

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

2012 ANNUAL REPORT





CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

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Chairman
State Treasurer

JOHN CHIANG
State Controller

ANA J. MATOSANTOS
Director, Department of Finance

STACY LEWIS DAHER

WILLIAM G. MCGINNIS

EXECUTIVE DIRECTOR

RONALD L. WASHINGTON

March 14, 2013

Dear Members:

I am pleased to present to you the 2012 California Educational Facilities Authority (“CEFA” or “Authority”) annual report. Established in 1973, the Authority continues to serve as a conduit issuer of tax-exempt bonds on behalf of California independent colleges and universities. As of December 31, 2012, the Authority has issued approximately \$10,555,943,538 in tax-exempt bonds, which has enabled our borrowers to realize their capital and construction financing objectives.

The annual report highlights the Authority’s activity for the 2012 calendar year. In total, the Authority approved seven (7) new applications, processed seven (7) Delegation Requests, and closed nine (9) financings, issuing \$320,320,000 in bonds.

The success of the Authority is made possible by the hard work and dedication of its Board Members and staff. The Authority continues 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 can be found about the Authority on our website: <http://www.treasurer.ca.gov/cefa>.

Sincerely,

A handwritten signature in blue ink, appearing to be "R. Washington", written over a light blue circular stamp or watermark.

Ronald L. Washington
Executive Director

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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 94100-94216.11 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.

CEFA Mission Statement

The mission of the California Educational Facilities Authority 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

Bill Lockyer	<i>Chairman, California State Treasurer</i>
John Chiang	<i>Vice Chairman, California State Controller</i>
Ana J. Matosantos	<i>Director, California Department of Finance</i>
William G. McGinnis,	<i>Member, Trustee, Butte-Glenn Community College District Board</i>
Stacy Lewis Daher	<i>Associate Vice President, Office of Finance and Treasury, University of San Francisco</i>

CEFA PROGRAMS

Bond Financing – This program provides borrowers access to low interest rate capital markets through the issuance of tax-exempt bonds. 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.

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Simplified Equipment Financing Program (“SEFP”) – Designed as a simple, economical, fast, and practical way for nonprofit colleges and universities to finance a broad range of essential equipment needs, the SEFP can be used to fund qualifying purchases of \$100,000 or more. Qualifying purchases include, but are not limited to, computer hardware and software, classroom furnishings and laboratory equipment, vehicles, communication systems, heating, air-conditioning, ventilation, and other energy-efficient projects. CEFA does not charge an application fee for this program and the financing terms generally range from 3 to 15 years with flexible repayment options.

Student Loan Programs - In the late 1990s, CEFA developed two fixed interest rate student loan programs. Bonds were issued in 1997 and 2001 for the Cal Loan Program, which offered financial needs-based loans. In 1998, bonds were issued for the CalEdge Loan Program, which offered credit-based loans. The CalEdge bonds were defeased on September 29, 2010.

As the market for student loans shifted from higher fixed interest rates to lower variable interest rates, demand for both of the programs declined significantly, resulting in no new loan originations in 2012. Currently, the administrator, trustee and servicer continue in their roles as students repay their outstanding loans. Meanwhile, CEFA continues to explore viable student loan opportunities to further assist college students and their families in financing the costs of attending college.

2012 LEGISLATIVE CHANGES

No legislative changes to report in 2012.

SUMMARY OF 2012 CALENDAR YEAR FINANCINGS

In 2012, the Authority authorized \$1,144,575,00 in bond financings for seven (7) California colleges and universities, which resulted in the issuance of \$320,320,000 in bond financings for nine (9) institutions (includes resolutions approved in 2010 and 2011 that were priced and closed in 2012). The following table provides a summary of all CEFA bond issues that closed in 2012.

School	Amount Issued	Closing Date	Sr. Manager(s)
University of the Pacific, Series 2012A	\$ 35,435,000	01/26/12	Prager, Sealy & Co., LLC
Art Center College of Design, Series 2012	20,000,000	02/07/12	Wells Fargo Securities (Structuring Agent)*
Stanford University, Series U-2	77,760,000	04/17/12	Morgan Stanley & Goldman Sachs
Pepperdine University, Series 2012	50,000,000	06/05/12	Morgan Stanley
Claremont University Consortium, Series 2012	8,065,000	08/02/12	Prager, Sealy & Co., LLC
University of Southern California, Series 2012A	41,595,000	08/29/12	Morgan Stanley
California College of the Arts, Series 2012	11,465,000	10/25/12	Wedbush Securities, Inc.
Claremont McKenna College, Series 2012	30,000,000	11/28/12	Prager, Sealy & Co., LLC
Golden Gate University, Series 2012	46,000,000	12/19/12	Public Financial Management (Financial Advisor)*
TOTAL	\$ 320,320,000		

*Private Placement Financings

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University of the Pacific, Series 2012A – Bond proceeds were used to refund all or a portion of the CEFA Series 1998 and 2000 bonds, as well as to finance a portion of the acquisition, relocation and renovation of the new main campus of UOP’s Dugoni School of Dentistry.

Art Center College of Design, Series 2012 – Bond proceeds were used to finance the cost of acquisition and renovation of property adjacent to its South Campus. In addition, the project included improvements to buildings on both its main Hillside and South Campuses, that including remodeling, renovation and equipping of various campus facilities, classrooms, work space, offices, parking facilities, academic spaces, administrative offices, and related infrastructure improvements. The CEFA Series 2012 bonds were privately placed through a direct bank placement with Wells Fargo Bank, N.A.

Stanford University, Series U-2 – Bond proceeds were used to retire the University’s Commercial Paper that was used to fund the renovation of existing facilities.

Pepperdine University, Series 2012 – Bond proceeds were used to refund all or a portion of the CEFA Series 2003A bonds, as well as to finance capital improvements on the Malibu campus, including but not limited to renovations of the Thornton Administration Center, renovations and construction of student residences, and renovations to parking facilities and other existing structures.

Claremont University Consortium, Series 2012 – Bond proceeds were used to current refund all or a portion of their California Infrastructure and Economic Development Bank Series 2003 bonds.

University of Southern California, Series 2012A –The Authority approved a five-year resolution allowing the University latitude and flexibility in refunding all or a portion of the CEFA Series 2003A, Series 2005, Series 2007A, Series 2009A and Series 2009B bonds when financing opportunities and interest rates become available. The University’s 2012A Series bonds were used to refund its Series 2003A bonds.

California College of the Arts, Series 2012 – Bond proceeds were used to refund the callable portion of the CEFA Series 2001 bonds.

Claremont McKenna College, Series 2012 – Bond proceeds were used to refund all or a portion of the CEFA Series 2003 bonds. Additionally, bond proceeds were used to finance the cost of the acquisition, construction, and improvements of several education facilities.

