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**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
2018 ANNUAL REPORT**



## CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

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March 28, 2019

Dear Members:

On behalf of the Authority and staff, I am pleased to present to you the 2018 California Educational Facilities Authority (“CEFA” or “Authority”) annual report pursuant to Education Code Section 94155. Established in 1973, the Authority continues to serve as a conduit issuer of tax-exempt bonds on behalf of California private non-profit colleges and universities. As of December 31, 2018, the Authority has issued \$13,543,933,538 in tax-exempt bonds since its inception, which has enabled our college and university partners to realize their capital and construction financing objectives.

The annual report highlights the Authority’s activity for the 2018 calendar year. In total, the Authority processed four Delegation Requests, approved four new bond financing applications, and closed seven bond financings, issuing \$403,160,000 in bonds. The College Access Tax Credit Fund closed the 2018 taxable year with contributions totaling \$9,878,170, which resulted in the certification of \$4,977,085 in tax credits.

The success of the Authority is made possible by the hard work and dedication of its members and staff. For 46 years, the Authority has continued to serve as a valuable resource by assisting higher educational institutions in expanding educational opportunities for all California students and their families.

If you desire further information or have questions concerning the Authority, please feel free to call me at (916) 653-2872. Additional information concerning the Authority can be found on our website: <http://www.treasurer.ca.gov/cefa>.

Sincerely,

Frank Moore  
Acting Executive Director

### MEMBERS

FIONA MA, CPA, CHAIR  
California State Treasurer

BETTY T. YEE  
State Controller

KEELY MARTIN BOSLER  
Director, Department of Finance

STACY LEWIS DAHER

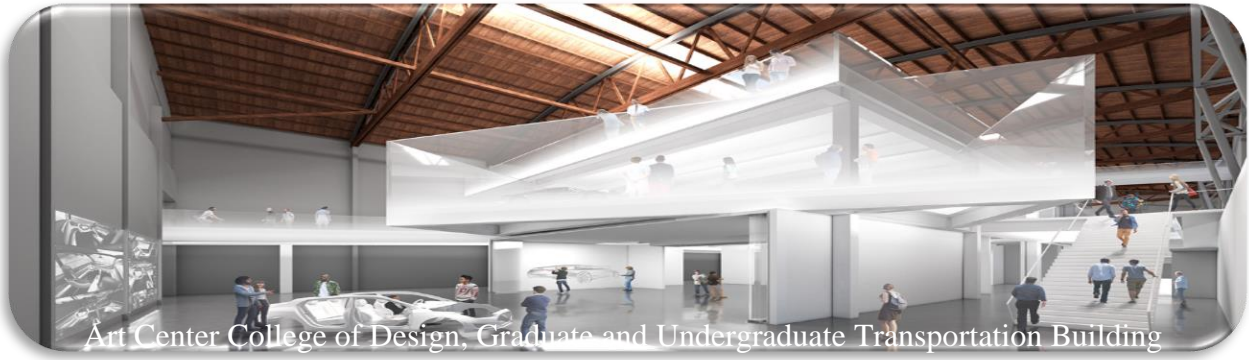
WILLIAM G. MCGINNIS

### ACTING EXECUTIVE DIRECTOR

FRANK MOORE

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## The Authority

The California Educational Facilities Authority (“CEFA” or “Authority”) was established in 1973 and operates pursuant to the California Educational Facilities Authority Act (the “CEFA Act”), as set forth in sections 94100-94213 of the California Education Code.

CEFA was created for the purpose of issuing revenue bonds to assist private nonprofit institutions of higher learning in the expansion and construction of educational facilities. Because it is authorized to issue tax-exempt bonds, the Authority may be able to provide financing terms that are more favorable to private institutions than might otherwise be available through commercial lenders or other taxable debt instruments.

The CEFA Act explicitly states that bonds issued by the Authority shall not be a debt, liability, or claim on the full faith and credit or the taxing power of the State of California, or any of its political subdivisions. The full faith and credit of the participating institution is normally pledged to the payment of the bonds.

## Mission Statement

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

## Authority Members

Fiona Ma	<i>CPA, Chair, California State Treasurer</i>
Betty T. Yee	<i>Vice Chairperson, California State Controller</i>
Keely Martin Bosler	<i>Director, California Department of Finance</i>
Stacy Lewis Daher	<i>Associate Vice President, Office of Finance and Treasury, University of San Francisco</i>
William G. McGinnis	<i>Member, Trustee, Butte-Glenn Community College District Board</i>



Mount Saint Mary's University, The Brady Café

## CEFA Programs

**Bond Financing** – This program provides borrowers access to low interest rate capital markets through the issuance of tax-exempt bonds. Tax-exempt bonds may be marketed to multiple bondholders in an effort to obtain a better interest rate via either a public offering or a private placement. Given the cost of issuing bonds, this option is most often pursued by borrowers with capital project financing needs in excess of \$5 million. Colleges or universities with more modest financing needs may be grouped or “pooled” by CEFA into a single bond financing, allowing bond issuance costs to be shared by the pool participants.

**College Access Tax Credit Fund** – Senate Bill 798 (De Leon), Senate Bill 81, and Assembly Bill 490 (Quirk-Silva) were enacted in September 2014, June 2015, and October 2017, respectively, authorizing CEFA to allocate and certify tax credits for taxable years beginning on or after January 1, 2014, and before January 1, 2023, based on a percentage of the taxpayer's contribution to the College Access Tax Credit Fund. Currently, the maximum aggregate amount of credit that could be allocated and certified by CEFA is \$500 million. The Authority is also required to provide the Franchise Tax Board and the California Department of Insurance a copy of the certifications by March 1.

## 2018 Legislative Changes

No legislative changes to report in 2018.



**Summary of 2018 Calendar Year Financings**

In 2018, the Authority authorized seven bond financings for four California colleges and universities, which resulted in the issuance of \$403,160,000 in bonds. The following provides a summary of all the Authority’s bond issues that closed in 2018.

**\$100,000,000**

**Art Center College of Design, Series 2018A**

The proceeds were used to provide tax-exempt financing to refund all or a portion of the outstanding CEFA Series 2014A and 2014B variable rate bonds in exchange for fixed rates. Additionally, proceeds were used to fund capital improvements to the main campus.

**\$34,940,000**

**Mount Saint Mary’s University, 2018A**

The proceeds were used to provide tax-exempt financing for the acquisition, construction, equipping and infrastructure improvements of educational facilities located on the main campus.

