State of California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

BETTY T. YEE

California State Controller's Office

STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2016

Prepared by
The Office of the State Controller

BETTY T. YEE
California State Controller

Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS AND SCHEDULES – NONMAJOR AND OTHER FUNDS

STATISTICAL SECTION

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Introductory Section

BETTY T. YEE
California State Controller

BETTY T. YEE
California State Controller

March 22, 2017

To the Citizens, Governor, and Members of the Legislature of the State of California:

I am pleased to submit the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of the State's financial activities.

California ended the fiscal year with total General Fund revenues of $117.6 billion, a $796 million net increase compared to the prior year. Personal income tax and sales and use tax increased by $1.6 billion and $1.2 billion, respectively, while corporation taxes declined by $1.6 billion. At June 30, 2016, the General Fund's cash balance of $5.2 billion represents approximately 17 days of General Fund operating expenditures for the State, compared to a cash balance of $5.8 billion at June 30, 2015, which represented 20 days of expenditures.

California's economy has recovered from the Great Recession and budgeted spending has increased over the last four years. The 2016-17 State Budget, enacted on June 27, 2016, continues to build the Budget Stabilization Account (the State's Rainy Day Fund) and limits ongoing spending obligations. Looking ahead, the State has begun to prepare for the next economic slowdown.

I extend my appreciation to all government agencies for their support and cooperation in submitting the required information for the CAFR. Thank you, as well, to the California State Auditor and her staff for maintaining the highest standards of professionalism in the management of the State's finances. Finally, I wish to thank my entire team for their skill, effort, and dedication in completing this financial report.

Sincerely,

Original signed by

BETTY T. YEE

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Report Overview

The State's management assumes responsibility for the accuracy, completeness, and fairness of information presented in the CAFR, including all disclosures, based upon a comprehensive framework of internal controls established for this purpose. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatements. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature and Governor.

The California State Auditor has issued an unmodified opinion on the financial statements for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

The State of California also is required to undergo an annual single audit in conformity with the provisions of the United States Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This report is issued separately.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the year ended June 30, 2016, and its economic performance as of December 31, 2016, for the 2016-17 fiscal year. The MD&A complements this transmittal letter and should be read in conjunction with it.

Profile of the State of California

The State of California was admitted to the Union on September 9, 1850. The State's population, as of 2016, is estimated to be more than 39 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and the State Superintendent of Public Instruction. All officers of the Executive branch are elected to a four-year term. The Legislative branch of government is the State's law-making authority and is made up of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

California's government includes control agencies that help to regulate internal governmental operations. The State Controller's Office, the State's independent fiscal watchdog, ensures that the State's budget is spent properly, offers fiscal guidance to local governments, reports on the State's financial position, and uncovers fraud and abuse of taxpayer dollars. The Department of Finance, part of the Executive branch of government, establishes fiscal policies to carry out the State's programs and serves as the Governor's chief fiscal policy advisor. The California State Auditor promotes the efficient and effective management of public funds through independent evaluations of state and local governments.

The State of California provides a wide range of services to its citizens, including social, health, and human services; kindergarten through 12th grade (K-12) and higher education; and business and transportation, consumer services, general government, and correctional programs. The State also is financially accountable for legally separate entities (component units) that provide post-secondary education programs, promote agricultural activities and financial assistance to small business, and finance coastal and inland urban waterfront restoration projects. The State, through its related organizations (organizations for which the primary government is not financially accountable), provides services such as the operation of the statewide energy transmission grid; earthquake insurance for homeowners and renters; workers' compensation insurance; health insurance for individuals, families, and employees of small businesses; financing for pollution control facilities, and for acquiring, constructing, and equipping health facilities; and loans to students attending public and private nonprofit colleges and universities. The financial information of these institutions is not included in the State's financial statements.

The State Legislature approves an annual budget that contains estimates of revenues and expenditures for the ensuing fiscal year. This budget is the result of negotiations between the Governor and the Legislature. The State Controller's Office is statutorily responsible for controlling revenues due the primary government and for expenditures of each appropriation contained in the budget. The State's annual budget is submitted by the Governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the Legislature by June 15 each year. This annual budget serves as the foundation for the State's financial planning and control. Additional information on the budgetary basis of accounting can be found in Note 2, Budgetary and Legal Compliance, and in the Required Supplementary Information section of the CAFR that follows the Notes to the Financial Statements.

