,000
Interest on net OPEB obligation		15,000
Adjustment to annual required contribution		(13,000)
Annual OPEB cost (expense)		127,000
Contributions made		(44,000)
Increase in net OPEB obligation		83,000
Net OPEB obligation – beginning of year		865,000
Net OPEB obligation – end of year	$	948,000

The I-Bank's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$336,000	37%	$711,000
6/30/12	239,000	36	865,000
6/30/13	127,000	35	948,000

Additional disclosure detail required by GASB Statement No. 45, regarding other postemployment benefits is presented in the State's Comprehensive Annual Financial Report for the year ended June 30, 2012, which is the latest available on the State Controller's Office website at www.sco.ca.gov.

10. COMMITMENTS

In June 2003, the Board approved a preliminary loan guarantee commitment for the Imperial Irrigation District (IID). The preliminary loan guarantee commitment established a conditional obligation to guarantee a future issuance of revenue bonds by IID (IID Bonds) for the purpose of financing a water supply project (IID Guarantee). During the 2003-2004 fiscal year, the I-Bank transferred $20 million from the CIEDB Fund to the Guarantee Trust Fund in conjunction with the preliminary loan guarantee commitment for the IID. In October 2010, the State Legislature enacted Senate Bill 856 (SB 856) that directed the I-Bank to deposit a specified amount required for the IID Guarantee in a reserve account within the Guarantee Trust Fund. SB 856 further directed that this IID Guarantee amount be held for the benefit of bondholders of potential IID Bonds. At June 30, 2013, the required IID Guarantee amount was on deposit in a reserve account within the Guarantee Trust Fund, and no IID Guarantee or IID Bonds have been approved or issued.

In May and June 2013, the Board approved two Loans totaling $4,622,500. As of June 30, 2013, neither Loan agreement was fully executed; however, once a borrower has executed an agreement, the I-Bank is obligated to fund the Loan.

11. CONTINGENCIES

One borrower whose Loan is pledged to the Master Indenture has filed for bankruptcy protection, and the bankruptcy court has approved the borrower's plan of adjustment. The plan approval was challenged by a creditor and the plan was subsequently upheld by a U.S. District Court. The creditor appealed the decision to the U.S. Court of Appeals where the case was pending as of June 30, 2013. Repayment of the Loan has not been impacted by the bankruptcy. Subsequently, on July 16, 2013, the U.S. Court of Appeals dismissed the creditor's appeal and the case is pending in the U.S. Bankruptcy Court.

Another borrower with three Loans pledged to the Master Indenture declared a fiscal emergency on July 18, 2012, and filed a Chapter 9 bankruptcy petition on August 1, 2012. As of June 30, 2013, the bankruptcy court was in the process of determining the borrower's eligibility to file a Chapter 9 bankruptcy. The borrower made all scheduled Loan payments during the fiscal year and the following payments due on August 1, 2013; the borrower's next Loan payments are due on February 1, 2014. Subsequently, on August 28, 2013, the federal bankruptcy court judge ruled that the borrower was eligible for Chapter 9 bankruptcy protection.

12. SUBSEQUENT EVENTS

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, the I-Bank was relocated to within the Governor's Office of Business and Economic Development (GO-Biz). GO-Biz was created by the Governor to serve as California's single point of contact for infrastructure and economic development. With this reorganization came a change in the composition of the Board. Beginning July 1, 2013, the I-Bank's five-member Board set forth in the Act consists of the Director of GO-Biz as the chair, the Director of the Department of Finance, the State Treasurer, the Secretary of the State Transportation Agency, and an appointee of the Governor. Also, subsequent to June 30, 2013, a new Executive Director and Deputy Executive Director were appointed to the I-Bank.

STATISTICAL SECTION

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

STATISTICAL SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

This part of the California Infrastructure and Economic Development Bank's (I-Bank's) comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements and note disclosures as it relates to the I-Bank's financial health.

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These schedules contain trend information to help the reader understand how the I-Bank's financial performance has changed over time.