**\$5,800,000**

**Mount Saint Mary’s University, 2018B (taxable)**

The proceeds were used to provide taxable financing for the acquisition, construction, equipping and infrastructure improvements of educational facilities located on the main campus.

**\$29,210,000**

**Loyola Marymount University, Series 2018A (taxable)**

The proceeds were used to provide taxable financing for the acquisition, construction, equipping and infrastructure improvements of educational facilities located on the main campus.

**\$57,330,000**

**Loyola Marymount University, Series 2018B**

The proceeds were used to provide tax-exempt financing for the acquisition, construction, equipping and infrastructure improvements of educational facilities located on the main campus.

**\$140,000,000**

**University of San Francisco, Series 2018A**

The proceeds were used to provide tax-exempt financing for the acquisition, construction, equipping and infrastructure improvements of educational facilities located on the main campus.

**\$35,880,000**

**University of San Francisco, Series 2018B (taxable)**

The proceeds were used to provide taxable financing to refund all or a portion of the outstanding CEFA Series 2011 bonds.

## Portfolio

As of December 31, 2018, the Authority had 81 outstanding bond issues totaling \$4,559,226,072. A complete listing of the bonds outstanding issues through fiscal year 2017-2018 is provided on page 32 of the attached Independent Auditor's Report (Appendix A).

## Audited Financial Statements

Appendix A includes a complete copy of the Authority's June 30, 2018 and 2017 Independent Auditor's Report as prepared by Gilbert Associates, Inc., Certified Public Accountants of Sacramento, CA.



## Authority Staff

Frank Moore – *Acting Executive Director*

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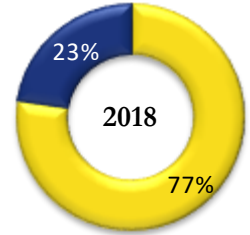
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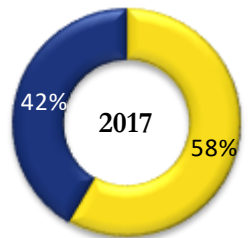
2018

<i>Institution</i>	<i>Location</i>	<i>Amount</i>
Art Center College of Design, Series 2018A	Pasadena	\$ 100,000,000
Mount Saint Mary's University, 2018A	Los Angeles	34,940,000
Mount Saint Mary's University, 2018B (taxable)	Los Angeles	5,800,000
Loyola Marymount University, Series 2018A (taxable)	Los Angeles	29,210,000
Loyola Marymount University, Series 2018B	Los Angeles	57,330,000
University of San Francisco, Series 2018A	San Francisco	140,000,000
University of San Francisco, Series 2018B (taxable)	San Francisco	35,880,000
<b>Total</b>		<b>\$ 403,160,000</b>



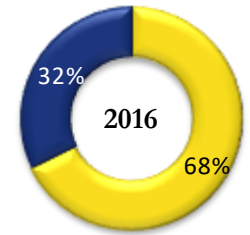
2017

<i>Institution</i>	<i>Location</i>	<i>Amount</i>
Loma Linda University, Series A	San Bernardino	\$ 134,945,000
Loma Linda University, Series B	San Bernardino	43,440,000
University of San Francisco	San Francisco	75,000,000
Santa Clara University, Series A	Santa Clara	97,530,000
Santa Clara University, Series B	Santa Clara	25,035,000
Chapman University, Series A	Orange	111,015,000
Chapman University, Series B	Orange	37,650,000
Santa Clara University, Series 2017C	Santa Clara	52,485,000
Pepperdine University, Series 2017	Malibu	20,870,000
University of San Francisco, Tax-Exempt Loan	San Francisco	31,310,000
<b>Total</b>		<b>\$ 629,280,000</b>



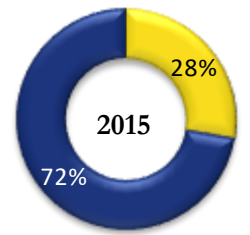
2016

<i>Institution</i>	<i>Location</i>	<i>Amount</i>
Occidental College, Series 2015	Los Angeles	\$ 34,270,000
Pepperdine University, Series 2016	Malibu	100,000,000
University of Redlands, Series 2016	Redlands	30,690,000
Claremont Graduate University, Series 2016 A	Claremont	12,500,000
Claremont Graduate University, Series 2016 B	Claremont	40,435,000
Claremont Graduate University, Series 2016 C	Claremont	6,960,000
Stanford University, Series U-7	Stanford	170,350,000
<b>Total</b>		<b>\$ 395,205,000</b>



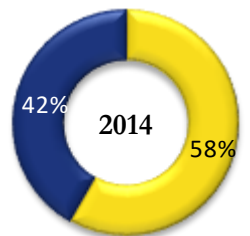
2015

<i>Institution</i>	<i>Location</i>	<i>Amount</i>
University of Redlands, Series 2014	Redlands	\$ 31,595,000
Loyola Marymount University, Series 2015	Los Angeles	30,025,000
University of the Pacific, Series 2015	Stockton	68,005,000
Chapman University, Series 2015	Orange	114,485,000
Pepperdine University, Series 2015	Malibu	76,455,000
University of Southern California, Series 2015	Los Angeles	42,960,000
Santa Clara University, Series 2015	Santa Clara	102,230,000
Claremont McKenna College, Series 2015	Claremont	111,785,000
<b>Total</b>		<b>\$ 577,540,000</b>



2014

<i>Institution</i>	<i>Location</i>	<i>Amount</i>
University of the Pacific, Series 2014	Stockton	\$ 36,500,000
Stanford University, Series U-5	Stanford	124,115,000
Stanford University, Series U-6	Stanford	278,980,000
Art Center College of Design, Series 2014A	Pasadena	45,680,000
Art Center College of Design, Series 2014B	Pasadena	20,550,000
Charles R. Drew University, Series 2014	Los Angeles	32,875,000
Pepperdine University, Series 2014	Malibu	51,485,000
<b>Total</b>		<b>\$ 590,185,000</b>



■ New Construction  
 ■ Refinancing



# Appendix A

**CALIFORNIA EDUCATIONAL  
FACILITIES AUTHORITY**

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

**YEARS ENDED  
JUNE 30, 2018 AND 2017**

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the California Educational Facilities Authority (CEFA), a related organization of the State of California, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise CEFA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of CEFA as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2018 the CEFA adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, Schedule of CEFA's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions (on pages 4–9, 29, 30, 31, and 32, respectively), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

The Statement of Bonds and Collateralized Notes is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Bonds and Collateralized Notes is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019 on our consideration of CEFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEFA's internal control over financial reporting and compliance.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 27, 2019**

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

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This section of the financial statements of the California Educational Facilities Authority ("CEFA") presents management's discussion and analysis of the financial performance during the fiscal years that ended on June 30, 2018 and 2017. Please read it in conjunction with the financial statements that follow this section.

