

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC
DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
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, 2014



Fiscal Unit

California Infrastructure and Economic Development Bank



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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION



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California Infrastructure and Economic Development Bank

September 24, 2014

To the Board of Directors:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the California Infrastructure and Economic Development Bank Fund and the California Infrastructure Guarantee Trust Fund, enterprise funds of the California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California, for the fiscal year ended June 30, 2014. This report includes the financial activities of IBank's Infrastructure State Revolving Fund (ISRF) Program and Conduit Bond Program included in 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). The continuing disclosure agreements related to IBank's revenue bonds that provided funding for the ISRF Program (ISRF Program Bonds) require annual audited financial statements and this CAFR fulfills that requirement.

The net position of the Funds was \$281,695,761 as of June 30, 2014, all of which was restricted. Net position increased by \$3,177,137 over the previous fiscal year directly as a result of positive earnings from operating and nonoperating activities. Embracing this momentum and to further improve the Funds' financial position, IBank is in the process of enhancing its current programs and developing new programs and financing instruments to confront the infrastructure and economic development funding requirements of a wider spectrum of State and local governments and communities within the State. In addition, the State and local governments continue to delay much-needed infrastructure projects vital to fueling the State's economic engine. The limits on available funds and financings continue to restrict the infrastructure and economic expansion projects that are needed to improve the quality of life throughout the State and are vital to the continued preservation of California's infrastructure. IBank is uniquely positioned to be a major contributor to the success of the State's economic revitalization.

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

Macias Gini & O'Connell LLP has issued an unmodified ("clean") opinion on the Funds' financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.



California Infrastructure and Economic Development Bank

Profile of IBank

The California Infrastructure and Economic Development Bank was established in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The California Infrastructure and Economic Development Bank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act contained in the California Government Code section 63000 *et seq.* The California Infrastructure and Economic Development Bank is a component unit of the State of California located within the Governor's Office of Business and Economic Development (GO-Biz) and is governed by a five-member Board of Directors.

IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies and certain tax-exempt non-profit organizations that are sponsored by public agencies, provide credit enhancements, including guarantees, acquire or lease facilities, and leverage State and Federal funds. IBank's current programs 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. The Small Business Loan Guarantee Program (SBLGP) became a program of the California Infrastructure and Economic Development Bank during the 2013-14 fiscal year; however, the SBLGP's financial activities are not included in this report.

With the exception of funds for program support and the SBLGP administration, which must be annually appropriated by the State Legislature, all IBank 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

California's economy has rebounded well adding over 1 million jobs to recover all of the jobs lost during the recession. In 2013, California led all states for private sector job growth and the unemployment rate declined to the lowest point in over 5 years. Job growth has been led by strong gains in construction, trade and transport, retail, agriculture and high tech. Likewise, industries that have traditionally struggled in California have started to see gains. The manufacturing industry has added jobs for three straight years which is the first time the state has had consecutive years of manufacturing job gains in over a decade. California's gross state product is over \$2.2 trillion and the state is once again the 8th largest economy having surpassed Russia and Italy. Some economists predict that by mid-year 2015, California could be the 6th largest economy as the state's economy closes in on the UK and France.

Interest in the ISRF Program continues to grow with stronger borrowers and more diverse projects. While some of 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.

We anticipate more interest in IBank's programs as the economy rebounds and prospective borrowers are better positioned to finance the 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 assigned their respective "AAA" long-term rating to the California Infrastructure and Economic Development Bank ISRF



California Infrastructure and Economic Development Bank

Program Bonds and noted that the outlook is stable. These strong ratings reflect the ISRF Program's extremely strong financial risk score and very strong enterprise risk score.

Long-term Financial Planning

The California Infrastructure and Economic Development Bank's priorities for the upcoming years include but are not limited to the following: providing funding priority to existing and postponed infrastructure projects, creating sector-specific financing instruments and funds, developing public-private investment opportunities, and facilitating state-wide outreach to potential customers for all of IBank's programs. These priorities will provide access to more affordable funds for California infrastructure and economic development while maintaining the Funds' 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 California Infrastructure and Economic Development Bank for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the third consecutive year that the California Infrastructure and Economic Development 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 staff of the California Infrastructure and Economic Development Bank for their consistent dedication and contribution to the success of the organization. In particular, I acknowledge the Fiscal Unit staff for the preparation of this Comprehensive Annual Financial Report.

Respectfully submitted,

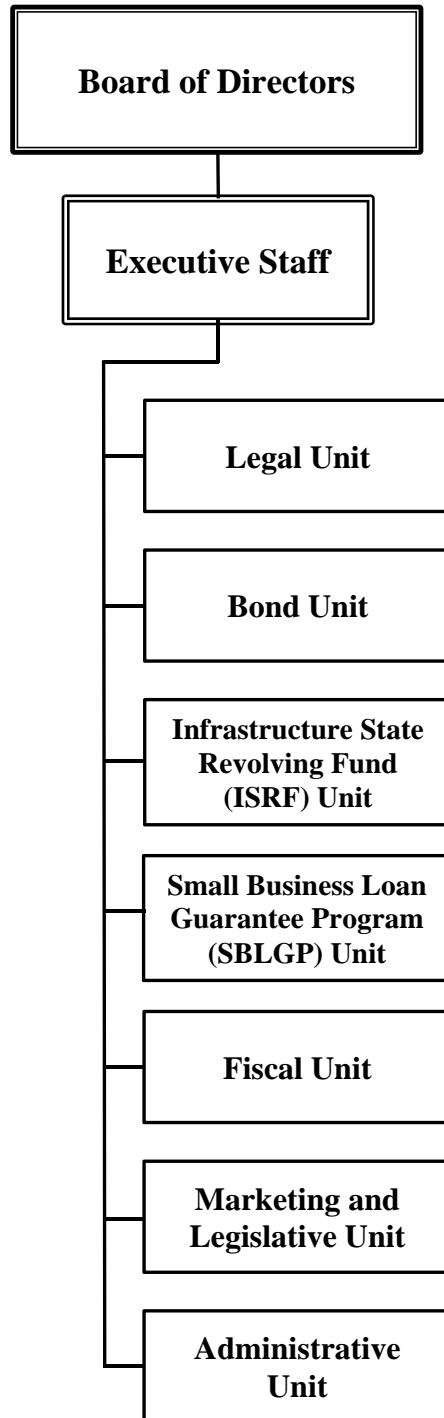
A handwritten signature in blue ink that reads "Teveia Rose Barnes".

Teveia R. Barnes
Executive Director

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ORGANIZATION CHART



**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
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ENTERPRISE FUNDS OF THE
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PRINCIPAL OFFICIALS

IBank Board of Directors

**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

Michael Cohen, Director of the Department of Finance

Peter Luchetti, Governor's Appointee

IBank Executive and Management Staff as of August 25, 2014

Teveia Barnes, Executive Director

Ruben Rojas, Deputy Executive Director

Marilyn Muñoz, General Counsel

Diane Cummings, Chief Credit Officer

Nancee Trombley, Chief Compliance Officer

Tad Thomas, ISRF Unit Manager

Vacant, Bond Unit Manager

Vacant, Fiscal Unit Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**California Infrastructure and Economic
Development Bank, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the California Infrastructure and Economic Development Bank Fund and California Infrastructure Guarantee Trust Fund (collectively, the Funds), enterprise funds of the California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2014, and the changes in their financial position and their cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the financial statements present only the Funds and do not purport to, and do not present fairly the financial position of IBank as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. IBank's California Small Business Expansion Fund, its only other fund, is included in and subject to the audit of California's financial statements. 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 fund financial statements. Such information, although not a part of the fund financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the fund 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 fund financial statements, and other knowledge we obtained during our audit of the fund 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 fund financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not required parts of the fund financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, on our consideration of IBank's internal control over financial reporting as it relates to the Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IBank's internal control over financial reporting and compliance, as it relates to the Funds.

Maclean Meiri & O'Connell LLP

Sacramento, California
September 24, 2014

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Introduction

The following Management's Discussion & Analysis (MD&A) provides an overview to the financial statements of the California Infrastructure and Economic Development Bank Fund and California Infrastructure Guarantee Trust Fund, enterprise funds of the California Infrastructure and Economic Development Bank (IBank), a component unit of the State of California, 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, 2014 (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.

IBank and Current Programs

The California Infrastructure and Economic Development 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 California Infrastructure and Economic Development Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, including guarantees, acquire or lease facilities, and leverage State and Federal funds. The Funds' current operations are funded solely from fees, interest earnings, and Infrastructure State Revolving Fund Program loan¹ repayments. The California Infrastructure and Economic Development Bank is a component unit of the State of California (State) and the Funds' financial statements are included in the State's Comprehensive Annual Financial Report.

IBank'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 eighteen categories of public infrastructure and economic expansion projects, and a variety of conduit revenue bond financing programs, including the Industrial Development Bond Program for manufacturing and processing companies, the 501(c)(3) Revenue Bond Program for nonprofit public benefit corporations, State School Fund Bond Program and the Public Agency Revenue Bond Program for governmental entities. Conduit bonds issued by IBank are a limited obligation of IBank payable solely from the revenues generated by the underlying borrower. The Small Business Loan Guarantee Program (SBLGP), which issues guarantees to lenders of loans to small businesses having difficulty securing financing on their own, was established as a program of the California Infrastructure and Economic Development Bank in October 2013. However, the SBLGP program's financial activities and position are not included in this report.