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Revenue Capacity

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Debt Capacity

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Operating Information

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

SCHEDULE OF NET POSITION [1]

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
ASSETS					
Cash, cash equivalents, and investments	$ 159,346,164	$ 126,831,703	$ 153,613,453	$ 126,220,856	$ 108,852,319
Program loans receivable	196,234,860	229,996,808	269,294,242	282,990,412	305,749,937
Other assets	2,988,512	3,037,546	4,991,913	5,474,496	5,371,504
TOTAL ASSETS	$ 358,569,536	$ 359,866,057	$ 427,899,608	$ 414,685,764	$ 419,973,760
LIABILITIES AND NET POSITION					
LIABILITIES					
Revenue bonds payable	$ 54,398,829	$ 54,179,786	$ 106,816,821	$ 103,510,754	$ 100,432,424
Undisbursed loan commitments	73,447,184	68,181,039	75,791,904	56,963,471	57,012,908
Other liabilities [2]	4,386,563	3,763,821	3,430,607	3,762,184	4,080,853
Total liabilities	132,232,576	126,124,646	186,039,332	164,236,409	161,526,185
NET POSITION					
Restricted - Expendable by statute	226,336,960	233,741,411	241,860,276	250,449,355	258,447,575
Total net position	226,336,960	233,741,411	241,860,276	250,449,355	258,447,575
TOTAL LIABILITIES AND NET POSITION	$ 358,569,536	$ 359,866,057	$ 427,899,608	$ 414,685,764	$ 419,973,760

[1] This schedule is condensed from its original format and combines the California Infrastructure and Economic Development Bank Fund and the California Infrastructure Guarantee Trust Fund.

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

2008-09	2009-10	2010-11	2011-12	2012-13	
					ASSETS
$ 125,709,510	$ 113,447,173	$ 103,701,676	$ 99,283,799	$ 93,685,407	Cash, cash equivalents, and investments
311,504,489	331,209,650	320,958,196	323,333,231	314,813,422	Program loans receivable
5,583,167	5,938,389	5,493,189	5,401,190	4,371,482	Other assets [2]
$ 442,797,166	$ 450,595,212	$ 430,153,061	$ 428,018,220	$ 412,870,311	**TOTAL ASSETS**
					LIABILITIES AND NET POSITION
					LIABILITIES
$ 145,839,491	$ 140,710,150	$ 135,189,315	$ 129,526,688	$ 123,683,680	Revenue bonds payable
28,404,385	37,639,398	18,955,223	19,307,372	7,880,252	Undisbursed loan commitments
5,164,622	5,434,308	5,272,741	5,415,247	2,787,755	Other liabilities [2]
179,408,498	183,783,856	159,417,279	154,249,307	134,351,687	Total liabilities
					NET POSITION
263,388,668	266,811,356	270,735,782	273,768,913	278,518,624	Restricted - Expendable by statute
263,388,668	266,811,356	270,735,782	273,768,913	278,518,624	Total net position
$ 442,797,166	$ 450,595,212	$ 430,153,061	$ 428,018,220	$ 412,870,311	**TOTAL LIABILITIES AND NET POSITION**

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

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION [1]

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
OPERATING REVENUES					
Interest on loans receivable	$ 4,245,523	$ 7,749,686	$ 8,206,839	$ 9,021,323	$ 9,530,573
Investment income [2]	1,853,364	1,987,753	2,978,175	4,694,661	3,789,063
Administration fees	787,611	1,318,010	1,136,241	1,918,934	1,721,640
Total operating revenues	6,886,498	11,055,449	12,321,255	15,634,918	15,041,276
OPERATING EXPENSES					
Interest on bond debt	676,760	1,994,303	3,088,414	4,631,379	4,204,219
Amortization of bond issuance costs [3]	19,745	59,126	74,009	88,639	86,010
Program support	3,533,218	1,597,569	2,783,542	2,325,821	2,752,827
Total operating expenses	4,229,723	3,650,998	5,945,965	7,045,839	7,043,056
OPERATING INCOME	2,656,775	7,404,451	6,375,290	8,589,079	7,998,220
NONOPERATING REVENUE					
Investment income [2]	-	-	-	-	-
Total nonoperating revenue	-	-	-	-	-
Change in net position	2,656,775	7,404,451	6,375,290	8,589,079	7,998,220
NET POSITION, Beginning of year [4]	223,680,185	226,336,960	235,484,986	241,860,276	250,449,355
NET POSITION, End of year	$ 226,336,960	$ 233,741,411	$ 241,860,276	$ 250,449,355	$ 258,447,575