Overview of the State's Economy

California's economy is the sixth largest in the world, with a 2015 Gross Domestic Product of $2.5 trillion. In 2015, California exported $165.3 billion in products; its two largest export markets are Mexico ($26.7 billion) and Canada ($17.2 billion). California's five largest exports are computer and electronic products, transportation equipment, machinery except electrical, chemicals, and miscellaneous manufactured commodities. California also enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. California's travel and tourism industry generated revenues of $122.5 billion in 2015, including more than $21.2 billion from international visitors.

Budget Outlook

2016-17 Fiscal Year

The 2016 Budget Act focuses new spending on one-time activities, such as repairing and replacing aging infrastructure, building affordable housing, addressing the effects of California's drought, and preparing the State for the next recession by increasing the Budget Stabilization Account (BSA), the State's Rainy Day Fund. Based on January 2017 estimates, total General Fund revenues and transfers are estimated to be $118.8 billion, $1.5 billion less than budgeted. In addition, total General Fund expenditures are estimated to be $122.8 billion, $300 million more than budgeted. The General Fund is projected to end the 2016-17 fiscal year with $6.7 billion in its BSA and $47 million in its Special Fund for Economic Uncertainties.

2017-18 Fiscal Year

The Governor released his proposed 2017-18 Budget on January 10, 2017. In it, he notes that the economy is finishing its eighth year of expansion (three years longer than average) and that revenues fell below projections in the last year. Consequently, the 2017-18 Budget estimates only a conservative increase of $2.7 billion in personal income tax revenue (3.3%) and proposes $3.2 billion in actions to reduce General Fund spending growth in order to avoid a budget deficit while continuing to increase the State's reserves. The proposed actions include a $1.7 billion adjustment to the Proposition 98 minimum funding guarantee for K-14 education, the recapture of $900 million of uncommitted 2016 allocations, and $600 million in delays or eliminations of proposed spending increases. The Governor's Budget proposes total reserves of $9.4 billion by the end of the 2017-18 fiscal year—$7.9 billion in the BSA and $1.5 billion in the General Fund's Special Fund for Economic Uncertainties.

Other significant proposals from the Governor's Budget include $59.8 billion for health and human services, $52.3 billion for K-12 education, $15.1 billion for higher education, $11.4 billion for transportation, $13.8 billion for corrections and rehabilitation, and $27.1 billion for general government and other. The Budget also proposes $1.2 billion in accelerated payments to reduce the State's long-term debts and obligations.

Long-term Financial Planning

Long-term financial planning initiatives that will impact the State's long-term financial goals include:

- The Governor's 2017 Infrastructure Plan proposes $43 billion over the next ten years to address the most urgent state and local transportation needs, focusing on "fix-it-first" investments to repair and improve neighborhood roads and state highways and bridges. Specifically, the plan proposes $16.2 billion for highway repair and maintenance, $2.3 billion for trade corridors, $13.5 billion for local roads, and $4.0 billion for transit and intercity rail. The plan also proposes using $14.6 billion from general obligation bonds and Cap and Trade funds in fiscal year 2018-19 to help meet the High Speed Rail Authority's goals.

- The Governor's Budget includes $5.3 billion ($3.5 billion from the General Fund) for the State's contributions to the California Public Employees' Retirement System (CalPERS) for state pension costs. This proposal reflects the recent decision of the CalPERS board to reduce the current discount rate from 7.5% to 7% over the next three budget years. This reduction of the discount rate results in approximately $172 million in additional state contributions in 2017-18, increasing to $2.0 billion once the discount rate changes are fully implemented. The Budget also includes $2.8 billion from the General Fund in 2017-18 to the California State Teachers' Retirement System (CalSTRS) for state contributions. The Budget assumes CalSTRS will adopt new mortality assumptions, implement a discount rate reduction, and exercise its authority to increase state contributions by 0.5%, resulting in a $153 million increase in General Fund contributions.