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

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Financial Highlights 2013-2014

- Net position increased by \$3,177,137 to \$281,695,761 during the fiscal year due to earnings from operations and investment income.
- Total cash, cash equivalents, and investments increased during the fiscal year by \$49,395,157 or 52.72% as a result of proceeds received from the issuance of the 2014A ISRF Program Bonds and loan repayments exceeding loan disbursements and bond debt service payments.
- Total pledged and non-pledged loans receivable decreased during the fiscal year by \$22,945,204 because scheduled loan repayments and an unscheduled loan payoff exceeded new loans closed during the fiscal year.
- Total operating revenues were \$12,147,744 for the fiscal year, an increase of \$448,729 or 3.84% over the previous fiscal year due to increased interest on loans receivable and increased administration fee revenue.
- Total operating expenses were \$9,189,187 during the fiscal year compared to \$8,438,168 for the prior fiscal year, an increase of 8.90%. The increase in operating expenses is mostly due to the cost of issuing the 2014A ISRF Program Bonds.
- Interest on revenue bond debt was \$5,031,074 during the fiscal year, a decrease of \$348,608 or 6.48% from the previous fiscal year. The decrease is attributable to the decreased balance of revenue bonds payable that existed for most of the fiscal year until the issuance of the 2014A ISRF Program Bonds in February.
- Investment income, a nonoperating revenue, was \$218,580 for the fiscal year, an increase of \$6,278 over the prior fiscal year, due to increased interest earnings.

Overview of the Financial Statements

The financial section of this annual financial report consists of this MD&A, the financial statements, and the notes to the financial statements. This MD&A is a discussion of many aspects of the Funds' operations and financial status and its information was compiled from the Funds' 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, liabilities and deferred inflows/outflows of resources of the Funds, with the difference reported as net position. Over time, increases or decreases in net position are expected to serve as a useful indicator of whether the financial position 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 changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- The *Statement of Cash Flows* reports the cash flows from operating activities, noncapital financing activities and investing activities, and the resulting impacts to cash and cash equivalents for the fiscal year.

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The financial statements included in this annual financial report are those of IBank's CIEDB Fund and Guarantee Trust Fund. As discussed in Note 1, The Financial Reporting Entity, the financial statements herein are intended to present the financial position, change in financial position and cash flows of only IBank's ISRF Program and Conduit Bond Program. The financial statements do not purport to present the financial position of the Small Business Loan Guarantee Program or 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 Funds was \$281,695,761 as of June 30, 2014, all of which was restricted. Net position increased by \$3,177,137 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, 2014 and 2013, and the dollar and percentage change from the prior year.

	2014	2013	\$ Change	% Change
Cash, cash equivalents, and investments--restricted	\$ 143,080,564	\$ 93,685,407	\$ 49,395,157	52.72%
Program loans receivable	291,868,218	314,813,422	(22,945,204)	-7.29%
Other assets	3,747,020	4,371,482	(624,462)	-14.28%
Total Assets	438,695,802	412,870,311	25,825,491	6.26%
Deferred Outflow of Resources	864,910	-	864,910	100.00%
Total Assets and Deferred Outflows	\$ 439,560,712	\$ 412,870,311	\$ 26,690,401	6.46%
Accounts payable	\$ 1,132,801	\$ 10,661	\$ 1,122,140	10525.65%
Revenue bonds payable	146,507,706	123,683,680	22,824,026	18.45%
Other liabilities	3,661,741	2,777,094	884,647	31.86%
Undisbursed loan commitments	6,562,703	7,880,252	(1,317,549)	-16.72%
Total Liabilities	157,864,951	134,351,687	23,513,264	17.50%
Net Position	281,695,761	278,518,624	3,177,137	1.14%
Total Liabilities and Net Position	\$ 439,560,712	\$ 412,870,311	\$ 26,690,401	6.46%

Assets

Total assets increased by \$25.8 million over the prior year. Cash, cash equivalents, and investments--restricted increased as a result of cash received from the issuance of the 2014A ISRF Program Bonds whose proceeds were used to refund previously outstanding ISRF Program Bonds and to refinance existing bond anticipation loans.

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ISRF Program loans receivable (both pledged and non-pledged) totaled \$291,868,218 as of June 30, 2014, a decrease of \$22,945,204 from the prior year as scheduled loan repayments and an unscheduled loan payoff exceeded the amount of loan closings during the fiscal year.

Deferred Outflow of Resources

The issuance of the 2014A ISRF Program Bonds resulted in a loss on the advance refunding of the 2004 and 2005 ISRF Program Bonds. That loss of \$896,045, which represents the difference between the amount placed in escrow to repay the refunded bonds and the net carrying value of those bonds, was established as a deferred outflow of resources and will be amortized as an adjustment to interest expense over the remaining life of the refunded bonds.

Liabilities

Total liabilities were \$157,864,951 as of June 30, 2014, an increase of 17.50% over the prior fiscal year. The largest liability is revenue bonds payable, which consists of two series of ISRF Program Bonds, one issued in 2008 and one issued in February 2014. Revenue bonds payable increased by \$22.8 million over the prior year because the amount of 2014A ISRF Program Bonds issued was greater than the outstanding balance of the 2004 and 2005 ISRF Program Bonds that were refunded from the proceeds of the 2014A ISRF Program Bonds.

Statement of Revenue, Expenses, and Change in Net Position

Operating income was \$2,958,557 for the fiscal year ending June 30, 2014. The following table presents the condensed, combined Statement of Revenues, Expenses, and Change in Net Position for the 2013-2014 and 2012-2013 fiscal years.

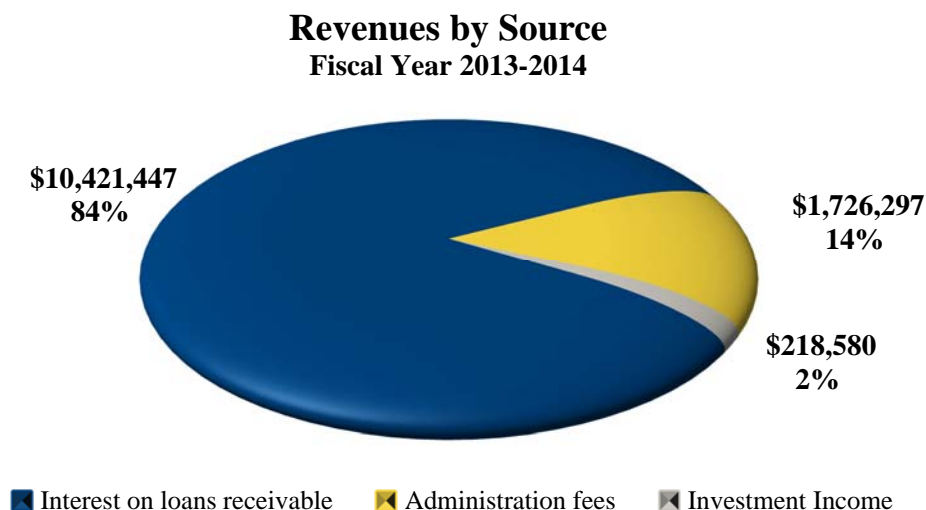
	2013-2014	2012-2013	\$ Change	% Change
Interest on loans receivable	\$ 10,421,447	\$ 10,270,967	\$ 150,480	1.47%
Administration fees	1,726,297	1,428,048	298,249	20.89%
Total operating revenues	12,147,744	11,699,015	448,729	3.84%
Total operating expenses	9,189,187	8,438,168	751,019	8.90%
Operating income	2,958,557	3,260,847	(302,290)	-9.27%
Nonoperating revenue	218,580	212,302	6,278	2.96%
Change in net position	3,177,137	3,473,149	(296,012)	-8.52%
Net Position, Beginning of year	278,518,624	275,045,475	3,473,149	1.26%
Net Position, End of year	\$ 281,695,761	\$ 278,518,624	\$ 3,177,137	1.14%

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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Revenues

The following chart presents Operating and Nonoperating revenues by source:



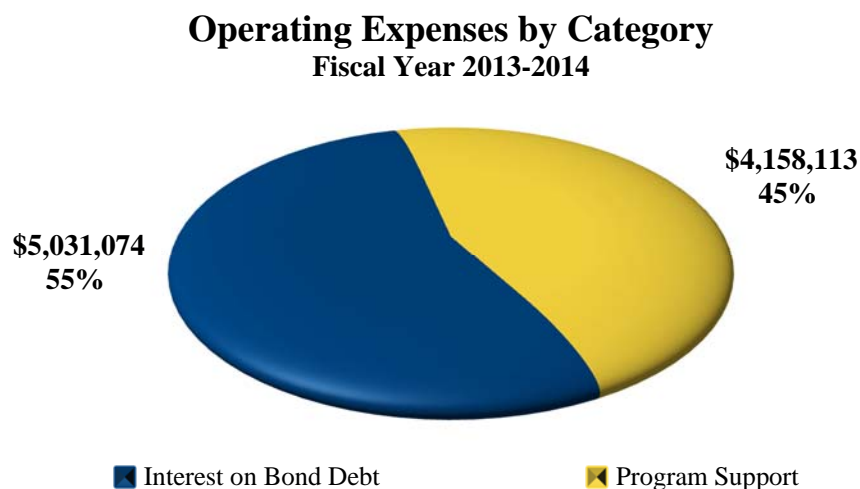
Total operating revenue, which includes interest on loans receivable and administration fees, increased 3.84% over the prior fiscal year. Interest on loans receivable and loan administration fees increased because an ISRF Program borrower paid off early its loan balance during the fiscal year, including unpaid interest and fees. Administration fees also increased as a result of more conduit bond sales and more ISRF Program Loans during the fiscal year. Nonoperating revenue consists of investment income of \$218,580 for the fiscal year. Investment income increased during the fiscal year from increased yield earned on investments.