[1] This schedule combines the California Infrastructure and Economic Development Bank Fund and the California Infrastructure Guarantee Trust Fund.
[2] Beginning in fiscal year 2008-09, investment income was classified as nonoperating revenue.
[3] Beginning in fiscal year 2012-13, bond issuance costs were recognized as expense when incurred and beginning of the year net position was reduced by the unamortized balance.
[4] Restated in fiscal years 2005-06 and 2012-13.

2008-09	2009-10	2010-11	2011-12	2012-13	
					OPERATING REVENUES
$ 10,192,579	$ 10,694,987	$ 10,442,066	$ 10,419,722	$ 10,270,967	Interest on loans receivable
-	-	-	-	-	Investment income [2]
1,956,453	1,830,283	1,535,375	1,826,084	1,428,048	Administration fees
12,149,032	12,525,270	11,977,441	12,245,806	11,699,015	Total operating revenues
					OPERATING EXPENSES
5,452,702	5,846,017	5,708,393	5,552,600	5,379,682	Interest on bond debt
99,690	99,620	152,327	110,719	-	Amortization of bond issuance costs [3]
3,620,774	3,545,456	2,673,325	3,968,784	3,058,486	Program support
9,173,166	9,491,093	8,534,045	9,632,103	8,438,168	Total operating expenses
2,975,866	3,034,177	3,443,396	2,613,703	3,260,847	**OPERATING INCOME**
					NONOPERATING REVENUE
1,965,227	388,511	481,030	419,428	212,302	Investment income [2]
1,965,227	388,511	481,030	419,428	212,302	Total nonoperating revenue
4,941,093	3,422,688	3,924,426	3,033,131	3,473,149	Change in net position
258,447,575	263,388,668	266,811,356	270,735,782	275,045,475	**NET POSITION, Beginning of year** [4]
$ 263,388,668	$ 266,811,356	$ 270,735,782	$ 273,768,913	$ 278,518,624	**NET POSITION, End of year**

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

INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM
TEN LARGEST BORROWERS

AS OF JUNE 30, 2013 AND JUNE 30, 2004

	June 30, 2013			June 30, 2004		
	ISRF Program Loans Receivable [1]	Rank	Percentage of Total ISRF Program Loans Receivable	ISRF Program Loans Receivable [1]	Rank	Percentage of Total ISRF Program Loans Receivable
City of San Bernardino Municipal Water Department	$ 23,560,165	1	7.48%	$ 10,000,000	4	5.10%
City of Hawthorne	15,538,162	2	4.94%	20,000,000	1	10.19%
Orange County School of the Arts [2]	15,470,527	3	4.91%	19,636,000	2	10.00%
Fresno Metropolitan Flood Control District	15,053,541	4	4.78%	19,582,819	3	9.98%
City of San Luis Obispo	14,919,125	5	4.74%	7,596,024	9	3.87%
City of Porterville	12,308,484	6	3.91%			
Phelan Piñon Hills Community Service District	10,121,499	7	3.22%			
North Tahoe Fire Protection District	9,763,725	8	3.10%			
City of Davis	9,410,644	9	2.99%			
City of Bakersfield as successor agency to the Bakersfield Redevelopment Agency [3]	9,089,055	10	2.89%			
Stockton Port District				10,000,000	5	5.10%
County of Sacramento as successor agency to the Redevelopment Agency of the County of Sacramento [3]				10,000,000	6	5.10%
City of Hanford				10,000,000	7	5.10%
Trinity Public Utilities District				7,803,800	8	3.97%
City of El Centro				5,806,612	10	2.96%
Total of ten largest ISRF Program borrowers	135,234,927		42.96%	120,425,255		61.37%
All other ISRF Program borrowers	179,578,495		57.04%	75,809,605		38.63%
Total ISRF Program Loans receivable	$ 314,813,422		100.00%	$ 196,234,860		100.00%

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

[2] Formerly Orange County High School of the Arts.