Golden Gate University, Series 2012 – Bond proceeds were used to current refund the CEFA Series 2001bonds and advance refund the CEFA Series 2005 bonds. In addition, bond proceeds were used to finance classroom updates, expansion, rehabilitation, remodeling, renovation and equipping of various campus facilities. The CEFA 2012 bonds were privately placed through a direct bank placement with First Republic Bank.

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CEFA PORTFOLIO

As of December 31, 2012, the Authority had 111 outstanding bond issues totaling \$4,292,956,926. A complete listing of the bonds outstanding issues through fiscal year 2011-2012 is provided on page 22 of the attached Independent Auditor's Report (Appendix A).

CEFA FINANCIAL STATEMENTS

Appendix A includes a complete copy of CEFA's June 30, 2012 and 2011 Independent Auditor's Report as prepared by Gilbert Associates, Inc., Certified Public Accountants of Sacramento, CA.

AUTHORITY STAFF

The Authority staff and contact information is provided in Appendix B.

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY,
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT,
YEARS ENDED JUNE 30, 2012 AND 2011**

**CALIFORNIA EDUCATIONAL
FACILITIES AUTHORITY**

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

**YEARS ENDED
JUNE 30, 2012 AND 2011**

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

JUNE 30, 2012 AND 2011

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Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

CEFA Members
California Educational Facilities Authority
Sacramento, California

We have audited the accompanying financial statements of the California Educational Facilities Authority (CEFA), a fund of the State of California, as of and for the fiscal years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of CEFA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only CEFA and do not purport to, and do not, present fairly the financial position of the State of California, as of June 30, 2012 and 2011, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEFA as of June 30, 2012 and 2011, and the changes in financial position, and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of CEFA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CEFA's financial statements as a whole. The Consolidating Financial Statements and Statement of Bonds and Collateralized Notes are presented for the purpose of additional analysis and are not a required part of the financial statements. The Consolidating Financial Statements and Statement of Bonds and Collateralized Notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 3, 2012

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

BALANCE SHEETS JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and Investments in State Treasury	\$ 12,000,209	\$ 12,462,435
Restricted Cash and Investments with Fiscal Agent	1,364,348	1,244,648
Accounts Receivable	2,029,515	2,303,739
Due from Other External Funds	10,800	15,010
Prepaid Expenses	12,077	14,680
Deferred Charges	8,584	9,584
Total Current Assets	<u>15,425,533</u>	<u>16,050,096</u>
NON-CURRENT ASSETS:		
Restricted Cash and Investments with Fiscal Agent	643,685	857,883
Accounts Receivable (Net)	1,556,828	3,461,717
Deferred Charges (Net)	56,365	69,831
Capital Assets (Net)	16,250	39,080
Total Non-Current Assets	<u>2,273,128</u>	<u>4,428,511</u>
TOTAL ASSETS	<u>\$ 17,698,661</u>	<u>\$ 20,478,607</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 61,721	\$ 56,236
Accrued Expenses	133,934	159,770
Current Accrued Vacation	21,183	20,955
Deferred Administrator Compensation	301,074	263,467
Due to Other External Funds	15,252	18,345
Other Liabilities		750
Total Current Liabilities	<u>533,164</u>	<u>519,523</u>
NON-CURRENT LIABILITIES:		
Accrued Vacation	68,408	56,141
Bonds Payable	6,800,000	8,300,000
OPEB Obligation	208,000	142,000
Participant Collateral Accounts	270,000	270,000
Total Non-Current Liabilities	<u>7,346,408</u>	<u>8,768,141</u>
TOTAL LIABILITIES	<u>7,879,572</u>	<u>9,287,664</u>
NET ASSETS		
Restricted for Educational Purposes	<u>9,819,089</u>	<u>11,190,943</u>
Total Net Assets	<u>9,819,089</u>	<u>11,190,943</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,698,661</u>	<u>\$ 20,478,607</u>

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

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Interest Income on Student Loans	\$ 808,565	\$ 1,014,257
Fee Revenue	<u>411,341</u>	<u>368,735</u>
Total Operating Revenues	<u>1,219,906</u>	<u>1,382,992</u>
OPERATING EXPENSES:		
Personnel	518,445	497,568
Operating Expenses	<u>1,805,959</u>	<u>1,098,916</u>
Total Operating Expenses	<u>2,324,404</u>	<u>1,596,484</u>
OPERATING INCOME (LOSS)	(1,104,498)	(213,492)
NON-OPERATING REVENUES (EXPENSES):		
Interest Income on Investments	150,244	215,616
Interest Expense	(417,600)	(589,809)
Arbitrage Expense	<u> </u>	<u>(17,200)</u>
CHANGE IN NET ASSETS BEFORE SPECIAL ITEM	(1,371,854)	(604,885)
SPECIAL ITEMS		
Loss on Assignment and Transfer (Note 1A)	<u> </u>	<u>(1,219,609)</u>
CHANGE IN NET ASSETS	(1,371,854)	(1,824,494)
NET ASSETS		
NET ASSETS, Beginning of Year	<u>11,190,943</u>	<u>13,015,437</u>
NET ASSETS, End of Year	<u>\$ 9,819,089</u>	<u>\$ 11,190,943</u>

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

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Principal Repayments from Students	\$ 1,716,680	\$ 2,020,842
Interest Receipts from Student Loans	348,548	612,899
Receipts from Fees	433,791	344,160
Payments to Employees	(439,950)	(441,910)
Payments to Suppliers of Goods and Services	(828,940)	(892,109)
Net Cash Provided by Operating Activities	<u>1,230,129</u>	<u>1,643,882</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash paid for Assignment and Transfer		(1,163,809)
Interest Paid on Bonds Payable	(441,300)	(614,085)
Payment on Bonds Payable	(1,500,000)	(2,905,000)
Net Cash Used by Noncapital Financing Activities	<u>(1,941,300)</u>	<u>(4,682,894)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Receipts from Investments	154,447	217,819
Net Cash Provided by Investing Activities	<u>154,447</u>	<u>217,819</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(556,724)	(2,821,193)
BEGINNING CASH AND CASH EQUIVALENTS	<u>14,564,966</u>	<u>17,386,159</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 14,008,242</u>	<u>\$ 14,564,966</u>
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (1,104,498)	\$ (213,492)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATIONS:		
Amortization	14,466	106,782
Depreciation	22,830	23,080
(Increase) Decrease in:		
Accounts Receivable	1,279,113	1,594,909
Allowance for Uncollectible Accounts	900,000	301,450
Due to/from Other External Funds	(3,086)	10,465
Prepaid Expenses	2,603	3,973
Other Assets		(12)
Increase (Decrease) in:		
Accounts Payable	5,485	(41,172)
Accrued Expenses	(2,136)	(28,859)
Accrued Vacation	12,495	5,658
Deferred Administrator Compensation	37,607	55,095
OPEB Obligation	66,000	50,000
Other Liabilities	(750)	(223,995)
Net Cash Provided by Operating Activities	<u>\$ 1,230,129</u>	<u>\$ 1,643,882</u>
NON-CASH NONCAPITAL FINANCING ACTIVITIES:		
Transfer of Assets	<u>\$</u>	<u>\$ 6,020,619</u>
Assignment of Debt and Other Liabilities	<u>\$</u>	<u>\$ 5,964,819</u>

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

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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 Student Loan Authority Fund and the Educational Facilities Authority Fund are maintained within CEFA and the combined balance sheet and results of operations and cash flows are presented in these financial statements.