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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating Expenses

The following chart presents Operating Expenses by category:



Total operating expenses were \$9,189,187 during the fiscal year, an 8.90% increase over the prior fiscal year.

The interest on ISRF Program Bonds of \$5,031,074 represents the largest operating expense category and accounts for 55% of total operating expenses, and was \$348,608 less than the prior fiscal year. The decrease is directly related to the decreased balance of revenue bonds payable that existed during most of the fiscal year until the issuance of the 2014A ISRF Program Bonds. Program support, which represents 45% of total operating expenses, increased over the prior fiscal year by \$1,099,627. The increase in program support expenses is primarily due to the cost of issuing the 2014A ISRF Program Bonds.

Budgetary Information

With the exception of funds for program support, which must be annually appropriated by the State Legislature, all other IBank 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.

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Debt Administration

IBank administers the ISRF Program, a leveraged revolving loan program. Initial ISRF Program Loans were funded with previous State General Fund appropriations. IBank issued \$51.37 million in ISRF Program Revenue Bonds in March 2004, \$52.80 million in December 2005, \$48.37 million in September 2008, and \$95.96 million in February 2014 (collectively, ISRF Program Bonds) to provide additional funding for ISRF Program Loans. The 2014A ISRF Program Bonds were issued to refund the 2004 and 2005 ISRF Program Bonds and to refinance existing bond anticipation loans. The ISRF Program Bonds were sold without a credit enhancement, and in 2004 and 2005, were initially rated AA, Aa2, and AA by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively. Upon the issuance of the 2008 ISRF Program Bonds, Standard & Poor's and Fitch Ratings raised the ratings on the ISRF Program Bonds to AA+, citing proactive and strong program oversight and management, and thorough ongoing surveillance of existing Loans as key factors to the high credit ratings on the bonds. The 2014A ISRF Program Bonds were assigned a rating of AAA, Aa1, and AAA by Standard & Poor's, Moody's Investors Service, and Fitch Ratings, respectively, with outlook stable. These strong ratings reflect the ISRF Program's extremely strong financial risk score and very strong enterprise risk score. In addition, these strong ratings reflect the ISRF Program's ability to withstand defaults by the ISRF Program's borrowers while the ISRF Program could continue to pay the ISRF Program's bondholders. During the fiscal year, Standard & Poor's reaffirmed their AA+ rating and Moody's Investor Service reaffirmed their Aa2 rating of the 2008 ISRF Program Bonds.

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 ISRF Program Bonds. The 2008 ISRF Program Bonds are structured under a master-series model and the 2014A ISRF Program Bonds are structured under an open-indenture model. Both are limited obligations of IBank payable solely from and secured solely by pledged ISRF Program Loan repayments, reserves, and reserve account interest earnings. Note 5 of the Notes to the Financial Statements contains additional information about the outstanding ISRF Program Bonds.

IBank also issues conduit revenue bonds including Industrial Development Bonds for certain privately-owned manufacturing and processing businesses, 501(c)(3) Revenue Bonds for nonprofit entities, State School Fund Bonds for financially troubled public school districts, and Public Agency Revenue Bonds for other state and local governmental entities. During the fiscal year, IBank served as the issuer for \$735,423,063 of conduit revenue bonds. Conduit bonds are a limited obligation of IBank payable solely from the pledged revenues of the conduit borrower. As such, except for administration fee revenue related to the conduit bond programs, conduit bond financial information is not reflected in the Funds' financial statements.

Economic Condition and Outlook

California's economy has rebounded well, adding over 1 million jobs to recover all of the jobs lost during the recession. In 2013, California led all states for private sector job growth and the unemployment rate declined to the lowest point in over 5 years. Job growth has been led by strong gains in construction, trade and transport, retail, agriculture and high tech. Likewise, industries that have traditionally struggled in California have started to see gains. The manufacturing industry has added jobs for three straight years which is the first time the state has had consecutive years of manufacturing job gains in over a decade.

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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

California's gross state product is over \$2.2 trillion and the state is once again the 8th largest economy having surpassed Russia and Italy. Some economists predict that by mid-year 2015, California could be the 6th largest economy as the state's economy closes in on the UK and France.

January 17, 2014 marked the beginning of the official drought in California when Governor Brown issued his drought proclamation. The drought has affected the State differently throughout the regions yet most communities have instituted stringent water rationing. Southern California relied on lessons learned from the 1970s and 1990s droughts and was prepared with water conservation, recycling plans, new reservoirs and ground water banks. California's industrial and agricultural industries and the quality of life for all residents depend upon reliable and affordable water supplies.

The first quarter of 2014 experienced an unemployment rate of 8.1 percent and then fell sharply to 7.8 percent in April. The rate is expected to fall and reach 7.2 percent by the end of 2014. California Employment Development Department reported that California added 447,400 nonfarm payroll jobs in 2013 and 1.3 million jobs from the end of the recession through April 2014. The LA County Economic Development Corporation's Kyser Center for Economic Research reported in the February 2014 Economic Forecast that more than 1.3 million jobs between December 2007 and January 2010 were lost in the State. However, nearly all of the jobs lost in California during the recession have now been recovered, with technology, tourism and retail trade leading the recovery in job growth in recent years.

The 2014-2015 economic forecast for California remains strong and resilient with private sector jobs gains, steady decline in unemployment rate, housing and construction improving, together with leisure and hospitality, health services, and professional and business services.

Interest in the ISRF Program continues to grow with stronger borrowers and more diverse projects. While some of 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 Funds do not receive any on-going State General Fund support and their programs continued to provide revenues sufficient to support all operating expenses.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the finances of 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, P.O. Box 2830, Sacramento, California 95812-2830.

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**STATEMENT OF NET POSITION
JUNE 30, 2014**

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and equivalents - restricted	\$ 108,854,004	\$ 24,640,678	\$ 133,494,682
Pledged loans receivable - disbursed	13,369,403	-	13,369,403
Non-pledged loans receivable - disbursed	241,748	-	241,748
Interest and other receivables	3,733,031	13,989	3,747,020
Total current assets	<u>126,198,186</u>	<u>24,654,667</u>	<u>150,852,853</u>
NON-CURRENT ASSETS			
Investments - restricted	9,585,882	-	9,585,882
Pledged loans receivable - disbursed	266,743,892	-	266,743,892
Pledged loans receivable - undisbursed	6,562,703	-	6,562,703
Non-pledged loans receivable - disbursed	4,950,472	-	4,950,472
Total non-current assets	<u>287,842,949</u>	<u>-</u>	<u>287,842,949</u>
Total assets	<u>414,041,135</u>	<u>24,654,667</u>	<u>438,695,802</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding debt	864,910	-	864,910
Total deferred outflows of resources	<u>864,910</u>	<u>-</u>	<u>864,910</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 414,906,045</u>	<u>\$ 24,654,667</u>	<u>\$ 439,560,712</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 1,132,801	\$ -	\$ 1,132,801
Compensated absences payable	14,278	-	14,278
Other liabilities	15,960	-	15,960
Revenue bond interest payable	2,251,099	-	2,251,099
Revenue bonds payable	5,000,000	-	5,000,000
Undisbursed loan commitments	5,898,082	-	5,898,082
Total current liabilities	<u>14,312,220</u>	<u>-</u>	<u>14,312,220</u>
NON-CURRENT LIABILITIES			
Compensated absences payable	162,404	-	162,404
Net other postemployment benefit obligation	1,218,000	-	1,218,000
Undisbursed loan commitments	664,621	-	664,621
Revenue bonds payable	141,507,706	-	141,507,706
Total non-current liabilities	<u>143,552,731</u>	<u>-</u>	<u>143,552,731</u>
Total liabilities	<u>157,864,951</u>	<u>-</u>	<u>157,864,951</u>
NET POSITION			
Restricted - Expendable:			
Statute	<u>257,041,094</u>	<u>24,654,667</u>	<u>281,695,761</u>
Total net position	<u>257,041,094</u>	<u>24,654,667</u>	<u>281,695,761</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 414,906,045</u>	<u>\$ 24,654,667</u>	<u>\$ 439,560,712</u>