[3] Effective February 1, 2012, California redevelopment agencies were dissolved and other governmental entities became successor agencies. A successor agency assumed the obligations of the former redevelopment agency, including Loans.

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

SCHEDULE OF ISRF PROGRAM LOANS RECEIVABLE AND INTEREST RATES

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
Total ISRF Program Loans receivable	$196,234,860	$229,996,808	$269,294,242	$282,990,412	$305,749,937
Weighted-average interest rate on total ISRF Program Loans receivable [1]	3.47%	3.40%	3.29%	3.27%	3.23%
Number of new ISRF Program Loans [2]	5	11	7	8	10
Range of interest rate on new ISRF Program Loans [3]	2.73 - 3.53%	2.92 - 3.22%	2.37 - 3.03%	2.66 - 3.15%	2.71 - 3.17%
Range of loan term on new ISRF Program Loans [4]	20 - 30 years	25 - 30 years	10 - 30 years	15 - 30 years	15 - 30 years

[1] The weighted average interest rate on ISRF Program Loans receivable is calculated by multiplying each loan's outstanding balance by its interest rate, then dividing the sum of those individual amounts by the ISRF Program Loans receivable balance at June 30.

[2] Determined based upon the effective date of the Loan agreement.

[3] The I-Bank charges fixed interest rates on ISRF Program Loans at approximately 67% of Thompson's Municipal Market Data Index for an "A" rated tax-exempt security with a weighted average life similar to the loan. The interest rate for each ISRF Program Loan is dependent upon the loan term, and is calculated as of the first business day of the month in which the I-Bank Board approved the loan.

[4] ISRF Program Loan terms cannot exceed the lesser of the financed project's useful life or 30 years. However, borrowers have requested shorter terms than the maximum allowed term.

2008-09	2009-10	2010-11	2011-12	2012-13	
$311,504,489	$331,209,650	$320,958,196	$323,333,231	$314,813,422	Total ISRF Program Loans receivable
3.24%	3.28%	3.29%	3.26%	3.25%	Weighted-average interest rate on total ISRF Program Loans receivable [1]
3	6	1	3	1	Number of new ISRF Program Loans [2]
3.25 - 4.07%	3.27 - 4.00%	3.24%	2.61 - 3.37%	2.29%	Range of interest rate on new ISRF Program Loans [3]
25 - 30 years	20 - 30 years	30 years	20 - 30 years	30 years	Range of loan term on new ISRF Program Loans [4]

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

SCHEDULE OF STATUTORY DEBT LIMIT CAPACITY [1]

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
I-Bank's legal limit on public development facility debt	$5.00 billion	$5.00 billion	$5.00 billion	$5.00 billion	$5.00 billion
Total amount outstanding on bonds issued to finance public development facilities [2]	$1,549,650,000	$1,559,415,000	$ 422,625,000	$389,930,000	$379,650,000
Remaining capacity for public development facility debt	$3.45 billion	$3.44 billion	$4.58 billion	$4.61 billion	$4.62 billion
I-Bank's legal limit on rate reduction bonds	$10.00 billion	$10.00 billion	$10.00 billion	$10.00 billion	$10.00 billion
Total amount outstanding on rate reduction bonds [3]	$2,131,392,162	$1,526,249,177	$ 921,758,121	$313,693,353	$ 1,661,939
Remaining capacity for rate reduction bonds	$7.87 billion	$8.47 billion	$9.08 billion	$9.69 billion	$9.998 billion

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

[2] Beginning in the 2003-04 fiscal year, a portion of the amount outstanding represents the ISRF Program Bonds shown in the Schedule of Outstanding ISRF Program Bonds and Debt Ratio. The remaining amount outstanding represents conduit revenue bonds.