CEFA was created for the purpose of issuing revenue bonds to assist 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 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 federally 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 federally 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's authority was expanded to include the financing of student loans. Students attending both public and private non-profit colleges and universities were eligible. In 1997, the first bond issuance under this program funded the Cal Loan Program to enable students to borrow defined amounts if basic student aid is insufficient to cover expenses. The bonds are payable out of funds pledged under the program's indenture, which included payments, proceeds, charges and other cash income received in account of, or with respect to, any student loan. CEFA issued its second bond of this type in 1998 to finance approximately 4,000 additional loans. This bond funded the CalEdge Program and the structure of the bond was similar to the Cal Loan Program, although the programs offered different types of student loans. In June 27, 2001, CEFA issued a second series of Cal Loan Bonds while also contributing an additional amount of up-front cash. Both the CalEdge and Cal Loan programs have discontinued issuing loans. A portion of the CalEdge series of bonds were assigned and transferred in August 2010 and later paid off in September 2010.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

On August 30, 2010, CEFA assigned and transferred \$5,830,000 (of the \$6,035,000 outstanding principal balance) of the 1998 Series CalEdge bonds and \$134,810 of accrued interest payable along with the associated student loan receivables and remaining cash in the fund to College Access Foundation (CAF). The net assets transferred were \$7,184,428 and the debt and liabilities assumed were \$5,964,819, which resulted in a loss recognized on this transaction of \$1,219,609, which is recorded as a special item on the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2011. The CalEdge 1998 Series bonds became jointly owned at this time and then were fully defeased on September 29, 2010 via deposit of sufficient funds from CAF and from CEFA with the bond Trustee.

ALL Student Loan Resources Corporation provides program oversight for Cal Loan program.

In 2002, CEFA's authority was further expanded to include the financing of grants to eligible colleges for outreach programs contributing to the expansion of postsecondary educational opportunities for low- and very low-income students. Funds for the \$2 million program were provided from CEFA's existing fund balance and were disbursed over a three-year period. The last disbursement period occurred during the fiscal year ending June 30, 2008.

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

B. THE REPORTING ENTITY

These financial statements present information on the financial activities of CEFA. CEFA is an enterprise fund of the State of California. The financial information is included in the State of California's Comprehensive Annual Financial Report and presented as a Business Type Activity. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of CEFA.

C. BASIS OF PRESENTATION

CEFA is a public instrumentality of the State of California and is treated 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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, CEFA follows the accounting standard hierarchy established by the GASB. However, since CEFA operates proprietary activities, which are usually thought to be business-type activities (enterprise fund accounting), applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, may apply unless they conflict with or contradict GASB pronouncements. CEFA has elected not to apply FASB pronouncements issued after November 30, 1989.

D. ACCOUNTS RECEIVABLE

Accounts receivable consist of loans that are either deferred or in repayment. A reserve of \$9,100,000 and \$8,200,000 for the Cal Loan program (netted against accounts receivable) was established as of June 30, 2012 and 2011, respectively.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

E. REVENUES

Educational Facilities Authority Fund (EFAF)

Fees are for the staff work related to bond financing and post-issuance activities and for the review of bond transactions as follows: \$1,000 non-refundable application fee (no application fee charged for equipment loans), and .15% of the aggregate issue amount (.075% for equipment loans) of each successful financing up to a maximum amount of \$75,000. The administration fees are \$500 annually for the first five years, and \$250 annually thereafter for the life of the bond issue. The annual administration fees for equipment loans are waived if the participant has other 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.

Student Loan Authority Fund (SLAF)

The Cal Loan Bond funds earn interest on student loans outstanding and on the investments of bond trust funds and from loan guarantee fees. Net excess earnings (retained earnings) are restricted for the respective loan programs.

Administration fund cash for both EFAF and SLAF 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 providing student loans.

F. BUDGET

As enterprise funds, EFAF and SLAF are designed to be self-supporting, and therefore are not considered a budgetary fund. The Education Code sections of the Act (E.C. 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.

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.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

I. RISK MANAGEMENT

CEFA is an enterprise fund of the State of California, which is primarily self-insured against loss or liability. 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 basic financial statements of the State of California.

J. DEFERRED CHARGES

Deferred charges are bond issuance costs and discounts that are being amortized over the life of the bonds, generally 20 years for the Cal Loan bond. CEFA uses the straight line method to amortize the charges which has an immaterial difference in annual cost from the required effective yield method.

K. ACCRUED VACATION

The accrued liability for the 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.

L. DEFERRED ADMINISTRATOR COMPENSATION

Deferred administrator compensation represents an accrued bonus due to the program administrator for the Cal Loan program based on student loans issued. The administrator will not receive the compensation until the bonds are called and all other liabilities are paid.

M. NET ASSETS

Net assets are restricted by enabling legislation for the purposes of providing student loans, financing of grants to eligible colleges for outreach programs, and 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. A significant estimate included in these financial statements is the loan loss reserve of \$9,100,000 for the estimated uncollectible student loan receivables (see Note 3).

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

2. CASH AND INVESTMENTS

A. GENERAL

Cash and investments at June 30, are classified in the accompanying financial statements as follows:

	<u>2012</u>	<u>2011</u>
Cash and Investments in State Treasury	\$ 12,000,209	\$ 12,462,435
Restricted Cash and Investments with Fiscal Agent	1,364,348	1,244,648
Restricted Cash and Investments with Fiscal Agent, Non-Current	<u>643,685</u>	<u>857,883</u>
Total Cash and Investments	<u>\$ 14,008,242</u>	<u>\$ 14,564,966</u>

Cash and investments at June 30, consist of the following:

	<u>2012</u>	<u>2011</u>
Deposits in SMIF	\$ 11,999,000	\$ 12,462,000
Cash in State Treasury	1,209	435
Money Market Funds with Fiscal Agent	556,151	692,520
Investments with Fiscal Agent	<u>1,451,882</u>	<u>1,410,011</u>
Total Cash and Investments	<u>\$ 14,008,242</u>	<u>\$ 14,564,966</u>

B. STATE TREASURY

CEFA invests excess cash funds in SMIF. All of the resources of SMIF are invested through the Pooled Money Investment Account (PMIA). The PMIA investment program is designated by the Pooled Money Investment Board and is administered by the office of the State Treasurer. As of June 30, 2012 and 2011, CEFA invested funds in SMIF in the amount of \$11,999,000 and \$12,462,000, respectively.