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

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
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STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
OPERATING REVENUES			
Interest on loans receivable	\$ 10,421,447	\$ -	\$ 10,421,447
Administration fees	1,726,297	-	1,726,297
Total operating revenues	<u>12,147,744</u>	<u>-</u>	<u>12,147,744</u>
OPERATING EXPENSES			
Interest on revenue bond debt	5,031,074	-	5,031,074
Program support	4,158,113	-	4,158,113
Total operating expenses	<u>9,189,187</u>	<u>-</u>	<u>9,189,187</u>
OPERATING INCOME	<u>2,958,557</u>	<u>-</u>	<u>2,958,557</u>
NONOPERATING REVENUE			
Investment income	160,246	58,334	218,580
Total nonoperating revenue	<u>160,246</u>	<u>58,334</u>	<u>218,580</u>
Change in net position	3,118,803	58,334	3,177,137
NET POSITION, Beginning of year	<u>253,922,291</u>	<u>24,596,333</u>	<u>278,518,624</u>
NET POSITION, End of year	<u>\$ 257,041,094</u>	<u>\$ 24,654,667</u>	<u>\$ 281,695,761</u>

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

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
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**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of interest on loans receivable	\$ 10,778,501	\$ -	\$ 10,778,501
Receipt of administration fees	1,800,615	-	1,800,615
Receipt of principal on loans receivable	28,167,705	-	28,167,705
Payment of outstanding loan commitments	(6,540,050)	-	(6,540,050)
Payment of program support	(2,488,561)	-	(2,488,561)
Net cash provided by operating activities	<u>31,718,210</u>	<u>-</u>	<u>31,718,210</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt of revenue bond proceeds	33,813,823	-	33,813,823
Payment to advance refund escrow agent	(7,067,943)	-	(7,067,943)
Payment of principal on revenue bond debt	(5,745,000)	-	(5,745,000)
Payment of interest on revenue bond debt	(3,642,603)	-	(3,642,603)
Net cash used for noncapital financing activities	<u>17,358,277</u>	<u>-</u>	<u>17,358,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest on investments	471,484	59,400	530,884
Net cash provided by investing activities	<u>471,484</u>	<u>59,400</u>	<u>530,884</u>
CHANGE IN CASH AND EQUIVALENTS	49,547,971	59,400	49,607,371
CASH AND EQUIVALENTS, Beginning of year	<u>59,306,033</u>	<u>24,581,278</u>	<u>83,887,311</u>
CASH AND EQUIVALENTS, End of year	<u>\$ 108,854,004</u>	<u>\$ 24,640,678</u>	<u>\$ 133,494,682</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 2,958,557	\$ -	\$ 2,958,557
Adjustments to reconcile operating income to net cash provided by operating activities:			
Interest on revenue bond debt	5,031,074	-	5,031,074
Underwriter's discount paid directly from bond proceeds	414,863	-	414,863
Changes in assets and liabilities:			
Loans receivable	22,945,204	-	22,945,204
Interest and other receivables	483,917	-	483,917
Accounts payable	1,122,140	-	1,122,140
Other liabilities	11,027	-	11,027
Compensated absences payable	(201,023)	-	(201,023)
Net other postemployment benefit obligation	270,000	-	270,000
Undisbursed loan commitments	(1,317,549)	-	(1,317,549)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 31,718,210</u>	<u>\$ -</u>	<u>\$ 31,718,210</u>
NONCASH FINANCING AND INVESTING ACTIVITIES			
Amortization of revenue bond premiums	\$ 800,678	\$ -	\$ 800,678
Amortization of deferred outflow of resources	31,135	-	31,135
Bond proceeds paid directly to advance refund escrow agent	75,116,760	-	75,116,760
Accrued interest on refunded revenue bonds	1,312,916	-	1,312,916
Unrealized loss on investments	212,214	-	212,214

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



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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. THE FINANCIAL REPORTING ENTITY

The California Infrastructure and Economic Development 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 California Infrastructure and Economic Development Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, including guarantees, acquire or lease facilities, and leverage State and Federal funds. The mission of the California Infrastructure and Economic Development Bank is to finance public infrastructure and economic expansion projects that promote a healthy climate for job creation and retention, contribute to a strong California economy, and improve the quality of life in California communities. The California Infrastructure and Economic Development Bank is governed by a five-member Board of Directors (Board) consisting of a delegate of the Director of the Governor's Office of Business and Economic Development, who serves as the chair, the Director of the Department of Finance, the State Treasurer, the Secretary of the State Transportation Agency, and an appointee of the Governor.

The California Infrastructure and Economic Development Bank (IBank) issues loans to municipal entities pursuant to the Infrastructure State Revolving Fund (ISRF) Program, the activities of which are accounted for in 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), enterprise funds of IBank. 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, non-profit corporations formed by local government entities, and non-profit organizations sponsored by a governmental entity. IBank issues revenue bonds (ISRF Program Bonds) to provide additional funding for the ISRF Program. The ISRF Program Bond indentures require an independent audit of the ISRF Programs. IBank also serves as a conduit issuer of revenue bonds, loans, and commercial paper for private, nonprofit and other governmental entities (Conduit Bond Programs), the activities of which are also accounted for in the Funds. Legislation requires an audit of IBank's activities under the Conduit Bond Program.

Effective October 4, 2013, the Small Business Financial Assistance Act of 2013 transferred the California Small Business Expansion Fund, which accounts for the activities of the California Small Business Loan Guarantee Program (SBLGP), to the California Infrastructure and Economic Development Bank. The SBLGP provides repayment guarantees to lenders of loans to small businesses having difficulty securing financing on their own. The guarantees are issued by non-profit financial development corporations, on behalf of the California Infrastructure and Economic Development Bank, to banks and other lenders to help small business owners finance their business plans, including expanding operations, purchasing new equipment and infusing small businesses with working capital. Guarantees may also be issued on loans for start-up cost. The California Small Business Expansion Fund is not included in these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION / FUND FINANCIAL STATEMENTS

The financial statements presented in this report include only the financial activities of the Funds and do not purport to, and do not present fairly the financial position of IBank as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. IBank's California Small Business Expansion Fund, its only other fund, is included in and subject to the audit of California's financial statements.

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

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.

Guarantee Trust Fund – The Guarantee Trust Fund is continuously appropriated to IBank without regard to fiscal year for the purpose of insuring all or a portion of the accounts and subaccounts within the CIEDB Fund, any contracts or obligations of IBank or a sponsor, as that term is defined in the Act, and all or a part of any series of bonds issued by IBank, by a special purpose trust or by a sponsor. Uncommitted monies may be transferred between the CIEDB Fund and the Guarantee Trust Fund when appropriate to accomplish the financing objectives of IBank. 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 Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with principal ongoing operations. The primary operating revenue reported in the Funds is financing income, representing interest on loans provided to ISRF Program borrowers. Also recognized in the Funds as operating revenue are 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. CASH AND EQUIVALENTS, AND INVESTMENTS

IBank considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash and investments held in either the State's Surplus Money Investment Fund (SMIF), an internal investment pool, money market deposit accounts or funds held by the Trustees 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.

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

IBank enters into loan agreements, installment sale agreements and lease agreements (Loans) to finance public infrastructure projects and projects for non-profit organizations sponsored by governmental entities pursuant to the ISRF Program. A majority of the Loans are pledged to the 2014A ISRF Program Bonds. Additional Loans are pledged to the 2008 ISRF Program Bonds or their 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The ISRF Program bond issuance costs are recognized as an expense when incurred.

F. REVENUE BONDS PAYABLE

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

G. LOAN AND CONDUIT BOND FEES

IBank charges an origination fee and an annual servicing fee to ISRF Program borrowers. The origination fee is due upon execution of the Loan agreement and is collected no later than the date of the borrower's first disbursement. Loan origination fees are recognized as revenue when due. The annual servicing fee is recognized as revenue when earned. IBank also charges application, bond issuance and annual fees to Conduit Bond 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. The current portion of the obligation represents the amount payable for separations expected to occur in the next fiscal year.

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 reported in the Funds is restricted by statute for programs established by IBank and for programs administered pursuant to the Act.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

IBank follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of the interest rate, credit, custodial credit, concentration of credit and foreign currency risks to the extent that they exist at the date of the Statement of Net Position. Additional disclosure detail required by GASB Statement No. 40 for cash deposits, investments, and derivatives within the State's centralized treasury system can be found in the State's Comprehensive Annual Financial Report for the year ended June 30, 2013, which is the latest available.

Due to the specified nature of the activities reported in the Funds as established in the Act, all cash, cash equivalents, and investments are considered restricted at June 30, 2014, 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 was reviewed by the Board in May 2013 with minor changes. The Investment Policy provides guidelines for the prudent investment while maximizing efficiency and financial return in conformance with all applicable State statutes governing the investment of public funds, with the foremost objectives being safety and liquidity.

Pursuant to the Investment Policy, IBank may, from time to time, direct the State Treasurer (Treasurer) to invest monies in the CIEDB Fund and Guarantee Trust Fund held within the State's centralized treasury system that are not required for its current needs, in any eligible securities specified in Government Code Section 16430 as IBank shall designate. IBank may direct the Treasurer to invest monies in the Guarantee Trust Fund in certain repurchase agreements, investment agreements and subordinated securities as specified in Government Code Section 63062(a). IBank may direct the Treasurer to deposit monies in 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. IBank 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 Trustees in each of the accounts under the 2008 ISRF Program Bonds Indenture, the 2008 Master Indenture, and the 2014A ISRF Program Bonds Indenture shall be invested and reinvested by the respective Trustees in permitted investments, as that term is defined in the respective indentures, which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Trustees that are governed by the provisions of the 2008 ISRF Program Bonds Indenture and its related Master Indenture or the 2014A ISRF Program Bonds Indenture, but rather the general provisions of the California Government Code or the Investment Policy.