[3] Rate reduction bonds are conduit revenue bonds.

2008-09	2009-10	2010-11	2011-12	2012-13	
$5.00 billion	$5.00 billion	$5.00 billion	$5.00 billion	$5.00 billion	I-Bank's legal limit on public development facility debt
$ 371,525,000	$ 336,020,000	$ 300,305,000	$ 265,505,000	$ 199,480,000	Total amount outstanding on bonds issued to finance public development facilities [2]
$4.63 billion	$4.66 billion	$4.70 billion	$4.73 billion	$4.80 billion	Remaining capacity for public development facility debt
$10.00 billion	$10.00 billion	$10.00 billion	$10.00 billion	$10.00 billion	I-Bank's legal limit on rate reduction bonds
$ -	$ -	$ -	$ -	$ -	Total amount outstanding on rate reduction bonds [3]
$10.00 billion	$10.00 billion	$10.00 billion	$10.00 billion	$10.00 billion	Remaining capacity for rate reduction bonds

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK
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SCHEDULE OF OUTSTANDING ISRF PROGRAM BONDS AND RELATED DEBT RATIO

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
Series 2004 ISRF Program Bonds	$ 51,370,000	$ 51,370,000	$ 50,225,000	$ 48,930,000	$ 47,615,000
Series 2005 ISRF Program Bonds	-	-	52,800,000	50,960,000	49,530,000
Series 2008 ISRF Program Bonds	-	-	-	-	-
Total ISRF Program Bonds outstanding	$ 51,370,000	$ 51,370,000	$ 103,025,000	$ 99,890,000	$ 97,145,000
Series-pledged ISRF Program Loans receivable[1]	$ 83,205,998	$ 80,524,229	$ 154,295,885	$ 148,316,271	$ 143,622,194
Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable	0.62	0.64	0.67	0.67	0.68

[1] Excludes loans pledged to the Master Indenture and non-pledged loans.

2008-09	2009-10	2010-11	2011-12	2012-13	
$ 46,275,000	$ 44,910,000	$ 43,515,000	$ 42,055,000	$ 40,525,000	Series 2004 ISRF Program Bonds
48,030,000	46,470,000	44,835,000	43,140,000	41,360,000	Series 2005 ISRF Program Bonds
48,375,000	46,605,000	44,500,000	42,330,000	40,095,000	Series 2008 ISRF Program Bonds
$ 142,680,000	$ 137,985,000	$ 132,850,000	$ 127,525,000	$ 121,980,000	Total ISRF Program Bonds outstanding
$ 211,216,003	$ 203,348,112	$ 195,160,107	$ 185,227,425	$ 189,272,085	Series-pledged ISRF Program Loans receivable[1]
0.68	0.68	0.68	0.69	0.64	Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable

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CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
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SCHEDULE OF AGGREGATE PLEDGED RESOURCES COVERAGE FOR ISRF PROGRAM BONDS [1]

FOR THE PAST NINE BOND YEARS [2]

Bond Year	Series-pledged ISRF Program Loan Repayments [3]	Reserve Account Earnings [4]	Total Amount Available for Debt Service [5]	ISRF Program Bonds Debt Service			Debt Service Coverage Ratio
				Principal	Interest	Total	
2003-04 [6]	$ 2,627,424	$ 41,165	$ 2,668,589	$ -	$ 1,319,700	$ 1,319,700	2.02
2004-05	4,522,348	136,247	4,658,595	1,145,000	2,262,343	3,407,343	1.37
2005-06	11,033,439 [7]	279,757	11,313,203	3,135,000	4,200,794	7,335,794	1.54
2006-07	9,595,561	346,128	9,941,689	2,745,000	4,600,174	7,345,174	1.35
2007-08	9,591,891	335,755	9,927,646	2,840,000	4,516,674	7,356,674	1.35
2008-09	14,515,584	38,140	14,553,724	4,695,000	6,430,871	11,125,871	1.31
2009-10	14,863,784	3,005	14,866,789	5,135,000	6,242,953	11,377,953	1.31
2010-11	14,964,643	44,480	15,009,123	5,325,000	6,044,653	11,369,653	1.32
2011-12	14,716,041	70,085	14,786,126	5,545,000	5,838,753	11,383,753	1.30

[1] Schedule reflects the aggregate of the three series of ISRF Program Bonds.