Additional disclosure detail required by GASB Statements No. 3, No. 31, and No. 40, regarding cash deposits and investments, are presented in the financial statements of the State of California for the years ended June 30, 2012 and 2011.

C. FISCAL AGENTS

CEFA has invested proceeds from its student loan program in trust indentures held at the Bank of New York Mellon Trust Company, N.A. Cash and investments of the trusts are restricted and are being held to make student loans, repay bond debt, finance program expenditures, and maintain reserves.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Investment of debt proceeds by fiscal agents are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the State of California's investment policy. The table below identifies the investment types that are authorized for investments held by CEFA's fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
Investment Agreements	None	None	None
General State Obligations	None	None	None
State or Municipality Bonds or Notes	None	None	None
Repurchase Agreements	30 days	None	None
Certificates of Deposit	None	None	None
Federal Funds	1 year	None	None

Changes in market interest rates will adversely affect the fair value of an investment, resulting in interest rate risk. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways to manage exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The interest rate risk inherent in a portfolio can be measured using the weighted average maturity of the portfolio. The debt agreements have no specific limitations with respect to this metric.

Funds can be withdrawn from Cal Loan's guaranteed investment contracts with a two-day notice. Funds can be withdrawn from all of the money market accounts daily.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

CEFA's cash and investments as of June 30 are stated at fair value and are summarized below.

2012					
<u>Investment Type</u>	<u>Weighted Average Maturity (in years)</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Cal Loan</u>	<u>Carrying Value</u>
Guaranteed Investment Contract	3.92	6/01/16	6.37%	\$ 1,444,573	\$ 1,444,573
Guaranteed Investment Contract	8.67	3/01/21	5.25	7,309	7,309
Money Market Funds	N/A	N/A	0.01	556,151	556,151
Total				\$ 2,008,033	\$ 2,008,033

2011					
<u>Investment Type</u>	<u>Weighted Average Maturity (in years)</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Cal Loan</u>	<u>Carrying Value</u>
Guaranteed Investment Contract	3.92	6/01/16	6.37%	\$ 1,403,076	\$ 1,403,076
Guaranteed Investment Contract	8.67	3/01/21	5.25	6,935	6,935
Money Market Funds	N/A	N/A	0.01	692,520	692,520
Total				\$ 2,102,531	\$ 2,102,531

All of the guaranteed investment contracts are issued by Financial Guarantee Insurance Company; they are unrated by credit rating agencies and are uninsured and not registered in CEFA's name. The Cal Loan money market funds are invested in the Dreyfus Government money market funds at June 30, 2012 and 2011. The Dreyfus Government money market funds are rated AAA, the fund is uninsured, and not registered in CEFA's name.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

The following table presents a summary of the legal restrictions on cash and investments with fiscal agent as of June 30:

<u>Categories</u>	<u>2012</u>	<u>2011</u>
Cal Loan		
Current:		
Proceeds Fund – Student Loan Account	\$ 1,247,267	\$ 1,099,833
Reserve Fund - Revenue	84,020	113,253
Guaranty Reserve	1,826	1,826
Accrued Interest	<u>31,235</u>	<u>29,736</u>
Total Current Cash and Investments with Fiscal Agent	1,364,348	1,244,648
Non-Current:		
Reserve Fund – General Account	<u>643,685</u>	<u>857,883</u>
Total Cash and Investments with Fiscal Agent	<u>\$ 2,008,033</u>	<u>\$ 2,102,531</u>

3. ACCOUNTS RECEIVABLE

A detail of the accounts receivable at June 30 is as follows:

	<u>2012</u>	<u>2011</u>
Cal Loan:		
Student Loan Receivables	\$ 9,611,967	\$ 11,322,042
Student Loan – Interest	3,068,876	2,615,464
Allowance for Loan Losses	<u>(9,100,000)</u>	<u>(8,200,000)</u>
	3,580,843	5,737,506
EFAF		
Fees	<u>5,500</u>	<u>27,950</u>
Accounts Receivable, Net	<u>\$ 3,586,343</u>	<u>\$ 5,765,456</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

4. DUE TO/FROM OTHER FUNDS – EXTERNAL FUNDS

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

<u>Due From (Due To)</u>	<u>Description</u>	<u>2012</u>	<u>2011</u>
SLAF:			
SMIF	Interest Income	\$ 7,396	\$ 9,873
Legal Services	DOJ Attorney Services	(43)	
EFAF:			
SMIF	Interest Income	3,404	5,130
Other Funds	Miscellaneous	.	7
General Fund	Miscellaneous	(8,006)	(1,374)
State Compensation Insurance Fund	Insurance Premiums		(841)
Department of General Service	Records Center Management	(58)	(108)
Legal Services	DOJ Attorney Services	(7,145)	(16,022)
		<u>(7,145)</u>	<u>(16,022)</u>
Net Due To Other Funds		<u>\$ (4,452)</u>	<u>\$ (3,335)</u>

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.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets, being depreciated and amortized:				
Equipment	\$ 7,071			\$ 7,071
Computer software - amortizable	65,000			65,000
Total capital assets being depreciated and amortized:	<u>72,071</u>			<u>72,071</u>
Less accumulated depreciation and amortization for:				
Equipment	(5,908)	\$ (1,163)		(7,071)
Software	(27,083)	(21,667)		(48,750)
Total accumulated depreciation and amortization	<u>(32,991)</u>	<u>(22,830)</u>		<u>(55,821)</u>
Total capital assets, being depreciated	<u>\$ 39,080</u>	<u>\$ (22,830)</u>	<u>\$</u>	<u>\$ 16,250</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 01, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, being depreciated and amortized:				
Equipment	\$ 7,071			\$ 7,071
Computer software - amortizable	<u>65,000</u>			<u>65,000</u>
Total capital assets being depreciated and amortized:	<u>72,071</u>			<u>72,071</u>
Less accumulated depreciation and amortization for:				
Equipment	(4,494)	\$ (1,414)		(5,908)
Software	<u>(5,417)</u>	<u>(21,666)</u>		<u>(27,083)</u>
Total accumulated depreciation and amortization	<u>(9,911)</u>	<u>(23,080)</u>		<u>(32,991)</u>
Total capital assets, being depreciated	<u>\$ 62,160</u>	<u>\$ (23,080)</u>	<u>\$</u>	<u>\$ 39,080</u>

6. BONDS PAYABLE

The detail of the bonds payable is as follows:

5.10% Term Series 2001 A Bonds, due March 1, 2014. Student loan revenue bonds (Cal Loan). Interest due semi-annually, payable from revenues and recoveries of principal, including all receipts with respect to student loans financed pursuant to the indenture.	\$ 800,000
5.40% Term Series 2001 A Bonds, due March 1, 2021. Student loan revenue bonds (Cal Loan). Interest due semi-annually, payable from revenues and recoveries of principal, including all receipts with respect to student loans financed pursuant to the indenture.	<u>6,000,000</u>
Total Bonds Payable	<u>\$ 6,800,000</u>

The Cal Loan bonds are interest only, with no principal payments due until maturity. Principal payments of \$1,500,000 and \$2,700,000 were made for the Cal Loan Series 2001A Bonds during 2012 and 2011, respectively.