Authorized Investments

Authorized Investment Type	Maximum Maturity¹	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating³
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 Trustees are governed by the provisions of the 2008 ISRF Program Bonds Indenture and its related Master Indenture and the 2014A ISRF Program Bonds Indenture. Such investments are referenced in the Investment Policy, which references Government Code sections 63052(e) and 5922(d).

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3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

Authorized Investments

Authorized Investment Type	Maximum Maturity¹	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating³
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/F2
Bankers Acceptances	180 Days	N/A	N/A	A-3/P-3/F3
Negotiable Certificates of Deposit	5 Years	N/A	N/A	A
U.S. SBA or U.S. FHA Securities	5 Years	N/A	N/A	N/A
Export-Import Bank Securities	5 Years	N/A	N/A	N/A
Guaranteed Student Loan Program Securities	5 Years	N/A	N/A	N/A
Development Bank Securities	5 Years	N/A	N/A	N/A
Corporate Debt Securities	5 Years	N/A	N/A	A
Surplus Money Investment Fund	N/A	N/A	N/A	N/A
Repurchase Agreements	5 Years	N/A	N/A	A
Guaranteed Investment Contract	5 Years	N/A	N/A	AA
Collateralized Forward Purchase Agreements	5 Years	N/A	N/A	A
Money Market Funds	N/A	N/A	N/A	Am

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.

IBank has invested excess cash reported in the 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, 2014 were as follows:

Cash on Hand	\$ 16,500
Surplus Money Investment Fund	56,070,220
Money Market Funds	8,940,802
Money Market Deposit Accounts	<u>68,467,160</u>
Total Cash and Equivalents	<u>\$ 133,494,682</u>

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3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)

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

Investments in federal agency bonds at June 30, 2014 were as follows:

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Agency Bonds	\$ 9,415,000	\$ 9,576,013	\$ 9,585,882

Deposit and Investment Risk Disclosures

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

<u>Investment</u>		<u>Weighted - Average to Maturity</u>
Surplus Money Investment Fund	\$ 56,070,220	232 days
Money Market Funds	8,940,802	37 days
Federal Agency Bonds	<u>9,585,882</u>	274 days
Total Cash Equivalents and Investments	\$ <u>74,596,904</u>	

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

<u>Investment</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End¹</u>
Surplus Money Investment Fund	\$ 56,070,220	N/A	Not Rated
Money Market Funds	8,940,802	Am	AAAm/Aaa-mf
Federal Agency Bonds	<u>9,585,882</u>	N/A	AA+/Aaa
Total Cash Equivalents and Investments	\$ <u>74,596,904</u>		

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

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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, IBank will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2014, the Funds reported \$68,467,160 in money market deposit accounts with U.S. Bank, a national depository financial institution, \$250,000 of which was covered by federal deposit insurance. The remainder was uncollateralized. IBank is in the process of entering into repurchase agreements for the funds held in the money market deposit accounts to mitigate the custodial credit risk associated with these deposits.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, IBank will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2014, SMIF and money market fund investments were not subject to custodial credit risk. The investment in federal agency bonds was not subject to custodial credit risk as of June 30, 2014, because the securities are held by the Trustees and registered in IBank'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, 2014, the investment in Federal Home Loan Bank was 13% of its total investments and was the only investment in any one issuer (other than money market funds and the Surplus Money Investment Fund) that represented 5% or more of total 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 consists of Loans that were pledged by IBank to the 2008 and 2014A ISRF Program Bond Series Indentures (Series-Pledged Loans) and Loans that were pledged to the Master Indenture related to the 2008 ISRF Program Bonds (Master Pledged Loans) until all ISRF Program Bonds mature in 2043. The principal and interest payments received during the fiscal year from the Series-Pledged Loans are paid to the respective Trustees 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 a Trustee and are available for repayment of the 2008 ISRF Program Bonds, if needed.

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4. PLEDGED LOANS RECEIVABLE (Continued)

For the 2013-14 fiscal year, the principal and interest payments received from Series-Pledged Loans were \$14,522,588 and represented 67% of all pledged Loan repayments received. The debt service payments on ISRF Program Bonds for the fiscal year was \$9,387,603, resulting in a bond debt coverage ratio for the fiscal year of 1.55 times. The total principal and interest remaining to be paid on the ISRF Program Bonds is \$208,877,258.

5. REVENUE BONDS PAYABLE

On February 6, 2014, IBank issued \$95,960,000 in ISRF Program Bonds with interest rates ranging from 2.00% to 5.00%. The net proceeds of the issuance were \$108,930,583, including a \$13,385,446 premium and after a payment of \$414,863 in underwriting fees. A portion of the proceeds, \$82,184,703, was used to advance refund \$78,440,000 of outstanding 2004 and 2005 ISRF Program Bonds with interest rates ranging from 2.00% to 5.00%. These proceeds were deposited in an irrevocable trust with an escrow agent to pay the future debt service on the refunded bonds. As a result, the 2004 and 2005 ISRF Program Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The remaining proceeds were used to fund ISRF Program Loans that were made in anticipation of the issuance of the 2014 ISRF Program Bonds.

The reacquisition price (amount placed in escrow to repay the 2004 and 2005 ISRF Program Bonds) exceeded the net carrying amount of those bonds by \$896,045. This loss on the bond refunding is reported as a deferred outflow of resources on the Statement of Net Position and will be amortized over the remaining life of the refunded bonds. IBank refunded the 2004 and 2005 ISRF Program Bonds to reduce its debt service payments by \$19,644,345 over the next 20 years and to obtain an economic gain of \$8,296,896 or 10.58% of the refunded par outstanding. The economic gain is the difference between the present values of the debt service payments on the old and new debt, discounted at 2.96%.

At June 30, 2014, the outstanding balance of the defeased 2004 and 2005 ISRF Program Bonds was \$78,440,000. The bonds will be redeemed on their October 1, 2014 call date.

The following is a summary of bonds payable at June 30, 2014:

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)	\$ 37,795,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2014A, issued \$95,960,000 bearing 2.00% to 5.00% interest payable semi-annually, final maturity October 1, 2043 (2014 ISRF Program Bonds)	95,960,000
Plus: Unamortized Net Premium	<u>12,752,706</u>
Net ISRF Program Bonds Payable	<u>\$ 146,507,706</u>

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5. REVENUE BONDS PAYABLE (Continued)

The following is a schedule of the debt service requirements for the 2008 ISRF Program Bonds as of June 30, 2014:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	1,725,000	1,329,881	3,054,881
2020-2024	9,000,000	5,472,231	14,472,231
2025-2029	8,665,000 ¹	3,470,972	12,135,972
2030-2034	7,210,000 ²	1,614,906	8,824,906
2035-2037	3,130,000 ³	231,000	3,361,000
Total	\$ 37,795,000	\$ 18,123,549	\$ 55,918,549

¹ Principal payments in the amount of \$1,165,000 are made from sinking fund payments for the 2031 term bonds.

² Principal payments in the amount of \$3,120,000 and \$2,475,000 are made from sinking fund payments for the 2031 and 2036 term bonds, respectively.

³ Principal payments in the amount of \$2,095,000 are made from sinking fund payments for the 2036 term bonds.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 2,640,000	\$ 5,227,781	\$ 7,867,781
2016	3,515,000	4,452,319	7,967,319
2017	3,630,000	4,326,994	7,956,994
2018	3,705,000	4,180,294	7,885,294
2019	3,860,000	4,009,693	7,869,693
2020-2024	21,455,000	16,904,344	38,359,344
2025-2029	24,200,000	11,295,219	35,495,219
2030-2034	22,060,000	5,025,031	27,085,031
2035-2039	8,970,000 ⁴	1,419,425	10,389,425
2040-2044	1,925,000 ⁵	157,609	2,082,609
Total	\$ 95,960,000	\$ 56,998,709	\$ 152,958,709

⁴ Principal payments in the amount of \$4,640,000 are made from sinking fund payments for the 2039 term bonds.

⁵ Principal payments in the amount of \$550,000 and \$1,375,000 are made from sinking fund payments for the 2039 and 2043 term bonds, respectively.