[2] Bond year means the period of twelve consecutive months from October 2 through the following October 1.

[3] Includes interest and principal paid on Series-Pledged Loans and excludes interest and principal paid on Loans pledged to the Master Indenture and non-pledged Loans.

[4] Investment income includes only that amount received on funds pledged to ISRF Program Bonds debt service.

[5] Excludes capitalized interest in bond years 2003-04 and 2004-05.

[6] First year of ISRF Program Bonds debt service payments.

[7] Includes unscheduled full repayment of a Series-Pledged Loan.

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
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CALIFORNIA DEMOGRAPHIC AND ECONOMIC INDICATORS

FOR THE PAST TEN CALENDAR YEARS

	2003	2004	2005	2006	2007
State population (in thousands)	35,389	35,753	35,986	36,247	36,553
Personal income (in millions)	$1,232,981	$1,312,227	$1,387,661	$1,495,533	$1,566,400
Per capita personal income[1]	$34,841	$36,703	$38,561	$41,259	$42,853
Labor force and employment (in thousands)					
Civilian labor force	17,391	17,444	17,545	17,687	17,921
Employed	16,200	16,355	16,592	16,821	16,961
Unemployed	1,191	1,090	953	865	960
Unemployment rate	6.8%	6.2%	5.4%	4.9%	5.4%

Sources: Population as of December 2012 - Demographic Research Unit, California Department of Finance

Personal income as of March 27, 2013 - Bureau of Economic Analysis, United States Department of Commerce

Labor force and employment as of August 16, 2013 - Labor Market Information Division, California Employment Development Department

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

2008	2009	2010	2011	2012	
36,856	37,077	37,309	37,570	37,826	State population (in thousands)
$1,610,698	$1,516,677	$1,564,209	$1,645,138	$1,711,110	Personal income (in millions)
$43,702	$40,906	$41,926	$43,789	$45,236	Per capita personal income[1]
					Labor force and employment (in thousands)
18,207	18,216	18,331	18,405	18,495	Civilian labor force
16,894	16,151	16,064	16,237	16,560	Employed
1,314	2,065	2,267	2,167	1,935	Unemployed
7.2%	11.3%	12.4%	11.8%	10.5%	Unemployment rate

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CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
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CALIFORNIA EMPLOYMENT BY INDUSTRY

FOR CALENDAR YEARS 2012 AND 2003

	2012		2003	
INDUSTRY	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment
Farming	402,500	2.72%	375,100	2.54%
Mining and logging	30,100	0.20%	22,200	0.15%
Construction	587,500	3.97%	796,800	5.40%
Manufacturing	1,252,800	8.47%	1,544,500	10.46%
Trade, transportation & utilities	2,725,100	18.42%	2,716,400	18.39%
Information	430,400	2.91%	476,100	3.22%
Financial activities	774,600	5.23%	878,800	5.95%
Professional & business services	2,235,100	15.10%	2,085,300	14.12%
Educational & health services	1,879,200	12.70%	1,542,900	10.45%
Leisure and hospitality	1,599,100	10.81%	1,400,100	9.48%
Other services	505,700	3.42%	504,300	3.41%
Government				
Federal	249,800	1.69%	255,400	1.73%
State	481,800	3.26%	471,700	3.19%
Local	1,643,400	11.11%	1,699,000	11.50%
TOTALS	14,797,100	100.00%	14,768,600	100.00%

Source: Labor Market Information Division, California Employment Development Department
Industry Employment and Labor Force - by Annual Average as of August 1, 2013

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
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NUMBER OF I-BANK EMPLOYEES BY IDENTIFIABLE ACTIVITY [1]

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
Infrastructure State Revolving Fund Program and Support	10	10	11	11	11
Conduit Financing Programs	3	3	3	4	4
Executive/Administration/Legal	7	7	6	5	5
Total Employees	20	20	20	20	20

[1] Data represents permanent, full-time positions.