- The State provides health care and dental benefits to retired state employees and their spouses and dependents (when applicable). Collectively, these benefits are known as other postemployment benefits (OPEB). Historically, the State has almost exclusively used a "pay-as-you-go" funding policy for OPEB, resulting in an actuarial accrued liability (AAL). As of June 30, 2016, California's OPEB AAL is estimated to be $76.7 billion. The State has initiated a prefunding strategy, as well as changes to retiree health benefits for new employees through the collective bargaining process, to support the elimination of the unfunded AAL. As part of the process, the State made a one-time allocation of $240 million to certain bargaining units' OPEB trust fund accounts for bargaining units that reached an agreement with the Administration by November 1, 2016, to contribute towards their retiree healthcare. Currently, the State has set aside approximately $400 million to pay for future retiree health benefits. The Governor expects the trust fund balance to more than double and approach $1.0 billion by the end of 2017-18.

- As part of its strategy to address climate change, the State conducts cap-and-trade auctions of emissions allowances to fund various programs to reduce greenhouse gas emissions. The Governor’s budget proposes to spend $2.2 billion in cap-and-trade revenue in 2017-18. This amount would come from $1.5 billion in auction revenue assumed to be collected in 2017-18 and approximately $700 million in unallocated prior-year collections. Consistent with current law, 60% ($900 million) of the 2017-18 auction revenue would be continuously appropriated to programs such as high-speed rail and affordable housing and sustainable communities. The remaining $1.3 billion in proposed discretionary spending would occur only if the Legislature extends the Cap-and-Trade program beyond 2020 with a two-third vote.

- A new president was inaugurated on January 20, 2017. The new administration and leaders in Congress have suggested major changes to the Affordable Care Act, Medicaid, trade and immigration policy, and the federal tax structure, as well as other actions. Many of these proposed changes could have detrimental effects on the State’s economy and budget. At this point, it is not clear what those changes will be or when they will take effect.

- Following five years of drought, California has experienced significantly higher-than-average rainfall through this point in the current water year, which started October 2016. The high volume of rain and snowmelt has caused some localized flooding and damage to roads and other infrastructure, including spillways at the Oroville Dam. In 2017, the President issued Presidential Disaster Declarations for both the winter storms affecting 30 counties across California and the evacuation of the areas in danger of flooding from the possible breach of the Oroville Dam. At this time, the effects of the high volume of rainfall and snowfall are not expected to affect materially the State’s economy or budget, and repairs to the Oroville Dam are expected to be paid from resources other than the General Fund. Nevertheless, the State continues to address the potential for future droughts by encouraging water conservation, facilitating water management where possible, and providing funding for critical water infrastructure projects.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of California for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

Principal Officials of the State of California

Executive Branch

Edmund G. Brown, Jr.
Governor

Gavin Newsom
Lieutenant Governor

Betty T. Yee
State Controller

Xavier Becerra
Attorney General

John Chiang
State Treasurer

Alex Padilla
Secretary of State

Tom Torlakson
Superintendent of Public Instruction

Dave Jones
Insurance Commissioner

Board of Equalization
George Runner, Member, First District
Fiona Ma, Member, Second District
Jerome E. Horton, Member, Third District
Diane L. Harkey, Member, Fourth District