In September 2010, the CalEdge 1998 Series bonds with an outstanding balance of \$6,035,000 were fully defeased via deposit of sufficient funds from College Access Foundation who assumed a portion of this debt (\$5,830,000) and CEFA (\$205,000) and was deposited with the Trustee (See Note 1A).

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

CEFA has pledged future student loan revenue, which includes payments, proceeds, charges and other cash income received in account of, or with respect to, any student loan, net of specified operating expenses, to repay \$6,800,000 in revenue bonds as described above. The bonds are payable solely from student loan net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require approximately 100 percent of net revenues, as the bonds are subject to mandatory accelerated redemption provisions. As of June 30, 2012 the total principal and interest remaining to be paid on the Cal Loan bonds is \$9,676,000. Cal Loan principal and interest paid for the current year and total student loan net revenues were \$1,941,300 and \$3,159,351, respectively.

Bonds Payable activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
5.10% Series 2001A	\$ 2,300,000		\$ 1,500,000	\$ 800,000
5.40% Series 2001A	<u>6,000,000</u>			<u>6,000,000</u>
Long-term liabilities	<u>\$ 8,300,000</u>	<u>\$</u>	<u>\$ 1,500,000</u>	<u>\$ 6,800,000</u>

Bonds Payable activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
5.55% Series 1998	\$ 6,035,000		\$ 6,035,000	
5.10% Series 2001A	5,000,000		2,700,000	\$ 2,300,000
5.40% Series 2001A	<u>6,000,000</u>			<u>6,000,000</u>
Long-term liabilities	<u>\$ 17,035,000</u>	<u>\$</u>	<u>\$ 8,735,000</u>	<u>\$ 8,300,000</u>

The summary of principal and interest for bonds payable as of June 30, 2012 are as follows:

5.1% 2001 A Bonds (Cal Loan)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 40,800	\$ 40,800
2014	<u>\$ 800,000</u>	<u>27,200</u>	<u>827,200</u>
Total	<u>\$ 800,000</u>	<u>\$ 68,000</u>	<u>\$ 868,000</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

5.4% 2001 A Bonds (Cal Loan)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 324,000	\$ 324,000
2014		324,000	324,000
2015		324,000	324,000
2016		324,000	324,000
2017		324,000	324,000
2018-2021	\$ 6,000,000	1,188,000	7,188,000
Total	<u>\$ 6,000,000</u>	<u>\$ 2,808,000</u>	<u>\$ 8,808,000</u>

7. 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, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Accrued vacation	\$ 77,096	\$ 33,678	\$ (21,183)	\$ 89,591	\$ 21,183

Accrued vacation activity for the year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Accrued vacation	\$ 71,438	\$ 26,613	\$ (20,955)	\$ 77,096	\$ 20,955

8. RETIREMENT PLAN

CEFA is a participant in the State of California's Public Employees' Retirement System (CalPERS), which is a defined benefit, agent multiple-employer contributory retirement plan. Since all State agencies are considered collectively to be a single employer, the actuarial present value of vested and non-vested accumulated plan benefits attributable to CEFA's 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. Generally, full-time and permanent part-time employees are eligible to participate in CalPERS. Depending upon the plan option selection, benefits vest after five or ten years of service. Participants are eligible for service retirement after age 50 or 55 and must have five or ten years of

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

CalPERS credited service, depending upon the tier of participation. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The amount of pension contributions by CEFA to CalPERS is actuarially determined under a program wherein contributions plus the expected earnings of CalPERS will provide the necessary funds to pay the earned benefits of the employees when due. The total payroll of CEFA is covered.

CEFA's contributions to CalPERS for the years ended June 30, 2012 and 2011 were \$54,889 and \$57,751, respectively. Participant contributions range from zero to six percent of their salary depending on the tier of participation. The excess of plan assets over vested and unvested benefits at June 30, 2012 and 2011 was not available. Such information is available for CalPERS as a whole, which is audited annually by other independent auditors. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Additional disclosure detail required by GASB Statements No. 25, No. 27, and No. 50, regarding the defined benefit plan are presented in the financial statements of the State of California for the year ended June 30, 2012.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The State of California (the State) provides health care and dental benefits to annuitants of retirement systems to which the State contributes as an employer. A portion of the State's post-employment benefit costs have been allocated to CEFA as follows:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 102,000	\$ 78,000
Interest on net OPEB obligation	10,000	6,000
Adjustment to annual required contribution	<u>(9,000)</u>	<u>(5,000)</u>
Annual OPEB cost (expense)	103,000	79,000
Contributions made	<u>(37,000)</u>	<u>(29,000)</u>
Increase in net OPEB obligation	66,000	50,000
Net OPEB obligation – beginning of year	<u>142,000</u>	<u>92,000</u>
Net OPEB obligation – end of year	<u>\$ 208,000</u>	<u>\$ 142,000</u>

Additional disclosure detail required by GASB Statement No. 45, regarding post-retirement benefits, is presented in the financial statements of the State of California for the year ended June 30, 2012.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

10. 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, 2012 and 2011, there were \$4,379,134,084 and \$4,646,470,306, respectively, in conduit financings outstanding. CEFA assisted with the issuance of financings in the amount of \$318,090,000 and \$172,600,000 for the years ended June 30, 2012 and 2011, respectively. Additionally, the amounts of bonds authorized by CEFA with active resolutions that remain unsold were \$652,965,000 and \$1,217,545,000 as of June 30, 2012 and 2011, respectively.