### **GENERAL BACKGROUND, OVERVIEW AND PROGRAMS**

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

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

#### **Conduit Financing Activity**

During the fiscal years ended June 30, 2018 and June 2017, CEFA issued \$375,895,000 and \$253,385,000, respectively. As of June 30, 2018, CEFA's total conduit debt issued was approximately \$13.1 billion and the total conduit debt outstanding was approximately \$4.1 billion. As of June 30, 2017, the CEFA's total conduit debt issued was approximately \$12.8 billion and total conduit debt outstanding was approximately \$4.1 billion.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **REQUIRED FINANCIAL STATEMENTS**

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

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

The *Balance Sheets* include all of CEFA's assets, liabilities, and net position for the years ended June 30, 2018 and 2017 and provide information about the nature and amounts of investments in resources (assets) and the obligations to CEFA's creditors (liabilities) (see Table 1).

<b>Table 1</b>			
<b><u>Balance Sheets</u></b>			
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b><i>Assets</i></b>			
Current Assets	\$ 1,008,535	\$ 1,315,542	\$ 1,857,263
<b>Total Assets</b>	<u>1,008,535</u>	<u>1,315,542</u>	<u>1,857,263</u>
 <b><i>Deferred Outflows of Resources</i></b>			
	380,716	268,630	104,842
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 1,389,251</u>	<u>\$ 1,584,172</u>	<u>\$ 1,962,105</u>
 <b><i>Liabilities</i></b>			
Current Liabilities	\$ 22,919	\$ 58,421	\$ 52,593
Non-Current Liabilities	2,954,443	1,636,425	1,252,527
<b>Total Liabilities</b>	<u>2,977,362</u>	<u>1,694,846</u>	<u>1,305,120</u>
 <b><i>Deferred Inflows of Resources</i></b>			
	185,472	2,469	155,045
 <b><i>Net Position (Deficit)</i></b>			
Restricted for Educational Purposes	(1,773,583)	(113,143)	501,940
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)</b>	<u>\$ 1,389,251</u>	<u>\$ 1,584,172</u>	<u>\$ 1,962,105</u>

CEFA's Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit) was \$1,389,251 as of June 30, 2018, which was a decrease from \$1,584,172, as of June 30, 2017. The decrease was primarily due to the implementation of GASB 75, which relates to OPEB liability reporting. As a result, for the fiscal year ended June 30, 2018, the beginning net position decreased by \$1,292,000.



# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

The *Statements of Revenues, Expenses, and Changes in Net Position* accounts for all of the revenue earned and expenses incurred by CEFA for the years ended June 30, 2018 and 2017. These statements reflect the results of CEFA's operations over the year (see Table 2).

<b>Table 2</b>			
<u>Statements of Revenues, Expenses, and Changes In Net Position</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>			
Fee Revenue	\$ 466,708	\$ 351,904	\$ 651,650
Total Operating Revenues	<u>466,708</u>	<u>351,904</u>	<u>651,650</u>
<b>Operating Expenses</b>			
Personnel	454,459	648,343	501,230
Operating Expenses	<u>393,865</u>	<u>329,195</u>	<u>477,639</u>
Total Operating Expenses	<u>848,324</u>	<u>977,538</u>	<u>978,869</u>
<b>Operating Loss</b>	(381,616)	(625,634)	(327,219)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income on Investments	<u>13,176</u>	<u>10,551</u>	<u>8,149</u>
<b>Change in Net Position</b>	(368,440)	(615,083)	(319,070)
<i>Net Position - Beginning of Year, as restated in Fiscal Year 2018</i>	<u>(1,405,143)</u>	<u>501,940</u>	<u>821,010</u>
<i>Net Position (Deficit)- End of Year</i>	<u>\$ (1,773,583)</u>	<u>\$ (113,143)</u>	<u>\$ 501,940</u>

For the fiscal year ended June 30, 2018, CEFA's Change in Net Position reflected a loss of \$368,440. This loss is attributed primarily to Operating Expenses outpacing Operating Revenues.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

The *Statements of Cash Flows* provide information about CEFA's cash receipts and cash payments during the year ended June 30, 2018 and 2017. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statements provide answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities			
Net Cash Provided (Used) by Operating Activities	\$ (336,622)	\$ (575,836)	\$ (428,079)
Cash Flows from Investing Activities			
Net Cash Provided by Investing Activities	12,498	10,152	7,322
Net Decrease in Cash and Cash Equivalents	(324,124)	(565,684)	(420,757)
Beginning Cash and Cash Equivalents	1,204,144	1,769,282	2,190,585
Ending Cash and Cash Equivalents	<u>\$ 880,020</u>	<u>\$ 1,204,144</u>	<u>\$ 1,769,282</u>

The Ending Cash and Cash Equivalents declined in fiscal year ending June 30, 2018 from \$1,204,144 to \$880,020. This decrease is due to continued decreases in Operating Revenue from 2017.

### ANALYSIS OF FISCAL YEAR 2017/2018 ACTIVITIES

<b>Applications received in FY 2017/2018:</b>	<b>4</b>
<b>Final Resolutions (FR) Adopted in FY 2017/2018:</b>	<b>4</b>
<b>Bonds Sold in FY 2017/2018:</b>	<b>\$375,895,000</b>

### ANALYSIS OF FISCAL YEAR 2016/2017 ACTIVITIES

<b>Applications received in FY 2016/2017</b>	<b>3</b>
<b>Final Resolutions (FR) Adopted in FY 2016/2017:</b>	<b>3</b>
<b>Bonds Sold in FY 2016/2017:</b>	<b>\$253,385,000</b>

# **CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 AND 2017**

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### **REQUESTS FOR INFORMATION**

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

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## BALANCE SHEETS JUNE 30, 2018 AND 2017