Legislative Branch

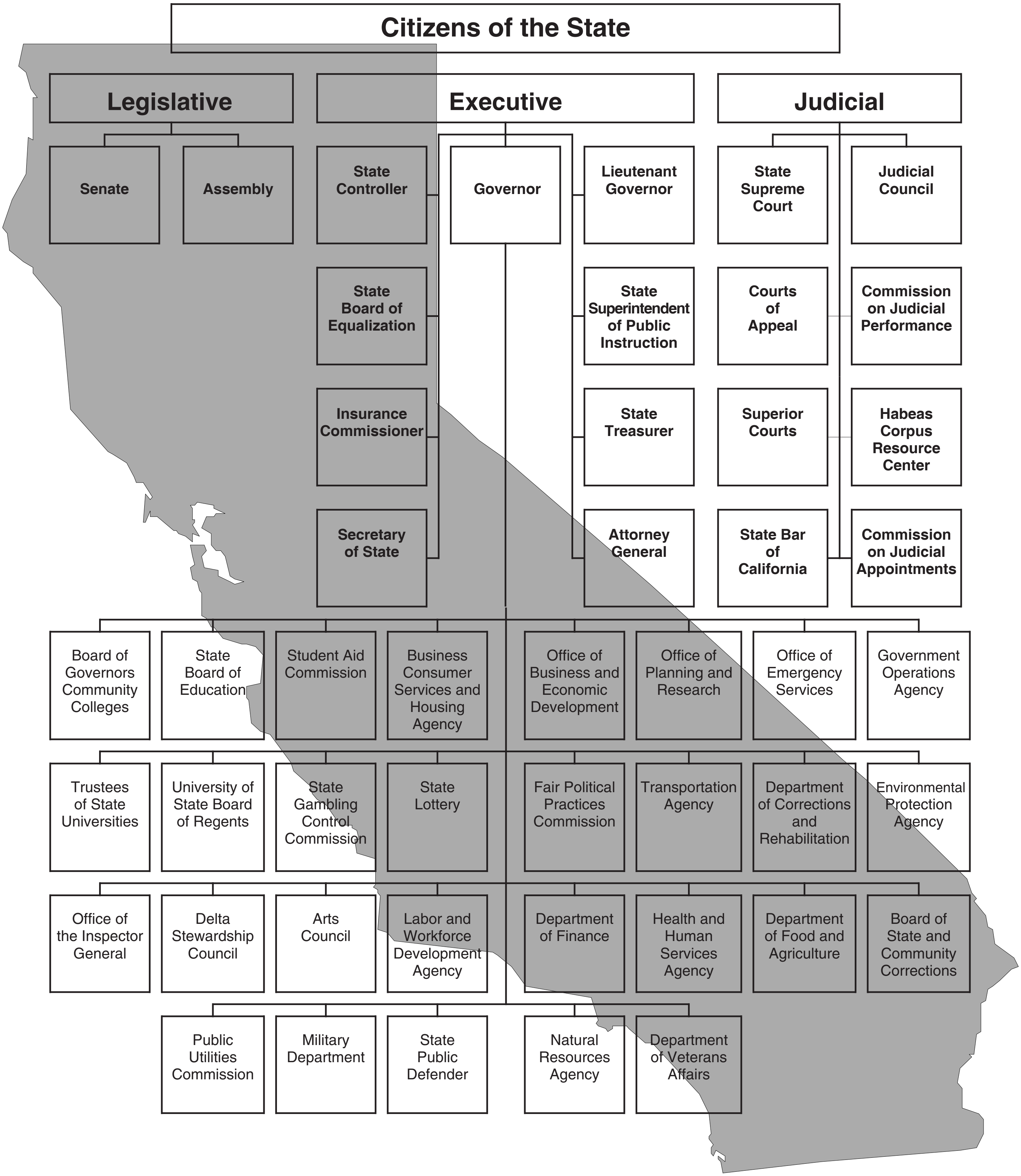
Kevin de León
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Tani Cantil-Sakauye
Chief Justice, State Supreme Court

Organization Chart of the State of California



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Financial Section

Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain enterprise funds that, in the aggregate, represent 80 percent of the assets and deferred outflows, and 40 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The Safe Drinking Water State Revolving fund, that represents 15 percent of the assets and deferred outflows, and 3 percent of the additions, revenues, and other financing sources of the Environmental and Natural Resources fund, a major governmental fund.
- The following major enterprise funds: Electric Power fund, Water Resources fund, State Lottery fund, and California State University fund.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control, and the 1943 Veterans Farm and Home Building funds, that represent 84 percent of the assets and deferred outflows, and 27 percent of the additions, revenues and other financing sources of the aggregate remaining fund information.
- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Lottery, and the 1943 Veterans Farm and Home Building funds were not audited in accordance with *Government Auditing Standards*.

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 opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a discussion and analysis by management, schedule of changes in net pension liability and related ratios, schedule of state pension contributions, schedules related to the State's support of the California State Teachers' Retirement System, schedule of funding progress for other postemployment benefits, infrastructure information, budgetary comparison information, reconciliation of budgetary and GAAP-basis fund balances, and related notes 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from, and relate 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017 on our consideration of the State'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 the State's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

John F. Collins II

JOHN F. COLLINS II, CPA
Deputy State Auditor

March 22, 2017

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the year ended June 30, 2016. We encourage readers to consider the information we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

After seven years of economic expansion, California is approaching an economic plateau as its rate of growth has started to slow. For the fiscal year ended June 30, 2016, the State's general revenues increased by only $1.4 billion (1.0%) over the prior year—significantly less than the 10.0% growth experienced in the 2014-15 fiscal year. Expenses and transfers for the State's governmental activities increased by $12.0 billion (5.1%) but were less than total revenues received, resulting in a $7.5 billion increase in the governmental activities' net position. Total revenues and transfers for the State's business-type activities also surpassed expenses by $3.1 billion in the 2015-16 fiscal year.