ADDITIONAL INFORMATION

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

CONSOLIDATING BALANCE SHEET JUNE 30, 2012

	<u>Student Loan Authority Fund</u>			Educational Facilities Authority Fund	<u>Total</u>
	<u>Administration</u>	<u>Cal Loan</u>	<u>Total</u>		
ASSETS					
CURRENT ASSETS:					
Cash & Investments in State Treasury	\$ 8,236,603		\$ 8,236,603	\$ 3,763,606	\$ 12,000,209
Restricted Cash and Investments with Fiscal Agent		\$ 1,364,348	1,364,348		1,364,348
Accounts Receivable		2,024,015	2,024,015	5,500	2,029,515
Due from Other External Funds	7,396		7,396	3,404	10,800
Prepaid Expenses		12,077	12,077		12,077
Deferred Charges		8,584	8,584		8,584
Total Current Assets	<u>8,243,999</u>	<u>3,409,024</u>	<u>11,653,023</u>	<u>3,772,510</u>	<u>15,425,533</u>
NON-CURRENT ASSETS:					
Restricted Cash and Investments with Fiscal Agent		643,685	643,685		643,685
Accounts Receivable (Net)		1,556,828	1,556,828		1,556,828
Deferred Charges (Net)		56,365	56,365		56,365
Advances to (from) Other Funds	2,000,000	(2,000,000)			
Capital Assets (Net)				16,250	16,250
Total Non-Current Assets	<u>2,000,000</u>	<u>256,878</u>	<u>2,256,878</u>	<u>16,250</u>	<u>2,273,128</u>
TOTAL ASSETS	<u>\$ 10,243,999</u>	<u>\$ 3,665,902</u>	<u>\$ 13,909,901</u>	<u>\$ 3,788,760</u>	<u>\$ 17,698,661</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts Payable	\$ 1,752	\$ 6,099	\$ 7,851	\$ 53,870	\$ 61,721
Accrued Expenses		133,934	133,934		133,934
Accrued Vacation				21,183	21,183
Deferred Administrator Compensation		301,074	301,074		301,074
Due to Other External Funds	43		43.00	15,209.00	15,252.00
Total Current Liabilities	<u>1,795</u>	<u>441,107</u>	<u>442,902</u>	<u>90,262</u>	<u>533,164</u>
NON-CURRENT LIABILITIES:					
Accrued Vacation				68,408	68,408
Bonds Payable		6,800,000	6,800,000		6,800,000
OPEB Obligation				208,000	208,000
Participant Collateral Accounts		270,000	270,000		270,000
Total Non-Current Liabilities		<u>7,070,000</u>	<u>7,070,000</u>	<u>276,408</u>	<u>7,346,408</u>
TOTAL LIABILITIES	<u>1,795</u>	<u>7,511,107</u>	<u>7,512,902</u>	<u>366,670</u>	<u>7,879,572</u>
NET ASSETS (DEFICIT):					
Restricted for Educational Purposes	10,242,204	(3,845,205)	6,396,999	3,422,090	9,819,089
Total Net Assets (Deficit)	<u>10,242,204</u>	<u>(3,845,205)</u>	<u>6,396,999</u>	<u>3,422,090</u>	<u>9,819,089</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,243,999</u>	<u>\$ 3,665,902</u>	<u>\$ 13,909,901</u>	<u>\$ 3,788,760</u>	<u>\$ 17,698,661</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2012

	<u>Student Loan Authority Fund</u>			Educational Facilities Authority	<u>Total</u>
	<u>Administration</u>	<u>Cal Loan</u>	<u>Total</u>	<u>Fund</u>	
OPERATING REVENUES:					
Interest Income on Student Loans		\$ 808,565	\$ 808,565		\$ 808,565
Fee Revenue		21,281	21,281	\$ 390,060	411,341
Total Operating Revenues		<u>829,846</u>	<u>829,846</u>	<u>390,060</u>	<u>1,219,906</u>
OPERATING EXPENSES:					
Salaries and Wages				518,445	518,445
Operating Expenses	\$ 36,528	1,295,863	1,332,391	473,568	1,805,959
Total Operating Expenses	<u>36,528</u>	<u>1,295,863</u>	<u>1,332,391</u>	<u>992,013</u>	<u>2,324,404</u>
OPERATING INCOME (LOSS)	(36,528)	(466,017)	(502,545)	(601,953)	(1,104,498)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income on Investments	30,703	104,776	135,479	14,765	150,244
Interest Expense		(417,600)	(417,600)		(417,600)
CHANGE IN NET ASSETS	(5,825)	(778,841)	(784,666)	(587,188)	(1,371,854)
NET ASSETS (DEFICIT) Beginning of Year	<u>10,248,029</u>	<u>(3,066,364)</u>	<u>7,181,665</u>	<u>4,009,278</u>	<u>11,190,943</u>
NET ASSETS (DEFICIT) End of Year	<u>\$ 10,242,204</u>	<u>\$ (3,845,205)</u>	<u>\$ 6,396,999</u>	<u>\$ 3,422,090</u>	<u>\$ 9,819,089</u>

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)

STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING JUNE 30, 2012

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Bonds Retired	Bonds Outstanding as of June 30, 2012
California Institute of Technology, Series 1998	22-Oct-98	1-Apr-28	\$ 103,865,000	\$ 103,865,000	\$ -
Chapman University, Series 2000 (Variable)	8-Aug-00	1-Dec-30	18,000,000	18,000,000	-
Pepperdine University, Series 2003 A	30-Apr-03	1-Sep-33	45,000,000	45,000,000	-
Pomona College, Series 2001	28-Nov-01	1-Jan-17	15,220,000	15,220,000	-
Santa Clara University, Series 2002 A	31-Jan-02	1-Feb-32	21,600,000	21,600,000	-
Stanford University, Series 1998 O	6-Oct-98	1-Jan-31	89,555,000	89,555,000	-
Stanford University, Series 2001 Q	3-May-01	1-Dec-32	101,860,000	101,860,000	-
Stanford University, Series 2001 R	16-Aug-01	1-Nov-21	111,585,000	111,585,000	-
University of the Pacific, Series 1998	25-Jun-98	1-Nov-23	12,500,000	12,500,000	-
University of the Pacific, Series 2000	22-Jun-00	1-Nov-30	41,000,000	41,000,000	-
1993 CEFA Pool, Series B	12-Aug-93	1-Jun-18	38,290,000	37,850,000	440,000
Stanford University, Series 1993 L-1	28-Dec-93	1-Oct-14	5,055,000	-	5,055,000
Stanford University, Series 1994 L-2	19-Oct-94	1-Oct-14	8,775,000	-	8,775,000
California Institute of Technology, Series 1994	27-Oct-94	1-Jan-24	30,000,000	-	30,000,000
Stanford University, Series 1995 L-3	19-Oct-95	1-Oct-15	9,840,000	-	9,840,000
Stanford University, Series 1996 L-4	25-Oct-96	1-Oct-16	8,775,000	-	8,775,000
1997 CEFA Pool, Series A	30-Apr-97	1-Apr-13	13,105,000	12,935,000	170,000
1997 CEFA Pool, Series C	1-Oct-97	1-Mar-15	17,485,000	16,560,000	925,000
Stanford University, Series 1997 L-5	23-Oct-97	1-Oct-17	15,165,000	-	15,165,000
Southern California University of Health Sciences (Formerly the Los Angeles College of Chiropractic, Series 1997)	4-Nov-97	1-Nov-17	18,000,000	10,495,000	7,505,000
Mills College, Series 1997	20-Nov-97	1-Sep-22	11,065,000	4,805,000	6,260,000
California Western School of Law, Series 1998	4-Apr-98	1-Oct-28	16,000,000	4,205,000	11,795,000
1998 CEFA Pool, Series A	28-May-98	1-Jul-23	35,050,000	31,200,000	3,850,000
Stanford University, Series 1998 L-6	28-Oct-98	1-Oct-22	17,815,000	-	17,815,000
University of San Diego, Series 1999	4-Feb-99	1-Oct-28	31,778,189	21,811,421	9,966,768
Pomona College, Series 1999	10-Feb-99	1-Jan-13	17,885,000	16,595,000	1,290,000
Claremont McKenna University, Series 1999	1-Mar-99	1-Nov-29	24,000,000	22,710,000	1,290,000
Life Chiropractic College West, 1999 (Variable)	4-Mar-99	1-Jan-25	18,000,000	3,775,000	14,225,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)

STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING JUNE 30, 2012

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Bonds Retired	Bonds Outstanding as of June 30, 2012
Claremont University Center, Series 1999A (Claremont Graduate University)	16-Mar-99	1-Mar-17	7,180,000	5,120,000	2,060,000
Stanford University, Series 1999 P	30-Mar-99	1-Dec-13	110,440,000	59,180,000	51,260,000
Santa Clara University, Series 1999	15-Apr-99	1-Sep-26	82,181,741	20,440,265	61,741,476
1999 CEFA Pool, Series B	27-Apr-99	1-Apr-24	19,745,000	15,065,000	4,680,000
Stanford University, Series 1999 L-7	28-Oct-99	1-Oct-22	18,393,000	-	18,393,000
University of San Francisco, Series 2000 (Variable)	16-May-00	1-May-30	27,000,000	6,900,000	20,100,000
California College of Arts & Crafts, Series 2001	1-Jun-01	1-Aug-30	14,490,000	100,000	14,390,000
Loyola Marymount University, Series 2001A	14-Jun-01	1-Oct-24	75,449,126	35,215,000	40,234,126
Scripps College, Series 2001	29-Aug-01	1-Aug-31	12,250,000	6,665,000	5,585,000
Golden Gate University, Series 2001	18-Oct-01	1-Oct-31	29,360,000	4,585,000	24,775,000
Art Center College of Design 2002 Series A (Variable)	23-May-02	1-Dec-32	11,545,000	2,500,000	9,045,000
Art Center College of Design 2002 Series B (Variable)	23-May-02	1-Dec-32	13,055,000	2,900,000	10,155,000
University of San Diego, Series 2002A	06-Jun-02	1-Oct-32	14,110,000	-	14,110,000
University of Southern California, Series 2003A	20-Mar-03	01-Oct-33	150,000,000	100,000,000	50,000,000
University of Redlands, 2003 Series A	27-Mar-03	01-Jun-33	17,280,000	3,285,000	13,995,000
University of San Francisco, Series 2003 (Variable)	28-May-03	01-May-33	40,000,000	5,670,000	34,330,000
Southwestern University Series 2003	29-May-03	01-Nov-23	11,880,000	3,860,000	8,020,000
University of Redlands, Series 2003B	11-Jun-03	01-Oct-25	17,000,000	4,725,000	12,275,000
Claremont McKenna University, Series 2003	25-Jun-03	01-Jan-33	9,975,000	1,770,000	8,205,000
University of Southern California, Series 2003B	08-Jul-03	01-Oct-15	12,795,000	8,125,000	4,670,000
Santa Clara University, Series 2003A	16-Jul-03	01-Sep-33	23,600,000	13,525,000	10,075,000
Harvey Mudd College, Series 2003	24-Jul-03	01-Dec-33	7,110,000	4,740,000	2,370,000
Stanford University, Series 2004 S-1 (Remarketed 4/08)	24-Jun-04	9-Jun-19	40,000,000	-	40,000,000
Stanford University, Series 2004 S-2 (Remarketed 4/08)	24-Jun-04	1-Nov-18	40,000,000	-	40,000,000
Stanford University, Series 2004 S-3 (Remarketed 4/08)	24-Jun-04	1-Nov-39	50,000,000	-	50,000,000
Stanford University, Series 2004 S-4 (Variable)	24-Jun-04	1-Nov-50	51,200,000	-	51,200,000
University of the Pacific, Series 2004	12-Aug-04	1-May-34	11,500,000	3,840,000	7,660,000
California Lutheran University, Series 2004A (Variable)	16-Nov-04	1-Oct-29	5,465,000	-	5,465,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)

STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING JUNE 30, 2012

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Bonds Retired	Bonds Outstanding as of June 30, 2012
California Lutheran University, Series 2004C	16-Nov-04	1-Oct-29	27,915,000	3,120,000	24,795,000
Pomona College, Series 2005 A/1 (Current Interest Bonds)	24-Feb-05	1-Jul-45	16,735,000	-	16,735,000
Pomona College, Series 2005 A/2 (Capital Appreciation)	24-Feb-05	1-Jul-41	25,144,739	-	25,144,739
Occidental College, Series 2005A	12-Apr-05	1-Oct-36	54,320,000	3,485,000	50,835,000
Occidental College, Series 2005B	12-Apr-05	1-Oct-27	16,015,000	2,715,000	13,300,000
Pitzer College, Series 2005A	29-Apr-05	1-Apr-35	16,085,000	-	16,085,000
Golden Gate University, Series 2005	12-May-05	1-Oct-36	15,000,000	300,000	14,700,000
California College of Arts, Series 2005	12-May-05	1-Jun-35	18,535,000	-	18,535,000
Mills College, Series 2005 A	16-Jun-05	1-Sep-35	25,000,000	165,000	24,835,000
University of Redlands, Series 2005 A	7-Jul-05	1-Oct-35	27,180,000	2,740,000	24,440,000
University of Southern California, Series 2005	3-Aug-05	1-Oct-28	66,545,000	1,195,000	65,350,000
Pepperdine University, Series 2005 A	3-Aug-05	1-Dec-35	92,365,000	-	92,365,000
University of San Francisco, Series 2005B Variable Rate Demand	18-Aug-05	1-Oct-35	27,500,000	500,000	27,000,000
Pepperdine University, Series 2005B (Delayed Delivery)	6-Sep-05	1-Dec-32	16,340,000	-	16,340,000
Mills College, Series 2005 B (Delayed Delivery)	9-Sep-05	1-Sep-20	2,835,000	1,125,000	1,710,000
University of La Verne, Series 2005A	10-Nov-05	1-Jun-23	20,680,000	2,750,000	17,930,000
Woodbury University, Series 2006	1-Jan-06	1-Jan-36	19,995,000	2,150,000	17,845,000
Dominican University of California, Series 2006	25-Jan-06	1-Dec-36	19,795,000	435,000	19,360,000
University of the Pacific, Series 2006	31-May-06	1-Nov-36	77,180,000	3,885,000	73,295,000
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
Claremont Graduate University, 2007 Series A	15-Feb-07	1-Mar-42	36,000,000	-	36,000,000
Woodbury University (Shared Financing 2007)	27-Feb-07	1-Feb-37	7,000,000	585,000	6,415,000
Keck Graduate Institute (Shared Financing 2007)	27-Feb-07	1-Feb-30	8,565,000	535,000	8,030,000
California College of the Arts, (Shared Financing 2007)	27-Feb-07	1-Feb-24	11,240,000	2,175,000	9,065,000
Dominican University of California (Shared Financing 2007)	27-Feb-07	1-Feb-31	10,960,000	1,735,000	9,225,000
Saint Mary's College of California Equipment Financing, Series 2007	8-May-07	8-Mar-17	2,484,966	1,057,877	1,427,089
University of Southern California, Series 2007	24-May-07	1-Oct-37	263,395,000	6,310,000	257,085,000
Claremont McKenna College, Series 2007	31-May-07	1-Jan-38	40,425,000	1,000,000	39,425,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA) STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING JUNE 30, 2012