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CURRENT ASSETS:</b>		
Cash and Investments in State Treasury	\$ 880,020	\$ 1,204,144
Accounts Receivable	105,793	78,489
Due from State - External Funds	<u>22,722</u>	<u>32,909</u>
Total Current Assets	<u>1,008,535</u>	<u>1,315,542</u>
<b>TOTAL ASSETS</b>	<u>1,008,535</u>	<u>1,315,542</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows of resources related to pensions	355,283	268,630
Deferred outflows of resources related to OPEB	<u>25,433</u>	<u>-</u>
Total Deferred Outflows	<u>380,716</u>	<u>268,630</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,389,251</u>	<u>\$ 1,584,172</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 2,036	\$ 12,463
Current Accrued Vacation	9,816	42,806
Due to State - External Funds	1,067	3,152
Loan payable - SMIF (SB 84)	<u>10,000</u>	<u>-</u>
Total Current Liabilities	<u>22,919</u>	<u>58,421</u>
<b>NON-CURRENT LIABILITIES:</b>		
Accrued Vacation	17,366	64,369
Loan payable - SMIF (SB 84)	101,000	-
Net OPEB Liability	1,714,000	497,000
Net Pension Liability	<u>1,122,077</u>	<u>1,075,056</u>
Total Non-Current Liabilities	<u>2,954,443</u>	<u>1,636,425</u>
<b>TOTAL LIABILITIES</b>	<u>2,977,362</u>	<u>1,694,846</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows of resources related to pension	10,472	2,469
Deferred inflows of resources related to OPEB	<u>175,000</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>185,472</u>	<u>2,469</u>
<b>NET POSITION (DEFICIT):</b>		
Restricted for Educational Purposes	<u>(1,773,583)</u>	<u>(113,143)</u>
Total Net Position (Deficit)	<u>(1,773,583)</u>	<u>(113,143)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<u>\$ 1,389,251</u>	<u>\$ 1,584,172</u>

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

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES:</b>		
Fee Revenue	\$ 466,708	\$ 351,904
Total Operating Revenues	<u>466,708</u>	<u>351,904</u>
<b>OPERATING EXPENSES:</b>		
Personnel	454,459	648,343
Operating Expenses	<u>393,865</u>	<u>329,195</u>
Total Operating Expenses	<u>848,324</u>	<u>977,538</u>
<b>OPERATING LOSS</b>	(381,616)	(625,634)
<b>NON-OPERATING REVENUES:</b>		
Interest Income on Investments	<u>13,176</u>	<u>10,551</u>
<b>CHANGE IN NET POSITION</b>	(368,440)	(615,083)
<b>NET POSITION (DEFICIT)</b>		
<b>NET POSITION, Beginning of Year , as restated</b>	<u>(1,405,143)</u>	<u>501,940</u>
<b>NET POSITION (DEFICIT), End of Year</b>	<u>\$ (1,773,583)</u>	<u>\$ (113,143)</u>

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Fees	\$ 450,850	\$ 328,650
Payments to Employees	(381,095)	(570,196)
Payments to Suppliers of Goods and Services	(406,377)	(334,290)
Net Cash Used by Operating Activities	<u>(336,622)</u>	<u>(575,836)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Receipts from Investments	<u>12,498</u>	<u>10,152</u>
Net Cash Provided by Investing Activities	<u>12,498</u>	<u>10,152</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(324,124)	(565,684)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>1,204,144</u>	<u>1,769,828</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 880,020</u>	<u>\$ 1,204,144</u>
<b>RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (381,616)	\$ (625,634)
<b>ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATIONS:</b>		
(Increase) Decrease in:		
Accounts Receivable	(27,304)	(31,298)
Due to/from State - External Funds	8,780	(2,039)
Deferred outflows related to OPEB	5,567	-
Deferred outflows related to pension	(86,653)	(163,788)
Increase (Decrease) in:		
Accounts Payable	(10,427)	4,678
Accrued Vacation	(79,993)	3,591
Loan Payable - SMIF (SB 84)	111,000	-
OPEB Obligation	(106,000)	54,000
Net Pension Liability	47,021	337,230
Deferred inflows related to OPEB	175,000	-
Deferred inflows related to pension	<u>8,003</u>	<u>(152,576)</u>
Net Cash Used by Operating Activities	<u>\$ (336,622)</u>	<u>\$ (575,836)</u>

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

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. GENERAL

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

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

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

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

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

#### B. THE REPORTING ENTITY

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

#### C. BASIS OF PRESENTATION

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

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### D. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of bond issuance, application and administrative fees.

### E. REVENUES

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

Bond financing program fees are as follows:

Closing Date of Issuance	Application Fee	Initial Fee	Annual Administrative Fee
December 5, 2013 – June 30, 2018:	\$1,000, applied to the Initial Fee at closing	0.15% of the par amount up to \$10,000,000, plus 0.05% of the par amount in excess of \$10,000,000, up to a maximum fee of \$75,000	For issuances closed on or before July 31, 2013: \$500 annually.  For issuances closed August 1, 2013 and thereafter: 0.015% of the par amount outstanding, up to a maximum fee of \$12,000.

Equipment financing program fees are as follows:

Closing Date of Issuance	Application Fee	Initial Fee	Annual Administrative Fee
July 1, 2013 – June 30, 2018:	None	0.075% of the financed amount	\$500 annually for the first five years, \$250 annually thereafter. Fee is waived for participants with other outstanding CEFA debt.

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

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

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

### F. BUDGET

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



# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### G. CASH AND CASH EQUIVALENTS

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

### H. CAPITAL ASSETS

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

### I. RISK MANAGEMENT

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

### J. ACCRUED VACATION

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

### K. PENSION

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

### L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### M. NET POSITION

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

### N. USE OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS

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

### O. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2018, CEFA implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for OPEB by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires employers to report a net OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Since GASB 75 requires retroactive application, the net OPEB liability offset by the related deferred outflow of resources and prior recognized OPEB liabilities as of June 30, 2017 reduces the beginning net position for the fiscal year ended June 30, 2018. As a result, for the fiscal year ended June 30, 2018, the beginning net position decreased by \$1,292,000 as the cumulative effect of a change in accounting principles.

## 2. CASH AND CASH EQUIVALENTS IN STATE TREASURY

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

	<u>2018</u>	<u>2017</u>
Deposits in SMIF	\$ 875,000	\$ 1,204,000
Cash in State Treasury	<u>5,020</u>	<u>144</u>
Total Cash and Investments	<u>\$ 880,020</u>	<u>\$ 1,204,144</u>

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

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

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

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

### 3. DUE TO/FROM STATE – EXTERNAL FUNDS

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

<u>Due From (Due To)</u>	<u>Description</u>	<u>2018</u>	<u>2017</u>
EFAF:			
CA College Tax Credit	Cost Recovery - Abatement	\$ 18,354	\$ 29,800
SMIF	Interest Income	3,477	2,799
State Compensation Insurance Fund	Insurance Premium Refund	891	310
General Fund	Miscellaneous	(3)	(4)
Department of General Service			
Fund	Records Center Management	(214)	(88)
Legal Services	DOJ Attorney Services	(850)	(3,060)
		<u>21,655</u>	<u>29,757</u>
Net Due From (To) State External Funds		\$ 21,655	\$ 29,757

The amount due from SMIF represents unpaid interest earned by CEFA. The amount due to other funds represents expenses paid by other funds within the State of California on behalf of CEFA.