Net Position – The primary government ended the 2015-16 fiscal year with a net deficit position of $30.3 billion, an improvement of $10.6 billion (26.0%). The total net deficit position is reduced by $107.1 billion for net investment in capital assets and by $34.8 billion for restricted net position, yielding a negative unrestricted net position of $172.2 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 59.0%, or $101.6 billion, of the negative $172.2 billion consists of unfunded, employee-related, long-term liabilities that are recognized as soon as an obligation has been incurred, even though payment will occur over many future periods (net pension liability, net other postemployment benefit obligations, and compensated absences). Another 38.6%, or $66.5 billion, consists of outstanding bonded debt issued to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

Fund Highlights

Governmental Funds – As of June 30, 2016, the primary government's governmental funds reported a combined ending fund balance of $30.9 billion, an increase of $4.8 billion over the prior fiscal year. This year is the first in more than 15 years without any governmental fund deficits. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was $1.9 billion, an increase of $2.4 billion over the prior fiscal year's deficit balance of $448 million. The nonspendable and restricted fund balances were $87 million and $28.9 billion, respectively.

Proprietary Funds – As of June 30, 2016, the primary government's proprietary funds reported a combined ending net position of $4.1 billion, an increase of $3.0 billion over the prior fiscal year. The total net position is reduced by $2.9 billion for net investment in capital assets, expendable restrictions of $5.9 billion, and nonexpendable restrictions of $9 million, yielding a negative unrestricted net position of $4.7 billion, an improvement of $1.3 billion over the prior fiscal year.

Noncurrent Assets and Liabilities

As of June 30, 2016, the primary government's noncurrent assets totaled $156.2 billion, of which $136.7 billion is related to capital assets. State highway infrastructure assets of $73.5 billion represent the largest portion of the State's capital assets.

The primary government's noncurrent liabilities totaled $221.4 billion, which consists of $101.6 billion in unfunded employee-related future obligations, $76.6 billion in general obligation bonds, $29.4 billion in revenue bonds, and $13.9 billion in other noncurrent liabilities. During the 2015-16 fiscal year, the primary government's noncurrent liabilities increased by $7.0 billion (3.2%) over the previous fiscal year. The most significant changes were increases of $8.1 billion in net pension liability and $3.5 billion in net other postemployment benefits obligation, and decreases of $2.6 billion in loans payable and $1.5 billion in general obligation bonds payable.

Overview of the Financial Statements

This discussion and analysis is an introduction to the section presenting the State's basic financial statements, which includes four components: (1) government-wide financial statements, (2) fund financial statements, (3) discretely presented component units financial statements, and (4) notes to the financial statements. This report also contains required supplementary information and combining financial statements and schedules intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the State's finances. The government-wide financial statements do not include fiduciary programs and activities of the primary government and component units because fiduciary resources are not available to support state programs.

The statements provide both short-term and long-term information about the State's financial position to help readers assess the State's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to methods used by most businesses. These statements take into account all revenues and expenses connected with the fiscal year, regardless of when the State received or paid the cash. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

- The *Statement of Net Position* presents all of the State's financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.

- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The government-wide financial statements separate into different columns the three types of state programs and activities—governmental activities, business-type activities, and component units.

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public kindergarten through 12th grade [K–12] schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.

- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, and selling electric power. These activities are conducted with minimal financial assistance from the governmental activities or general revenues of the State.

- *Component units* are organizations that are legally separate from the State, but are at the same time related to the State financially (i.e., the State is financially accountable for them) or the nature of their relationship with the State is so significant that their exclusion would cause the State's financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State's operations. Fiduciary component units are primarily the resources and operations of the California Public Employees' Retirement System and the California State Teachers' Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

Most component units prepare their own separately issued financial statements. For information regarding obtaining the financial statements of the individual component units, refer to Note 1A, Reporting Entity.

Fund Financial Statements

The State of California, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the State may be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. This approach is known as the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting*. These governmental fund statements provide a detailed short-term view of the State's finances, enabling readers to determine whether adequate financial resources exist to meet the State's current needs.