2008-09	2009-10	2010-11	2011-12	2012-13	
14	14	13	13	12	Infrastructure State Revolving Fund Program and Support
4	4	4	4	4	Conduit Financing Programs
7	7	7	7	7	Executive/Administration/Legal
25	25	24	24	23	Total Employees

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
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MAJOR I-BANK PROGRAM ACTIVITY

FOR THE PAST TEN FISCAL YEARS

	2003-04	2004-05	2005-06	2006-07	2007-08
Infrastructure State Revolving Fund Program					
Preliminary Applications:					
Number of applications received	10	20	19	20	11
Financing amount requested	$38,727,352	$105,547,328	$48,293,789	$70,878,000	$32,074,224
Financing Applications:					
Number of applications received	13	7	12	8	7
Financing amount requested	$49,202,350	$25,650,000	$44,910,000	$29,110,000	$26,450,000
Approved Loans:					
Number of loans approved	10	8	11	6	8
Financing amount approved	$35,528,800	$26,962,000	$44,916,000	$23,800,000	$29,751,600
Loan Disbursements:					
Number of transactions	102	79	110	87	67
Total amount disbursed	$46,276,967	$43,767,624	$37,889,135	$38,909,915	$30,764,260
Number of outstanding loans	43	54	59	67	76
Conduit Financing Programs					
Preliminary Applications: [1]					
Number of applications received	2	2	2	3	3
Financing amount requested	$10,100,000	$9,950,000	$13,200,000	$20,500,000	$21,335,000
Financing Applications:					
Number of applications received	9	13	5	18	18
Financing amount requested	$1,168,350,000	$1,188,490,000	$177,300,000	$692,010,000	$1,559,380,000
Bonds Sold:					
Number of bonds sold	11	15	10	19	20
Financing amount sold	$1,484,327,250	$2,465,635,000	$265,640,000	$814,422,774	$1,030,136,886

[1] Industrial development conduit revenue bonds are the only Bond Financing Programs applicants that submit a Preliminary Application. All other Bonds Financing Programs applicants submit only a Financing Application.

2008-09	2009-10	2010-11	2011-12	2012-13	
					Infrastructure State Revolving Fund Program
					Preliminary Applications:
10	14	9	2	8	Number of applications received
$60,980,525	$29,597,760	$49,887,500	$5,470,231	$27,908,700	Financing amount requested
					Financing Applications:
4	4	2	1	6	Number of applications received
$14,297,000	$6,020,000	$7,737,500	$10,000,000	$18,722,500	Financing amount requested
					Approved Loans:
6	3	2	2	3	Number of loans approved
$22,847,500	$17,000,000	$3,500,000	$16,756,500	$12,122,500	Financing amount approved
					Loan Disbursements:
62	39	44	38	27	Number of transactions
$43,879,185	$21,146,788	$19,861,726	$16,151,949	$18,927,120	Total amount disbursed
79	85	86	88	88	Number of outstanding loans
					Conduit Financing Programs
					Preliminary Applications: [1]
2	2	2	-	-	Number of applications received
$20,000,000	$9,850,000	$11,500,000	-	-	Financing amount requested
					Financing Applications:
13	13	13	6	7	Number of applications received
$1,722,550,000	$814,310,000	$695,065,000	$753,925,000	$719,080,000	Financing amount requested
					Bonds Sold:
17	17	10	9	5	Number of bonds sold
$1,248,990,000	$985,885,000	$203,300,000	$851,100,000	$328,780,000	Financing amount sold

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

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The Fiscal Unit was assisted by other I-Bank staff and the staff of the Business, Transportation and Housing Agency, the California Highway Patrol External Services Unit, and the California Department of Resources Recycling and Recovery Information Technology Services Branch.

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This report is also available on the I-Bank's website at www.ibank.ca.gov.