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<b><u>Balance</u></b> <b><u>July 1, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>
Capital assets, being depreciated and amortized:				
Equipment	\$ 7,071	\$ -	\$ -	\$ 7,071
Computer software - amortizable	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Total capital assets being depreciated and amortized:	<u>72,071</u>	<u>-</u>	<u>-</u>	<u>72,071</u>
Less accumulated depreciation and amortization for:				
Equipment	(7,071)	-	-	(7,071)
Software	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
Total accumulated depreciation and amortization	<u>(72,071)</u>	<u>-</u>	<u>-</u>	<u>(72,071)</u>
Total capital assets, being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**5. ACCRUED VACATION**

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

Accrued vacation activity for the year ended June 30, 2018, was as follows:

	<b><u>Balance</u></b> <b><u>June 30, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Accrued vacation	\$ <u>107,175</u>	\$ <u>22,774</u>	\$ <u>(102,767)</u>	\$ <u>27,182</u>	\$ <u>9,816</u>

Accrued vacation activity for the year ended June 30, 2017, was as follows:

	<b><u>Balance</u></b> <b><u>June 30, 2016</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2017</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Accrued vacation	\$ <u>103,584</u>	\$ <u>44,397</u>	\$ <u>(42,806)</u>	\$ <u>107,175</u>	\$ <u>42,806</u>

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**6. RETIREMENT PLAN**

*A. General Information about the Pension Plan*

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

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

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

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

*First Tier:*

	<b><u>Prior to January 15, 2011</u></b>	<b><u>January 15, 2011 to December 31, 2012</u></b>	<b><u>On or after January 1, 2013</u></b>
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	10 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.0 to 2.5%	1.092 to 2.418%	1.0 to 2.5%

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

*Second Tier:*

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

**Contributions** – Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. CEFA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2017 (the measurement date), the employer’s contribution rate is approximately 26.9% of annual payroll. For the measurement period ended June 30, 2016, the employer’s contribution rate was approximately 25.2% of annual payroll.

These rates reflect PERL Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the Plan were \$68,654 and \$95,152 for the fiscal years ended June 30, 2018 and 2017, respectively.

In addition to CEFA’s contributions to the plan, during the year ended June 30, 2018, the State Surplus Money Investment Fund (SMIF) made a contribution to the Plan of \$111,000, on behalf of CEFA, as required by Senate Bill No. 84 (SB 84) to fund future Net Pension Liabilities. CEFA established a loan payable to SMIF for this contribution as required by SB 84. This loan payable is required to be repaid by CEFA by June 30, 2030.

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

As of June 30, 2018 and 2017, CEFA reported net pension liabilities for their proportionate shares of the net pension liability of \$1,122,077 and \$1,075,056, respectively.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

CEFA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. CEFA's proportion of the net pension liability was based on the State Controller's Office (SCO) projection for CEFA. The SCO identified a total of 29 entities that are reported in the State's CAFR which are proprietary funds (enterprise and internal service) and fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations, that have State employees with pensionable compensation (covered payroll). The SCO calculated and provided these funds/organizations with their allocated pensionable compensation percentages by plan. CEFA's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 was 0.00307% and 0.00325%, respectively.

For the year ended June 30, 2018 and 2017, CEFA's recognized pension expense was \$148,026 and \$116,018, respectively.

At June 30, 2018, CEFA's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 179,654	\$ -
Change in assumptions	130,546	-
Change in proportion	8,337	-
Differences between expected and actual experience	4,916	(10,472)
Net differences between projected and actual earnings on plan investments	31,829	-
Total	\$ 355,283	\$ (10,472)

\$179,654 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ending June 30</b>	
2019	\$ 33,088
2020	107,391
2021	40,902
2022	(16,224)

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

For the year ended June 30, 2017, CEFA’s recognized pension expense was \$116,018. At June 30, 2017, CEFA’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 95,152	\$ -
Change in proportion	43,746	(2,469)
Differences between expected and actual experience	10,971	-
Net differences between projected and actual earnings on plan investments	118,761	-
Total	\$ 268,630	\$ (2,469)

\$95,152 reported as deferred outflows of resources related to contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ending June 30</b>	
2018	\$ 18,480
2019	22,694
2020	98,777
2021	31,058

**Actuarial Assumptions** – For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Interest Rate of Return	7.15%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS’ Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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



# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Changes in Assumptions** – For the measurement period ended June 30, 2017 (the measurement date), the discount rate was reduced from 7.65% to 7.15%. There were no changes in assumptions during the June 30, 2016 measurement date.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 – 10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u>100.00%</u>		

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

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

### *Sensitivity of CEFA's Proportionate Share Net Pension Liability to Changes in the Discount Rate*

The following presents CEFA's proportionate share of the net pension liability of the Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 7.15 percent, as well as what CEFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
CEFA's Proportionate Share of Plan's Net Pension Liability	\$ 1,535,118	\$ 1,122,077	\$ 776,400

The following presents CEFA's proportionate share of the net pension liability of the Plan as of the June 30, 2016 measurement date, calculated using the discount rate of 7.65 percent, as well as what CEFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate – 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
Proportionate Share of Plan's Net Pension Liability	\$ 1,463,565	\$ 1,075,056	\$ 748,895

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

#### A. General Information about the OPEB Plan

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

The State has identified 25 separate valuation groups within the State Substantive Plan. For each agency and/or fund, the SCO determined the proportion of pensionable compensation attributable to employees within these valuation groups. SCO then used these proportions to allocate the OPEB accounting elements from the June 30, 2017 State of California Retiree Health Benefits Program Actuarial Valuation Report to State agencies and their funds.

**Benefits Provided** - In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon the completed years of credited state service at retirement and the dental coverage selected. The maximum 2017 monthly State contribution was \$707 for one-party, \$1,349 for two-party coverage, and \$1,727 for family coverage. To be eligible for these benefits, primary government first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits.