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6. LONG-TERM OBLIGATIONS

The changes in long-term obligations for the year ended June 30, 2014 were as follows:

	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Current Portion June 30, 2014</u>
Revenue Bonds Payable:					
2004 ISRF Program Bonds	\$ 40,525,000	\$ -	\$40,525,000	\$ -	\$ -
2005 ISRF Program Bonds	41,360,000	-	41,360,000	-	-
2008 ISRF Program Bonds	40,095,000	-	2,300,000	37,795,000	2,360,000
2014 ISRF Program Bonds	-	95,960,000	-	95,960,000	2,640,000
Unamortized Net Premium	<u>1,703,680</u>	<u>13,385,446</u>	<u>2,336,420</u>	<u>12,752,706</u>	<u>-</u>
Total Revenue Bonds Payable	123,683,680	109,345,446	86,521,420	146,507,706	5,000,000
Net Other Postemployment Benefit Obligation	948,000	270,000	-	1,218,000	-
Compensated Absences Payable	<u>377,705</u>	<u>165,798</u>	<u>366,821</u>	<u>176,682</u>	<u>14,278</u>
Total	<u>\$125,009,385</u>	<u>\$109,781,244</u>	<u>\$86,888,241</u>	<u>\$147,902,388</u>	<u>\$5,014,278</u>

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7. CONDUIT BOND INFORMATION AND DEBT OBLIGATIONS

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

Conduit Bond information ¹:

• Fees earned from 7/1/13 thru 6/30/14:	
○ Application Fees	\$ 18,000
○ Issuance Fees	\$ 429,782
○ Annual Fees	\$ 68,500
○ Other	\$ 50,007
• Conduit Bond Support Operating Expenses	\$ 840,302 ²
• Amount of conduit bonds authorized but unsold as of 6/30/14	\$ 2,700,000
• Amount of conduit bond debt issued from 7/1/13-6/30/14	\$735,423,063
• Amount of conduit bonds outstanding as of 6/30/14	\$ 4.5 billion ³
• Number of conduit bonds transactions outstanding as of 6/30/14	118

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

8. RETIREMENT PLAN

Plan Description

All of the employees of IBank participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's 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 IBank, 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.

The PERF provides retirement benefits based on employees' 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 or 52, depending on the retirement formula, 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.

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8. RETIREMENT PLAN (Continued)

The California Legislature passed and the Governor signed the “Public Employees’ Pension Reform Act of 2013” (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. The financial impact will be gradually realized as total pension costs and the employer share of those costs decrease.

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. Member 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, 2014, 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. The State elected these higher rates to redirect savings that resulted from increases in member contribution rates for various State employees that became effective July 1, 2013.

To fund the retirement benefits of its employees, IBank 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, 2014 were 21.203% for State Miscellaneous Tier 1 and 21.355% for State Miscellaneous Tier 2. The contribution requirement for the year ended June 30, 2014 was \$288,889. 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. Effective July 1, 2013, the contribution rate for State Miscellaneous Tier 2 is 1.5% of salary with 1.5% increases each year up to 50% of normal cost. 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 required contributions (annual pension cost) and the percentage contributed for the past three fiscal years, allocated to the CIEDB Fund:

Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2012	\$272,703	100%
June 30, 2013	291,911	100%
June 30, 2014	288,889	100%

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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% per year and with 20 years of service, the employee is entitled to the full 100/90 formula. IBank participates in the State's Substantive Plan on a cost sharing basis. IBank recognizes the costs of providing health and dental insurance to annuitants based on the required contribution, which is actuarially determined, and funded on a pay-as-you-go basis. The State Controller's Office obtains an annual actuarial valuation of the State's Substantive Plan which can be found on its website at www.sco.ca.gov.

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

Annual required contribution	\$	411,000
Interest on net OPEB obligation		59,000
Adjustment to annual required contribution		<u>(52,000)</u>
Annual OPEB cost (expense)		418,000
Contributions made		<u>(148,000)</u>
Increase in net OPEB obligation		270,000
Net OPEB obligation – beginning of year		<u>948,000</u>
Net OPEB obligation – end of year	\$	<u>1,218,000</u>

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$239,000	36%	\$865,000
6/30/13	127,000	35	948,000
6/30/14	418,000	35	1,218,000

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, 2013, which is the latest available on the State Controller's Office website at www.sco.ca.gov.

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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, IBank transferred \$20 million from the CIEDB Fund to the Guarantee Trust Fund in conjunction with the preliminary loan guarantee commitment for the IID. In October 2010, the State Legislature enacted Senate Bill 856 (SB 856) that directed IBank to deposit a specified amount required for the IID Guarantee in a reserve account within the Guarantee Trust Fund. SB 856 further directed that this IID Guarantee amount be held for the benefit of bondholders of potential IID Bonds. At June 30, 2014, 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 2014, the Board approved two Loans totaling \$11,450,000. As of June 30, 2014, neither Loan agreement was fully executed; however, once a borrower has executed an agreement, IBank is obligated to fund the Loan.

11. CONTINGENCIES

One borrower with three Loans pledged to the 2008 Master Indenture declared a fiscal emergency on July 18, 2012, and filed a Chapter 9 bankruptcy petition on August 1, 2012. On August 28, 2013, the federal bankruptcy court judge ruled that the borrower was eligible for Chapter 9 bankruptcy protection. As of June 30, 2014, the bankruptcy case was still pending as the court awaits the results of negotiations between the borrower and its largest creditors. The borrower made all scheduled Loan payments during the fiscal year and the subsequent payments due on August 1, 2014; the borrower's next Loan payments are due February 1, 2015.

STATISTICAL SECTION



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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK**

**STATISTICAL SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
SCHEDULE OF NET POSITION ¹
FOR THE PAST TEN FISCAL YEARS**

	2004-05	2005-06	2006-07	2007-08	2008-09
ASSETS AND DEFERRED OUTFLOWS					
ASSETS					
Cash, cash equivalents, and investments	\$ 126,831,703	\$ 153,613,453	\$ 126,220,856	\$ 108,852,319	\$ 125,709,510
Program loans receivable	229,996,808	269,294,242	282,990,412	305,749,937	311,504,489
Other assets	3,037,546	4,991,913	5,474,496	5,371,504	5,583,167
Total assets	<u>359,866,057</u>	<u>427,899,608</u>	<u>414,685,764</u>	<u>419,973,760</u>	<u>442,797,166</u>
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding debt ²	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 359,866,057</u>	<u>\$ 427,899,608</u>	<u>\$ 414,685,764</u>	<u>\$ 419,973,760</u>	<u>\$ 442,797,166</u>
LIABILITIES AND NET POSITION					
LIABILITIES					
Revenue bonds payable	\$ 54,179,786	\$ 106,816,821	\$ 103,510,754	\$ 100,432,424	\$ 145,839,491
Undisbursed loan commitments	68,181,039	75,791,904	56,963,471	57,012,908	28,404,385
Other liabilities ³	3,763,821	3,430,607	3,762,184	4,080,853	5,164,622
Total liabilities	<u>126,124,646</u>	<u>186,039,332</u>	<u>164,236,409</u>	<u>161,526,185</u>	<u>179,408,498</u>
NET POSITION					
Restricted - Expendable by statute	233,741,411	241,860,276	250,449,355	258,447,575	263,388,668
Total net position	<u>233,741,411</u>	<u>241,860,276</u>	<u>250,449,355</u>	<u>258,447,575</u>	<u>263,388,668</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 359,866,057</u>	<u>\$ 427,899,608</u>	<u>\$ 414,685,764</u>	<u>\$ 419,973,760</u>	<u>\$ 442,797,166</u>

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 In fiscal year 2013-14, Series 2014A ISRF Program Bonds were issued in part to refund the Series 2004 and Series 2005 ISRF Program Bonds. This advance refunding resulting in a loss that is amortized over the life of the refunded bonds.

³ 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.

2009-10	2010-11	2011-12	2012-13	2013-14	
					ASSETS AND DEFERRED OUTFLOWS
					ASSETS
\$ 113,447,173	\$ 103,701,676	\$ 99,283,799	\$ 93,685,407	\$ 143,080,564	Cash, cash equivalents, and investments
331,209,650	320,958,196	323,333,231	314,813,422	291,868,218	Program loans receivable
5,938,389	5,493,189	5,401,190	4,371,482	3,747,020	Other assets
<u>450,595,212</u>	<u>430,153,061</u>	<u>428,018,220</u>	<u>412,870,311</u>	<u>438,695,802</u>	Total assets
					DEFERRED OUTFLOWS OF RESOURCES
-	-	-	-	864,910	Loss on refunding debt ²
-	-	-	-	864,910	Total deferred outflows of resources
<u>\$ 450,595,212</u>	<u>\$ 430,153,061</u>	<u>\$ 428,018,220</u>	<u>\$ 412,870,311</u>	<u>\$ 439,560,712</u>	TOTAL ASSETS AND DEFERRED OUTFLOWS
					LIABILITIES AND NET POSITION
					LIABILITIES
\$ 140,710,150	\$ 135,189,315	\$ 129,526,688	\$ 123,683,680	\$ 146,507,706	Revenue bonds payable
37,639,398	18,955,223	19,307,372	7,880,252	6,562,703	Undisbursed loan commitments
5,434,308	5,272,741	5,415,247	2,787,755	4,794,542	Other liabilities ³
<u>183,783,856</u>	<u>159,417,279</u>	<u>154,249,307</u>	<u>134,351,687</u>	<u>157,864,951</u>	Total liabilities
					NET POSITION
266,811,356	270,735,782	273,768,913	278,518,624	281,695,761	Restricted - Expendable by statute
<u>266,811,356</u>	<u>270,735,782</u>	<u>273,768,913</u>	<u>278,518,624</u>	<u>281,695,761</u>	Total net position
<u>\$ 450,595,212</u>	<u>\$ 430,153,061</u>	<u>\$ 428,018,220</u>	<u>\$ 412,870,311</u>	<u>\$ 439,560,712</u>	TOTAL LIABILITIES AND NET POSITION