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Bonds Retired	Bonds Outstanding as of June 30, 2012
University of the Pacific Lease/Purch Financing, Series 2007	15-Jun-07	15-Jun-14	4,250,000	2,915,114	1,334,886
Stanford University, Series T-1	19-Jun-07	15-Mar-39	111,775,000	-	111,775,000
Saint Mary's College of California, Series 2007 (Remarketed 7/30/08) (Remarketed 1/17/12)	30-Aug-07	1-Oct-43	71,100,000	4,800,000	66,300,000
Stanford University, Series T-3	6-Sep-07	15-Mar-26	25,360,000	-	25,360,000
Scripps College, Series 2007	31-Oct-07	1-Nov-37	30,555,000	1,425,000	29,130,000
Charles Drew University of Medicine & Science, Series 2007	15-Nov-07	1-Nov-42	43,000,000	8,430,000	34,570,000
Occidental College, Series 2008	6-Mar-08	31-Oct-38	20,000,000	685,000	19,315,000
Stanford University, Series 2008 TECP	15-May-08	1-May-38	300,000,000	207,318,000	92,682,000
Stanford University, Series T-4 (2008)	15-May-08	15-Mar-14	172,410,000	-	172,410,000
University of Redlands, Series 2008 A	22-May-08	1-Aug-38	21,125,000	-	21,125,000
Pomona College, Series 2008 A	5-Jun-08	1-Jan-18	59,475,000	-	59,475,000
Chapman University, Series 2008 A (Variable Rate)	2-Jul-08	1-Oct-36	53,515,000	4,635,000	48,880,000
Chapman University, Series 2008 B (Variable Rate)	2-Jul-08	1-Oct-26	21,665,000	3,485,000	18,180,000
Chapman University, Series 2008 C (Variable Rate)	2-Jul-08	1-Oct-26	13,705,000	2,195,000	11,510,000
California Lutheran University, Series 2008	31-Jul-08	1-Oct-38	38,060,000	730,000	37,330,000
Claremont Graduate University, 2008 Series A	21-Aug-08	1-Mar-38	15,000,000	215,000	14,785,000
Santa Clara University, Series 2008	11-Dec-08	1-Apr-37	72,485,000	6,425,000	66,060,000
University of Southern California, Series 2009A	15-Jan-09	1-Oct-39	217,605,000	-	217,605,000
Claremont McKenna College, Series 2009	22-Jan-09	1-Jan-39	83,095,000	-	83,095,000
University of Southern California, Series 2009B	25-Feb-09	1-Oct-39	197,900,000	-	197,900,000
Pomona College, Series 2009 A	2-Apr-09	1-Jan-24	62,290,000	-	62,290,000
University of the Pacific, Series 2009	28-May-09	1-Nov-39	15,000,000	1,200,000	13,800,000
University of Southern California, Series 2009C	9-Jul-09	1-Oct-09	82,305,000	-	82,305,000
Stanford University, Series T-5 (2009)	28-Jul-09	15-Mar-23	51,765,000	-	51,765,000
California Institute of Technology, Commercial Paper Notes	28-Jul-09	1-Jul-59	100,000,000	100,000,000	-
California Institute of Technology, Series 2009	28-Jul-09	1-Nov-39	80,000,000	-	80,000,000
Art Center College of Design, Series 2009	13-Aug-09	1-Dec-39	9,940,000	405,000	9,535,000
Pitzer College, Series 2009	18-Nov-09	1-Apr-40	62,075,000	-	62,075,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA) STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING JUNE 30, 2012

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Bonds Retired	Bonds Outstanding as of June 30, 2012
Carnegie Institution of Washington, 2010 Series A	24-Mar-10	1-Jul-40	34,525,000	-	34,525,000
Loyola Marymount University, Series 2010A	30-Mar-10	1-Oct-40	65,185,000	4,655,000	60,530,000
Loyola Marymount University, Series 2010B	30-Mar-10	1-Oct-15	38,500,000	3,625,000	34,875,000
Stanford University, Series U-1	6-May-10	1-Apr-40	215,375,000	-	215,375,000
Santa Clara University, Series 2010	15-Sep-10	1-Feb-40	50,125,000	825,000	49,300,000
University of San Francisco, Series 2011	15-Feb-11	1-Oct-36	79,770,000	2,500,000	77,270,000
University of San Diego, Series 2011	16-Mar-11	1-Oct-22	18,640,000	1,725,000	16,915,000
Claremont University Consortium, Series 2011	7-Apr-11	1-Oct-35	9,000,000	355,000	8,645,000
Harvey Mudd College, Series 2011	19-May-11	1-Dec-41	15,065,000	130,000	14,935,000
Claremont McKenna College, Series 2011	7-Jul-11	1-Jan-30	5,480,000	-	5,480,000
Pomona College, Series 2011	12-Jul-11	1-Jan-17	7,310,000	1,130,000	6,180,000
Chapman University, Series 2011	3-Oct-11	1-Oct-31	100,000,000	995,000	99,005,000
Loyola Marymount University, Series 2011	22-Nov-11	1-Oct-40	22,105,000	-	22,105,000
University of the Pacific, Series 2012A	26-Jan-12	1-Nov-42	35,435,000	-	35,435,000
Art Center College of Design, Series 2012	7-Feb-12	1-Dec-41	20,000,000	-	20,000,000
Stanford University, Series U-2	17-Apr-12	1-Oct-32	77,760,000	-	77,760,000
Pepperdine University, Series 2012	5-Jun-12	1-Sep-33	50,000,000	-	50,000,000
TOTAL					<u>\$ 4,379,134,084</u>



**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***

CEFA Members
California Educational Facilities Authority
Sacramento, California

We have audited the basic financial statements of the California Education Facilities Authority (CEFA) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of CEFA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CEFA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEFA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CEFA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in a separately issued letter to those charged with governance, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the separately issued letter to those charged with governance to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEFA's financial statements are free of 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*.

CEFA's responses to the significant deficiencies identified in our audit are described in the management letter. We did not audit the CEFA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, CEFA Members and the Office of Controller, State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 3, 2012

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

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