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

CEFA participates in the State's Substantive Plan on a cost-sharing basis. The State funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis. The State obtains an annual actuarial valuation of the State's Substantive Plan which can be found on the SCO's website at [www.sco.ca.gov](http://www.sco.ca.gov). Contributions to the State's Substantive Plan from CEFA were \$25,433 for the fiscal year ended June 30, 2018.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

At June 30, 2018, CEFA reported a liability of \$1,714,000 for its proportionate share of the State's Substantive Plan net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. CEFA's proportion of the net OPEB liability was based on the SCO's projection for CEFA. CEFA's combined proportionate share, based on its attributable employee valuation groups pensionable compensation, as of June 30, 2017 was 0.0022135%.

For the fiscal year ended June 30, 2018, CEFA recognized OPEB expense of \$74,567. At June 30, 2018, CEFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ (169,000)
Differences between contributions and proportionate share of contributions	-	(6,000)
OPEB contributions subsequent to measurement date	25,433	-
Total	\$ 25,433	\$ (175,000)

The \$25,433 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in CEFA's OPEB expense as follows:

<b>Year Ending June 30</b>	
2019	\$ (29,000)
2020	(29,000)
2021	(29,000)
2022	(29,000)
2023	(29,000)
2024	(30,000)

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total OPEB liability was determined using a June 30, 2017 valuation date. The June 30, 2016 beginning total OPEB liability was determined by rolling back the June 30, 2017 total OPEB liability. The June 30, 2017 total OPEB liability was based on the following actuarial methods and assumptions:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	Blended rate for each valuation group, consisting of 7.28% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.56%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.28%, net of OPEB plan investment expenses
Health care cost trend rates	<i>Pre-Medicare coverage:</i> Actual rates for 2018, increasing to 8.00% in 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years <i>Post-Medicare coverage:</i> Actual rates for 2018, increasing to 8.50% in 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years <i>Dental coverage:</i> 0.00% in 2018 and 4.50% thereafter
Mortality Rate Table	Derived using CalPERS' Membership data for all members

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, refer to the 2014 *CalPERS Experience Study and Review of Actuarial Assumptions* report (Experience Study) for the period from 1997 to 2011. Other demographic assumptions used in the June 30, 2017 valuation were also based on the results of the Experience Study, including updates to termination, disability, mortality assumptions, and retirement rates. The Experience Study report can be obtained from CalPERS' website, at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the 2015 experience study performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2007 to 2014. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. To obtain a copy of the GRS experience study please email the State Controller's Office, State Accounting and Reporting Division, at [StateGovReports@sco.ca.gov](mailto:StateGovReports@sco.ca.gov).

***Changes in Assumptions*** - For the actuarial valuation as of June 30, 2017, healthcare related assumptions, including per capita healthcare cost and healthcare trend rates, were updated based on experience through June 30, 2017.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

**Discount Rate** - The discount rate used to measure the total OPEB liability was based on a blended rate for each valuation group. The blended rate used to measure the June 30, 2016 total OPEB liability (for CEFA's net OPEB liability reported as of June 30, 2017) consists of the 20-Bond G.O. Index rate of 2.85% as of June 30, 2016, as reported by Bond Buyer Index (general obligation, 20 years to maturity, mixed quality), when prefunding assets are not available to pay benefits, and 7.28% when prefunding assets are available to pay benefits. The blended rate used to measure the June 30, 2017 total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.56% as of June 30, 2017, as reported by Fidelity Index, when prefunding assets are not available to pay benefits, and 7.28% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rate were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2017*, on the State Controller's Office website, at [www.SCO.ca.gov](http://www.SCO.ca.gov).

The long-term expected rate of return on OPEB plan investments was determined by CalPERS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected nominal returns for the short-term (first 10 years) and the long-term (11-60 years), a single expected return rate of 7.28% was calculated for years 1-60. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 - 60</u>
Global Equity	57.00%	5.25%	5.71%
Global Fixed Income	27.00%	1.79%	2.40%
Inflation Sensitive	5.00%	1.00%	2.25%
Real Estate	8.00%	3.25%	7.88%
Commodities	3.00%	0.34%	4.95%

The Real Return Years 1 – 10 used an expected inflation rate of 2.50% for this period. The Real Return Years 11 – 60 used an expected inflation rate of 3% for this period.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### **Sensitivity of CEFA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents CEFA's proportionate share of the net OPEB liability, as well as what CEFA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	<b>Blended Discount Rate -1%</b>	<b>Blended Discount Rate</b>	<b>Blended Discount Rate +1%</b>
Net OPEB liability	\$ 2,025,728	\$ 1,714,000	\$ 1,466,035

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

The following presents CEFA's proportionate share of the net OPEB liability, as well as what CEFA's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rates -1%</b>	<b>Healthcare Cost Trend Rates</b>	<b>Healthcare Cost Trend Rates +1%</b>
Net OPEB liability	\$ 1,449,094	\$ 1,714,000	\$ 2,053,962

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

## **8. CONDUIT FINANCING PROGRAMS**

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

As of June 30, 2018 and 2017, there were \$4,119,115,560 and \$4,126,583,169, respectively, in conduit financings outstanding. CEFA assisted with the issuance of financings in the amount of \$375,895,000 and \$253,385,000 for the years ended June 30, 2018 and 2017, respectively. Additionally, the amounts of bonds authorized by CEFA with active resolutions that remain unsold were \$1,013,520,000 and \$1,083,615,000 as of June 30, 2018 and 2017, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**



# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## SCHEDULE OF CEFA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2018 LAST 10 YEARS\*

	<u>Measurement Date</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
CEFA's proportion of the net pension liability	0.3071%	0.3247%	0.2613%	0.3237%
CEFA's proportionate share of the net pension liability	\$ 1,122,077	\$ 1,075,056	\$ 737,826	\$ 816,426
CEFA's covered-employee payroll	\$ 367,327	\$ 343,432	\$ 277,995	\$ 318,863
CEFA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	305.47%	313.03%	265.41%	256.04%
Plan fiduciary net position as a percentage of the total pension liability	66.42%	66.81%	70.68%	73.05%

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

### Notes to Schedule:

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

**Changes in assumptions** – GASB 68 states that the long-term expected rate of return should be determined net pension plan investment expenses, but without reduction for pension plan administrative expense. The discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expenses. There were no changes in assumptions for the measurement periods ended June 30, 2016 and 2014. For the measurement date ended June 30, 2017, the financial reporting discount for the plan was lowered from 7.65% to 7.15%.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## SCHEDULE OF PENSION CONTRIBUTIONS

AS OF JUNE 30, 2018

LAST 10 YEARS\*

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

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## SCHEDULE OF CEFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS OF JUNE 30, 2018 LAST 10 YEARS\*