  Because governmental fund financial statements provide a narrower focus than do government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities. Primary differences between the government-wide and fund-based statements relate to noncurrent assets, such as land and buildings, and noncurrent liabilities, such as bonded debt and amounts owed for net pension liability, compensated absences, and capital lease obligations. These amounts are reported in the government-wide statements but not in the fund-based statements.

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.

  - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.

  - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.

- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

Discretely Presented Component Units Financial Statements

The State has financial accountability for discretely presented component units, which have certain independent qualities and operate in a similar manner as private sector businesses. The activities of the discretely presented component units are classified as enterprise activities.

Notes to the Financial Statements

The notes to the financial statements in this publication provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements, which describe particular accounts in more detail, are located immediately following the discretely presented component units financial statements.

Required Supplementary Information

A section of required supplementary information follows the notes to the basic financial statements in this publication. This section includes several schedules of information for the State's pension plans and the State's contributions to those plans, a schedule of funding progress for other postemployment benefit trust funds, information on infrastructure assets based on the modified approach, a budgetary comparison schedule, and a reconciliation of the budgetary basis and the GAAP basis fund balances for the major governmental funds presented in the governmental fund financial statements.

Combining Financial Statements and Schedules

The Combining Financial Statements and Schedules – Nonmajor and Other Funds section presents combining statements that provide separate financial statements for nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor component units as supplementary information. The basic financial statements present only summary information for these activities.

Government-wide Financial Analysis

Net Position

The primary government's combined net position (governmental and business-type activities) increased by $10.6 billion (26.0%) from a negative $40.9 billion to a negative $30.3 billion at June 30, 2016.

The primary government's $107.1 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

Another $34.8 billion of the primary government's net position represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. The internally imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2016, the primary government's combined unrestricted net deficit position was $172.2 billion—$168.5 billion for governmental activities and $3.7 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation has been incurred, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2016, the primary government recognized $101.6 billion (59.0% of the $172.2 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net other postemployment benefits obligation, and compensated absences. In addition, the primary government recognized $66.5 billion (38.6% of the $172.2 billion unrestricted net deficit) in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as "net investment in capital assets." Instead, the bonded debt is reported as a noncurrent liability that increases the State's unrestricted net deficit position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

Table 1 presents condensed financial information derived from the Statement of Net Position for the primary government.

Table 1

Net Position – Primary Government – Two-year Comparison
June 30, 2016 and 2015
(amounts in millions)

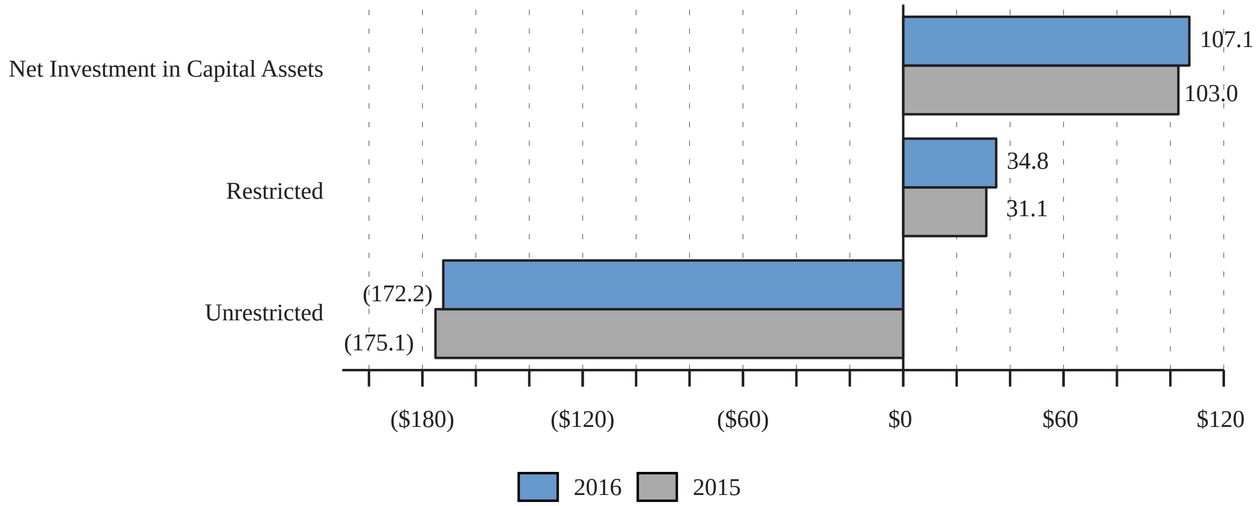
	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
ASSETS						
Current and other assets	$ 78,452	$ 74,530	$ 25,226	$ 24,539	$ 103,678	$ 99,069
Capital assets	126,859	123,201	9,849	9,220	136,708	132,421
Total assets	**205,311**	**197,731**	**35,075**	**33,759**	**240,386**	**231,490**
DEFERRED OUTFLOWS OF RESOURCES	7,726	6,128	1,328	1,050	9,054	7,178
Total assets and deferred outflows of resources	**$ 213,037**	**$ 203,859**	**$ 36,403**	**$ 34,809**	**$ 249,440**	**$ 238,668**
LIABILITIES						
Noncurrent liabilities	$ 194,826	$ 186,897	$ 26,618	$ 27,511	$ 221,444	$ 214,408
Other liabilities	47,847	47,391	4,127	3,841	51,974	51,232
Total liabilities	**242,673**	**234,288**	**30,745**	**31,352**	**273,418**	**265,640**
DEFERRED INFLOWS OF RESOURCES	5,249	11,989	1,085	2,003	6,334	13,992
Total liabilities and deferred inflows of resources	**247,922**	**246,277**	**31,830**	**33,355**	**279,752**	**279,632**
NET POSITION						
Net investment in capital assets	104,597	100,695	2,521	2,278	107,118	102,973
Restricted	29,061	26,632	5,759	4,537	34,820	31,169
Unrestricted	(168,543)	(169,745)	(3,707)	(5,361)	(172,250)	(175,106)
Total net position (deficit)	**(34,885)**	**(42,418)**	**4,573**	**1,454**	**(30,312)**	**(40,964)**
Total liabilities, deferred inflows of resources, and net position	**$ 213,037**	**$ 203,859**	**$ 36,403**	**$ 34,809**	**$ 249,440**	**$ 238,668**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Chart 1 presents a two-year comparison of the State's net position.