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE
IN FUND NET POSITION ¹
FOR THE PAST TEN FISCAL YEARS**

	2004-05	2005-06	2006-07	2007-08	2008-09
OPERATING REVENUES					
Interest on loans receivable	\$ 7,749,686	\$ 8,206,839	\$ 9,021,323	\$ 9,530,573	\$ 10,192,579
Investment income ²	1,987,753	2,978,175	4,694,661	3,789,063	-
Administration fees	1,318,010	1,136,241	1,918,934	1,721,640	1,956,453
Total operating revenues	<u>11,055,449</u>	<u>12,321,255</u>	<u>15,634,918</u>	<u>15,041,276</u>	<u>12,149,032</u>
OPERATING EXPENSES					
Interest on bond debt	1,994,303	3,088,414	4,631,379	4,204,219	5,452,702
Amortization of bond issuance costs ³	59,126	74,009	88,639	86,010	99,690
Program support	1,597,569	2,783,542	2,325,821	2,752,827	3,620,774
Total operating expenses	<u>3,650,998</u>	<u>5,945,965</u>	<u>7,045,839</u>	<u>7,043,056</u>	<u>9,173,166</u>
OPERATING INCOME	<u>7,404,451</u>	<u>6,375,290</u>	<u>8,589,079</u>	<u>7,998,220</u>	<u>2,975,866</u>
NONOPERATING REVENUE					
Investment income ²	-	-	-	-	1,965,227
Total nonoperating revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,965,227</u>
Change in net position	7,404,451	6,375,290	8,589,079	7,998,220	4,941,093
NET POSITION, Beginning of year ⁴	<u>226,336,960</u>	<u>235,484,986</u>	<u>241,860,276</u>	<u>250,449,355</u>	<u>258,447,575</u>
NET POSITION, End of year	<u>\$ 233,741,411</u>	<u>\$ 241,860,276</u>	<u>\$ 250,449,355</u>	<u>\$ 258,447,575</u>	<u>\$ 263,388,668</u>

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.

2009-10	2010-11	2011-12	2012-13	2013-14	
\$ 10,694,987	\$ 10,442,066	\$ 10,419,722	\$ 10,270,967	\$ 10,421,447	OPERATING REVENUES
-	-	-	-	-	Interest on loans receivable
1,830,283	1,535,375	1,826,084	1,428,048	1,726,297	Investment income ²
12,525,270	11,977,441	12,245,806	11,699,015	12,147,744	Administration fees
					Total operating revenues
					OPERATING EXPENSES
5,846,017	5,708,393	5,552,600	5,379,682	5,031,074	Interest on bond debt
99,620	152,327	110,719	-	-	Amortization of bond issuance costs ³
3,545,456	2,673,325	3,968,784	3,058,486	4,158,113	Program support
9,491,093	8,534,045	9,632,103	8,438,168	9,189,187	Total operating expenses
3,034,177	3,443,396	2,613,703	3,260,847	2,958,557	OPERATING INCOME
					NONOPERATING REVENUE
388,511	481,030	419,428	212,302	218,580	Investment income ²
388,511	481,030	419,428	212,302	218,580	Total nonoperating revenue
3,422,688	3,924,426	3,033,131	3,473,149	3,177,137	Change in net position
263,388,668	266,811,356	270,735,782	275,045,475	278,518,624	NET POSITION, Beginning of year ⁴
\$ 266,811,356	\$ 270,735,782	\$ 273,768,913	\$ 278,518,624	\$ 281,695,761	NET POSITION, End of year



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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM
TEN LARGEST BORROWERS
AS OF JUNE 30, 2014 AND JUNE 30, 2005**

	June 30, 2014			June 30, 2005		
	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	\$ 22,123,153	1	7.58%	\$ 9,585,853	7
City of Hawthorne	14,936,161	2	5.12%	19,579,595	2	8.51%
Fresno Metropolitan Flood Control District	14,451,857	3	4.95%	19,150,077	3	8.33%
City of San Luis Obispo	14,447,577	4	4.95%	7,420,933	10	3.23%
City of Porterville	11,971,618	5	4.10%			
Phelan Piñon Hills Community Service District	9,845,414	6	3.37%			
North Tahoe Fire Protection District	9,519,724	7	3.26%			
City of Davis	9,198,270	8	3.15%			
City of Bakersfield as successor agency to the Bakersfield Redevelopment Agency ²	8,843,341	9	3.03%			
City of Madera	8,495,173	10	2.91%			
Orange County School of the Arts ³				19,636,000	1	8.54%
Stockton Port District				10,000,000	4	4.35%
County of Sacramento Redevelopment Agency Successor Agency ²				9,784,629	5	4.25%
City of Hanford				9,783,974	6	4.25%
City of Merced				8,262,209	8	3.59%
Trinity Public Utilities District				7,803,800	9	3.39%
Total of ten largest ISRF Program borrowers	123,832,288		42.42%	121,007,070		52.61%
All other ISRF Program borrowers	168,035,930		57.58%	108,989,738		47.39%
Total ISRF Program Loans receivable	<u>\$ 291,868,218</u>		<u>100.00%</u>	<u>\$ 229,996,808</u>		<u>100.00%</u>

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 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.

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

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
SCHEDULE OF ISRF PROGRAM
LOANS RECEIVABLE AND INTEREST RATES
FOR THE PAST TEN FISCAL YEARS**

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Total ISRF Program Loans receivable	\$229,996,808	\$269,294,242	\$282,990,412	\$305,749,937	\$311,504,489
Weighted-average interest rate on total ISRF Program Loans receivable ¹	3.40%	3.29%	3.27%	3.23%	3.24%
Number of new ISRF Program Loans ²	11	7	8	10	3
Range of interest rate on new ISRF Program Loans	2.92 - 3.22%	2.37 - 3.03%	2.66 - 3.15%	2.71 - 3.17%	3.25 - 4.07%
Range of loan term on new ISRF Program Loans	25 - 30 years	10 - 30 years	15 - 30 years	15 - 30 years	25 - 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.

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	
\$331,209,650	\$320,958,196	\$323,333,231	\$314,813,422	\$291,868,218	Total ISRF Program Loans receivable
3.28%	3.29%	3.26%	3.25%	3.18%	Weighted-average interest rate on total ISRF Program Loans receivable ¹
6	1	3	1	3	Number of new ISRF Program Loans ²
3.27 - 4.00%	3.24%	2.61 - 3.37%	2.29%	2.26 - 2.77%	Range of interest rate on new ISRF Program Loans
20 - 30 years	30 years	20 - 30 years	30 years	20 - 30 years	Range of loan term on new ISRF Program Loans

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
SCHEDULE OF STATUTORY DEBT LIMIT CAPACITY ¹
FOR THE PAST TEN FISCAL YEARS**

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
IBank's legal limit on public development facility debt	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion
Total amount outstanding on bonds issued to finance public development facilities ²	\$ 1,559,415,000	\$ 422,625,000	\$ 389,930,000	\$ 379,650,000	\$ 371,525,000
Remaining capacity for public development facility debt	\$3.44 billion	\$4.58 billion	\$4.61 billion	\$4.62 billion	\$4.63 billion
<hr/>					
IBank's legal limit on rate reduction bonds	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion
Total amount outstanding on rate reduction bonds ³	\$ 1,526,249,177	\$ 921,758,121	\$ 313,693,353	\$ 1,661,939	\$ -
Remaining capacity for rate reduction bonds	\$8.47 billion	\$9.08 billion	\$9.69 billion	\$9.998 billion	\$10.00 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 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.

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	
\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	IBank's legal limit on public development facility debt
\$336,020,000	\$300,305,000	\$265,505,000	\$ 199,480,000	\$ 197,490,000	Total amount outstanding on bonds issued to finance public development facilities ²
\$4.66 billion	\$4.70 billion	\$4.73 billion	\$4.80 billion	\$4.80 billion	Remaining capacity for public development facility debt
<hr/>					
\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	IBank's legal limit on rate reduction bonds
\$ -	\$ -	\$ -	\$ -	\$ -	Total amount outstanding on rate reduction bonds 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 FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
SCHEDULE OF OUTSTANDING ISRF PROGRAM BONDS AND RELATED DEBT RATIO
FOR THE PAST TEN FISCAL YEARS**

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Series 2004 ISRF Program Bonds ¹	\$ 51,370,000	\$ 50,225,000	\$ 48,930,000	\$ 47,615,000	\$ 46,275,000
Series 2005 ISRF Program Bonds ¹	-	52,800,000	50,960,000	49,530,000	48,030,000
Series 2008 ISRF Program Bonds	-	-	-	-	48,375,000
Series 2014A ISRF Program Bonds	-	-	-	-	-
Total ISRF Program Bonds outstanding	<u>\$ 51,370,000</u>	<u>\$ 103,025,000</u>	<u>\$ 99,890,000</u>	<u>\$ 97,145,000</u>	<u>\$ 142,680,000</u>
Series-pledged ISRF Program Loans receivable ²	\$ 80,524,229	\$ 154,295,885	\$ 148,316,271	\$ 143,622,194	\$ 211,216,003
Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable	0.64	0.67	0.67	0.68	0.68

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

² Excludes loans pledged to the 2004 Master Indenture and non-pledged loans.