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	<u>Measurement Date</u>
	<u>2017</u>
CEFA's proportion of the net OPEB liability	0.002210%
CEFA's proportionate share of the net OPEB liability	\$ 1,714,000
CEFA's covered-employee payroll	\$ 367,327
CEFA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	466.61%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

### Notes to Schedule:

**Change of benefit terms** – For the measurement date ended June 30, 2017, there were no changes to the benefit terms.

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

\* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

# CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

## SCHEDULE OF CEFA'S CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN AS OF JUNE 30, 2018 LAST 10 YEARS\*

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	<u>Fiscal Year</u>
	<u>2018</u>
Contractually required contribution	\$ 25,433
Contributions in relation to the contractually required contributions	<u>(25,433)</u>
Contribution deficiency (excess)	<u>\$ -</u>
CEFA's covered-employee payroll	\$ 246,287
Contributions as a percentage of covered-employee payroll	10.33%

### Notes to Schedule:

\* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

## **ADDITIONAL INFORMATION**

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**  
**EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)**  
**STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED,**  
**ISSUED AND OUTSTANDING**  
**JUNE 30, 2018**

<u>Issued</u>	<u>Date Issued</u>	<u>Date of Final Maturity</u>	<u>Total Bonds Issued</u>	<u>Total Bonds Retired</u>	<u>Bonds Outstanding as of June 30, 2018</u>
Art Center College of Design, Series 2014A (Private Placement)	16-Jul-14	1-Dec-44	\$ 45,680,000	\$ 3,420,000	\$ 42,260,000
Art Center College of Design, Series 2014B (Private Placement)	16-Jul-14	1-Dec-44	20,550,000	1,505,000	19,045,000
California College of Arts & Crafts, Series 2001	1-Jun-01	1-Aug-19	14,490,000	13,750,000	740,000
California College of the Arts, Series 2012	25-Oct-12	1-Jun-30	11,465,000	570,000	10,895,000
California Institute of Technology, Series 1994 (Variable Rate Demand)	27-Oct-94	1-Jan-24	30,000,000		30,000,000
California Institute of Technology, Series 2006 A (Variable Rate Demand)	12-Jul-06	1-Oct-36	82,500,000		82,500,000
California Institute of Technology, Series 2006 B (Variable Rate Demand)	12-Jul-06	1-Oct-36	82,500,000		82,500,000
California Lutheran University, Series 2008	31-Jul-08	1-Oct-38	38,060,000	3,320,000	34,740,000
California Western School of Law, Series 1998	4-Apr-98	1-Oct-28	16,000,000	7,310,000	8,690,000
Carnegie Institution of Washington, 2010 Series A	24-Mar-10	1-Jul-40	34,525,000		34,525,000
Chapman University, Series 2015	21-Jul-15	1-Apr-45	114,485,000	3,870,000	110,615,000
Chapman University, Series 2017A (Taxable)	16-Nov-17	1-Apr-42	111,015,000	2,570,000	108,445,000
Chapman University, Series 2017B	16-Nov-17	1-Apr-47	37,650,000		37,650,000
Chapman University, Series 2011	3-Oct-11	1-Apr-31	100,000,000	21,720,000	78,280,000
Charles Drew University, Series 2014 (Private Placement)	22-Dec-14	1-Jan-42	32,875,000	590,000	32,285,000
Claremont Graduate University, Series 2016 A (Private Placement)	26-Feb-16	1-Mar-26	12,500,000	1,715,000	10,785,000
Claremont Graduate University, Series 2016 B (Private Placement)	26-Feb-16	1-Mar-42	40,435,000		40,435,000
Claremont Graduate University, Series 2016 C (Private Placement)	26-Feb-16	1-Mar-38	6,960,000		6,960,000
Claremont McKenna College, Series 2007	31-May-07	1-Jan-38	40,425,000	30,080,000	10,345,000
Claremont McKenna College, Series 2011	7-Jul-11	1-Jan-30	5,480,000	1,040,000	4,440,000
Claremont McKenna College, Series 2012	28-Nov-12	1-Jan-42	30,000,000	1,470,000	28,530,000
Claremont McKenna College, Series 2015	3-Dec-15	1-Jan-39	111,785,000	3,780,000	108,005,000
Claremont University Consortium, Series 2011	7-Apr-11	1-Oct-35	9,000,000	2,720,000	6,280,000
Claremont University Consortium, Series 2012	2-Aug-12	1-Oct-33	8,065,000	1,535,000	6,530,000
Golden Gate University, Series 2012 (Private Placement)	19-Dec-12	1-Jan-43	46,000,000	15,400,838	30,599,162
Harvey Mudd College, Series 2011	19-May-11	1-Dec-41	15,065,000	1,720,000	13,345,000
Life Chiropractic College West, 1999 (Variable Rate Demand)	4-Mar-99	1-Jan-25	18,000,000	18,000,000	
Loma Linda University, Series 2017A	8-Mar-17	1-Apr-47	134,945,000	2,150,000	132,795,000
Loma Linda University, Series 2017B (Taxable)	8-Mar-17	1-Apr-33	43,440,000	2,095,000	41,345,000
Loyola Marymount University, Series 2001A (CAB & CIB)	14-Jun-01	1-Oct-39	75,449,126	43,154,936	32,294,190
Loyola Marymount University, Series 2010A	30-Mar-10	1-Oct-40	65,185,000	21,175,000	44,010,000
Loyola Marymount University, Series 2011	22-Nov-11	1-Oct-24	22,105,000	14,095,000	8,010,000
Loyola Marymount University, Series 2013A (Taxable)	26-Mar-13	1-Oct-43	37,000,000	3,670,000	33,330,000
Loyola Marymount University, Series 2015 (Private Placement)	17-Jun-15	1-Oct-34	30,025,000	3,200,000	26,825,000
Occidental College, Series 2013A	5-Jun-13	1-Oct-43	48,625,000	1,395,000	47,230,000

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**  
**EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)**  
**STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED,**  
**ISSUED AND OUTSTANDING**  
**JUNE 30, 2018**