Chart 1

Net Position – Primary Government – Two-year Comparison
June 30, 2016 and 2015
(amounts in billions)



Note: Prior-year adjustments recorded in the current year have not been reflected in the 2015 amounts.

Changes in Net Position

The expenses of the primary government totaled $272.7 billion for the year ended June 30, 2016. Of this amount, $142.8 billion (50.4%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving $129.9 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of $140.5 billion exceeded net unfunded expenses by $10.6 billion, resulting in a 26.0% increase in net position.

Table 2 presents condensed financial information derived from the Statement of Activities for the primary government.

Table 2

Changes in Net Position – Primary Government – Two-year Comparison
Years ended June 30, 2016 and 2015
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for services	$ 27,422	$ 24,390	$ 25,427	$ 24,091	$ 52,849	$ 48,481
Operating grants and contributions	86,629	84,896	1,765	1,666	88,394	86,562
Capital grants and contributions	1,480	1,320	67	108	1,547	1,428
General Revenues:						
Taxes	140,028	138,600	—	—	140,028	138,600
Investment and interest	132	58	—	—	132	58
Miscellaneous	305	401	—	—	305	401
Total revenues	**255,996**	**249,665**	**27,259**	**25,865**	**283,255**	**275,530**
EXPENSES						
Program Expenses:						
General government	16,686	15,804	—	—	16,686	15,804
Education	65,468	59,521	—	—	65,468	59,521
Health and human services	127,543	122,064	—	—	127,543	122,064
Natural resources and environmental protection	6,988	6,420	—	—	6,988	6,420
Business, consumer services, and housing	815	904	—	—	815	904
Transportation	12,121	12,898	—	—	12,121	12,898
Corrections and rehabilitation	11,875	11,483	—	—	11,875	11,483
Interest on long-term debt	4,232	4,881	—	—	4,232	4,881
Electric Power	—	—	728	799	728	799
Water Resources	—	—	1,087	1,020	1,087	1,020
State Lottery	—	—	6,316	5,560	6,316	5,560
Unemployment Programs	—	—	11,459	11,390	11,459	11,390
California State University	—	—	7,199	6,848	7,199	6,848
Other enterprise programs	—	—	151	145	151	145
Total expenses	**245,728**	**233,975**	**26,940**	**25,762**	**272,668**	**259,737**
Excess (deficiency) before transfers	**10,268**	**15,690**	**319**	**103**	**10,587**	**15,793**
Gain on early extinquishment of debt	41	—	—	—	41	—
Transfers	(2,800)	(2,555)	2,800	2,555	—	—
Change in net position	7,509	13,135	3,119	2,658	10,628	15,793
Net position, beginning (restated)	(42,394)	**(55,553)**	1,454 *	**(1,204)**	**(40,940)**	**(56,757)**
Net position (deficits), ending	**$ (34,885)**	**$ (42,418)**	**$ 4,573**	**$ 1,454**	**$ (30,312)**	**$ (40,964)**