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	
\$ 44,910,000	\$ 43,515,000	\$ 42,055,000	\$ 40,525,000	\$ -	Series 2004 ISRF Program Bonds ¹
46,470,000	44,835,000	43,140,000	41,360,000	-	Series 2005 ISRF Program Bonds ¹
46,605,000	44,500,000	42,330,000	40,095,000	37,795,000	Series 2008 ISRF Program Bonds
-	-	-	-	96,500,000	Series 2014A ISRF Program Bonds
<u>\$ 137,985,000</u>	<u>\$ 132,850,000</u>	<u>\$ 127,525,000</u>	<u>\$ 121,980,000</u>	<u>\$ 134,295,000</u>	Total ISRF Program Bonds outstanding
\$ 203,348,112	\$ 195,160,107	\$ 185,227,425	\$ 189,272,085	\$ 254,251,622	Series-pledged ISRF Program Loans receivable ²
0.68	0.68	0.69	0.64	0.53	Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable



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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
SCHEDULE OF AGGREGATE PLEDGED RESOURCES COVERAGE
FOR ISRF PROGRAM BONDS ¹
FOR THE PAST TEN 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	\$ 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 ⁶	279,757	11,313,202	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
2012-13	14,588,257	228,364	14,816,621	5,745,000	5,624,003	11,369,003	1.30

¹ Schedule reflects the aggregate of the ISRF Program Bond series outstanding in each bond year.

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 2004 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 Includes unscheduled full repayment of a Series-Pledged Loan.

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
CALIFORNIA DEMOGRAPHIC AND ECONOMIC INDICATORS
FOR THE PAST TEN CALENDAR YEARS**

	2004	2005	2006	2007	2008
State population (in thousands)	35,753	35,986	36,247	36,553	36,856
Personal income (in millions)	\$1,321,609	\$1,396,173	\$1,499,452	\$1,564,441	\$1,596,282
Per capita personal income ¹	\$36,965	\$38,798	\$41,368	\$42,799	\$43,311
Labor force and employment (in thousands)					
Civilian labor force	17,444	17,545	17,687	17,921	18,207
Employed	16,355	16,592	16,821	16,961	16,894
Unemployed	1,090	953	865	960	1,314
Unemployment rate	6.2%	5.4%	4.9%	5.4%	7.2%

Sources: Population as of December 2013 - Demographic Research Unit, California Department of Finance
Personal income as of May 30, 2014 - Bureau of Economic Analysis, United States Department of Commerce
Labor force and employment as of August 15, 2014 - Labor Market Information Division, California
Employment Development Department

¹ Calculated by dividing total personal income by population.

2009	2010	2011	2012	2013	
37,077	37,309	37,570	37,872	38,205	State population (in thousands)
\$1,536,430	\$1,579,148	\$1,683,204	\$1,768,039	\$1,817,010	Personal income (in millions)
\$41,439	\$42,326	\$44,802	\$46,685	\$47,559	Per capita personal income ¹
					Labor force and employment (in thousands)
18,220	18,336	18,418	18,519	18,597	Civilian labor force
16,155	16,068	16,250	16,590	16,933	Employed
2,065	2,268	2,168	1,929	1,664	Unemployed
11.3%	12.4%	11.8%	10.4%	8.9%	Unemployment rate



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**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
CALIFORNIA EMPLOYMENT BY INDUSTRY
FOR CALENDAR YEARS 2013 AND 2004**

INDUSTRY	2013		2004	
	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment
Farming	411,400	2.64%	386,400	2.56%
Mining and logging	30,600	0.20%	22,800	0.15%
Construction	636,200	4.09%	850,400	5.63%
Manufacturing	1,250,900	8.04%	1,523,400	10.08%
Trade, transportation & utilities	2,802,400	18.01%	2,753,400	18.22%
Information	450,400	2.89%	482,400	3.19%
Financial activities	782,300	5.03%	895,200	5.92%
Professional & business services	2,330,900	14.98%	2,097,900	13.88%
Educational & health services	2,307,100	14.83%	1,757,100	11.63%
Leisure and hospitality	1,671,300	10.74%	1,439,400	9.53%
Other services	515,200	3.31%	503,900	3.34%
Government				
Federal	245,500	1.58%	251,000	1.66%
State	483,600	3.11%	462,600	3.06%
Local	1,641,000	10.55%	1,684,100	11.15%
TOTALS	15,558,800	100.00%	15,110,000	100.00%

Source: Labor Market Information Division, California Employment Development Department
Industry Employment and Labor Force - by Annual Average as of August 15, 2014

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY ¹
FOR THE PAST TEN FISCAL YEARS**

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Infrastructure State Revolving Fund Program and Support	10	11	11	11	14
Conduit Financing Programs	3	3	4	4	4
Executive/Administration/Legal	<u>7</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>7</u>
Total Employees	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>25</u></u>

¹ Data represents permanent, full-time positions.

² For 2013-14, IBank had two employees that were assigned to the Small Business Loan Guarantee Program, the activities of which are not included in this report.

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14²</u>	
14	13	13	12	11	Infrastructure State Revolving Fund Program and Support
4	4	4	4	3	Conduit Financing Programs
<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>9</u>	Executive/Administration/Legal
<u><u>25</u></u>	<u><u>24</u></u>	<u><u>24</u></u>	<u><u>23</u></u>	<u><u>23</u></u>	Total Employees

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND AND
CALIFORNIA INFRASTRUCTURE GUARANTEE TRUST FUND,
ENTERPRISE FUNDS OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FUND
MAJOR PROGRAM ACTIVITY
FOR THE PAST TEN FISCAL YEARS**

	2004-05	2005-06	2006-07	2007-08	2008-09
Infrastructure State Revolving Fund (ISRF) Program					
Preliminary Applications: ¹					
Number of applications received	20	19	20	11	10
Financing amount requested	\$105,547,328	\$48,293,789	\$70,878,000	\$32,074,224	\$60,980,525
Financing Applications:					
Number of applications received	7	12	8	7	4
Financing amount requested	\$25,650,000	\$44,910,000	\$29,110,000	\$26,450,000	\$14,297,000
Approved Loans:					
Number of loans approved	8	11	6	8	6
Financing amount approved	\$26,962,000	\$44,916,000	\$23,800,000	\$29,751,600	\$22,847,500
Loan Disbursements:					
Number of transactions	79	110	87	67	62
Total amount disbursed	\$43,767,624	\$37,889,135	\$38,909,915	\$30,764,260	\$43,879,185
Number of outstanding loans	54	59	67	76	79
Conduit Financing Programs					
Preliminary Applications: ²					
Number of applications received	2	2	3	3	2
Financing amount requested	\$9,950,000	\$13,200,000	\$20,500,000	\$21,335,000	\$20,000,000
Financing Applications:					
Number of applications received	13	5	18	18	13
Financing amount requested	\$1,188,490,000	\$177,300,000	\$692,010,000	\$1,559,380,000	\$1,722,550,000
Bonds Sold:					
Number of bonds sold	15	10	19	20	17
Financing amount sold	\$2,465,635,000	\$265,640,000	\$814,422,774	\$1,030,136,886	\$1,248,990,000

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

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

2009-10	2010-11	2011-12	2012-13	2013-14	
					Infrastructure State Revolving Fund Program
					Preliminary Applications: ¹
14	9	2	8	-	Number of applications received
\$29,597,760	\$49,887,500	\$5,470,231	\$27,908,700	-	Financing amount requested
					Financing Applications:
4	2	1	6	7	Number of applications received
\$6,020,000	\$7,737,500	\$10,000,000	\$18,722,500	\$48,243,460	Financing amount requested
					Approved Loans:
3	2	2	3	3	Number of loans approved
\$17,000,000	\$3,500,000	\$16,756,500	\$12,122,500	\$12,050,000	Financing amount approved
					Loan Disbursements:
39	44	38	27	14	Number of transactions
\$21,146,788	\$19,861,726	\$16,151,949	\$18,927,120	\$6,540,050	Total amount disbursed
85	86	88	88	90	Number of outstanding loans
					Conduit Financing Programs
					Preliminary Applications: ²
2	2	-	-	1	Number of applications received
\$9,850,000	\$11,500,000	-	-	\$5,950,000	Financing amount requested
					Financing Applications:
13	13	6	7	10	Number of applications received
\$814,310,000	\$695,065,000	\$753,925,000	\$719,080,000	\$481,250,000	Financing amount requested
					Bonds Sold:
17	10	9	5	11	Number of bonds sold
\$985,885,000	\$203,300,000	\$851,100,000	\$328,780,000	\$735,423,063	Financing amount sold

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

vacant
Manager

Betty Daquioag-Correa
Senior Accounting Officer

Tracey Thompson
Senior Accounting Officer

The Fiscal Unit was assisted by other IBank staff and the staff of the Governor's Office of Business and Economic Development, the California Department of General Service Contracted Fiscal 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 IBank's website at www.ibank.ca.gov.