<b>Issued</b>	<b>Date Issued</b>	<b>Date of Final Maturity</b>	<b>Total Bonds Issued</b>	<b>Total Bonds Retired</b>	<b>Bonds Outstanding as of June 30, 2018</b>
Occidental College, Series 2015	7-Jan-16	1-Oct-45	34,270,000	3,980,000	30,290,000
Occidental College, Taxable Series 2013B	5-Jun-13	1-Oct-27	6,370,000	140,000	6,230,000
Pepperdine University, Series 2012	5-Jun-12	1-Sep-33	50,000,000	29,465,000	20,535,000
Pepperdine University, Series 2014	24-Dec-14	1-Dec-44	51,485,000	860,000	50,625,000
Pepperdine University, Series 2015	2-Sep-15	1-Sep-45	76,455,000	2,480,000	73,975,000
Pepperdine University, Series 2016	17-Mar-16	1-Oct-49	100,000,000		100,000,000
Pepperdine University, Series 2017B	21-Dec-17	1-Sep-33	20,870,000		20,870,000
Pitzer College, Series 2009	18-Nov-09	1-Apr-40	62,075,000	62,075,000	
Pomona College, Series 2005 A/2 (Capital Appreciation)	24-Feb-05	1-Jul-41	25,144,739	1,849,619	23,295,120
Pomona College, Series 2008 A (CAB & CIB)	5-Jun-08	1-Jan-18	59,475,000	59,475,000	
Pomona College, Series 2009 A	2-Apr-09	1-Jan-24	62,290,000	62,290,000	
Saint Mary's College of California, Series 2007	30-Aug-07	1-Oct-43	71,100,000	12,025,000	59,075,000
Santa Clara University, Series 1999 (CAB & CIB)	15-Apr-99	1-Sep-26	82,181,741	38,205,230	43,976,511
Santa Clara University, Series 2008	11-Dec-08	1-Apr-37	72,485,000	72,485,000	
Santa Clara University, Series 2010	15-Sep-10	1-Feb-40	50,125,000	50,125,000	
Santa Clara University, Series 2015	28-Aug-15	1-Apr-45	102,230,000		102,230,000
Santa Clara University, Series 2017A (Taxable)	10-Aug-17	1-Apr-37	97,530,000		97,530,000
Santa Clara University, Series 2017B	10-Aug-17	1-Apr-40	25,035,000		25,035,000
Santa Clara University, Series 2017C	28-Dec-17	1-Apr-48	52,485,000		52,485,000
Scripps College, Series 2007	31-Oct-07	1-Nov-37	30,555,000	30,555,000	
Southwestern University Series 2003	29-May-03	1-Nov-23	11,880,000	7,275,000	4,605,000
Stanford University, Series 1997 L-5	23-Oct-97	1-Oct-17	15,165,000	15,165,000	
Stanford University, Series 1998 L-6	28-Oct-98	1-Oct-22	17,815,000		17,815,000
Stanford University, Series 1999 L-7	28-Oct-99	1-Oct-22	18,393,000		18,393,000
Stanford University, Series 2004 S-1	24-Jun-04	9-Jun-19	40,000,000		40,000,000
Stanford University, Series 2004 S-2	24-Jun-04	1-Nov-18	40,000,000	9,790,000	30,210,000
Stanford University, Series 2004 S-3	24-Jun-04	1-Nov-39	50,000,000		50,000,000
Stanford University, Series 2004 S-4 (Variable Rate Demand)	24-Jun-04	1-Nov-50	51,200,000		51,200,000
Stanford University, Series 2008 TECP	15-May-08	1-May-38	300,000,000	300,000,000	
Stanford University, Series T-1	19-Jun-07	15-Mar-39	111,775,000		111,775,000
Stanford University, Series T-3	6-Sep-07	15-Mar-26	25,360,000		25,360,000
Stanford University, Series T-5 (2009)	28-Jul-09	15-Mar-23	51,765,000		51,765,000
Stanford University, Series U-1	6-May-10	1-Apr-40	215,375,000		215,375,000
Stanford University, Series U-2	17-Apr-12	1-Oct-32	77,760,000		77,760,000
Stanford University, Series U-3	15-May-13	1-Jun-43	261,410,000		261,410,000
Stanford University, Series U-4	15-May-13	1-Jun-43	39,215,000		39,215,000
Stanford University, Series U-5	14-May-14	1-May-21	124,115,000		124,115,000
Stanford University, Series U-6	14-May-14	1-May-45	278,980,000		278,980,000
Stanford University, Series U7	22-Jun-16	1-Jun-46	170,350,000		170,350,000
University of Redlands, 2014 Series A	7-Jan-15	1-Oct-35	31,595,000	4,250,000	27,345,000
University of Redlands, 2016 Series A	1-Apr-16	1-Oct-38	30,690,000	720,000	29,970,000
University of San Diego, Series 1999 (part Capital Appreciation)	4-Feb-99	1-Oct-28	31,778,189	26,060,612	5,717,577
University of San Diego, Series 2011	16-Mar-11	1-Oct-22	18,640,000	10,485,000	8,155,000
University of San Francisco, 2017 Tax Exempt Loan	21-Dec-17	1-Oct-36	31,310,000		31,310,000
University of San Francisco, Series 2011	15-Feb-11	1-Oct-36	79,770,000	44,320,000	35,450,000

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**  
**EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)**  
**STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED,**  
**ISSUED AND OUTSTANDING**  
**JUNE 30, 2018**

<u>Issued</u>	<u>Date Issued</u>	<u>Date of Final Maturity</u>	<u>Total Bonds Issued</u>	<u>Total Bonds Retired</u>	<u>Bonds Outstanding as of June 30, 2018</u>
University of San Francisco, Series 2017 (Private Placement)	3-Apr-17	1-Oct-35	75,000,000	4,010,000	70,990,000
University of Southern California, Series 2009C	9-Jul-09	1-Oct-24	82,305,000		82,305,000
University of Southern California, Series 2012A	29-Aug-12	1-Oct-23	41,595,000		41,595,000
University of Southern California, Series 2015	7-Jul-15	1-Oct-25	42,960,000		42,960,000
University of the Pacific, Series 2009	28-May-09	1-Nov-39	15,000,000	3,295,000	11,705,000
University of the Pacific, Series 2012A	26-Jan-12	1-Nov-42	35,435,000	6,750,000	28,685,000
University of the Pacific, Series 2014 (Private Placement)	12-May-14	1-May-34	36,500,000	16,150,000	20,350,000
University of the Pacific, Series 2015	4-Aug-15	1-Nov-36	68,005,000	5,170,000	62,835,000
<b>TOTAL</b>					<b><u>\$ 4,119,115,560</u></b>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the California Educational Facilities Authority (CEFA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise CEFA's basic financial statements, and have issued our report thereon dated March 27, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CEFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEFA's internal control. Accordingly, we do not express an opinion on the effectiveness of CEFA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CEFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**March 27, 2019**