* Not restated

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

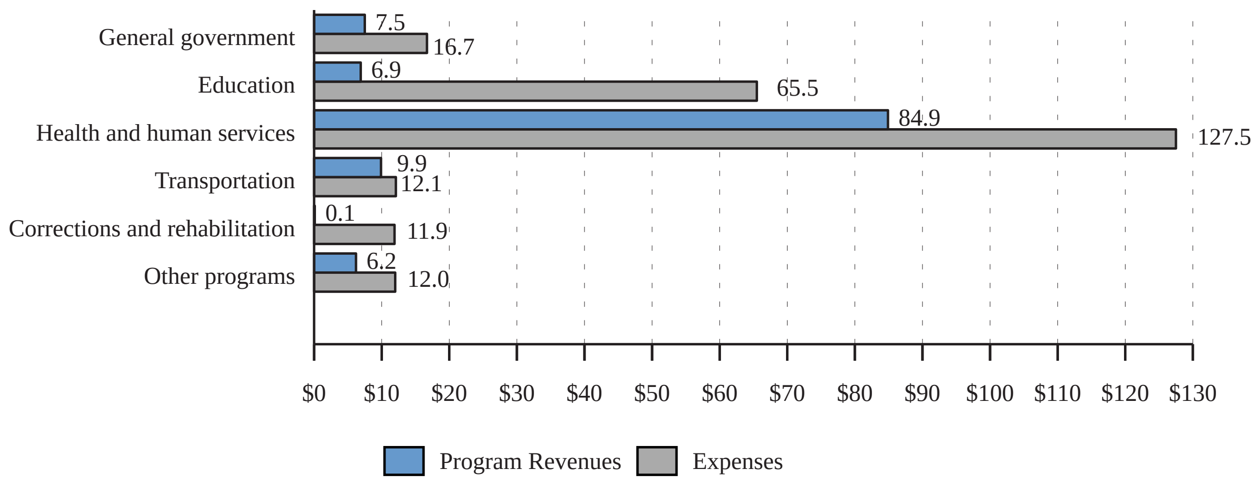
Governmental Activities

During the 2015-16 fiscal year, governmental activities' expenses and transfers totaled $248.5 billion. Program revenues totaling $115.5 billion, including $88.1 billion received in federal grants and contributions, funded 46.5% of expenses and transfers, leaving $133.0 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities ($140.5 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of $34.9 billion for the year ended June 30, 2016, an improvement of $7.5 billion (17.7%) over the prior-year's net deficit position of $42.4 billion.

Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities
Year ended June 30, 2016
(amounts in billions)



For the year ended June 30, 2016, total governmental activity revenue was $256.0 billion, an increase of 2.5% over the prior year. General revenues increased by $1.4 billion (1.0%) to $140.5 billion, and program revenues increased by $4.9 billion (4.5%) to $115.5 billion. These increases are significantly smaller than the 2014-15 fiscal year growth of 10.0% for general revenues and 18.1% for program revenues, reflecting the slowing of the recent economic recovery and expansion. Personal income taxes and corporation taxes had the greatest impact on the slowing growth rate during the 2015-16 fiscal year. Corporation taxes decreased by $1.5 billion (14.1%) from the prior year. Personal income taxes increased by $2.2 billion over the prior year, representing only a 2.8% increase compared to the 2014-15 fiscal year increase of 13.5%.

Overall expenses for governmental activities increased by $11.8 billion (5.0%) over the prior year. The largest increase in expenditures, $5.9 billion (10.0%), was for education due to the Proposition 98 minimum funding guarantee; the increased spending was triggered by higher General Fund revenue. Another significant increase, $5.5 billion (4.5%), occurred in health and human services programs; the majority of the increase is attributable to the Department of Health Care Services, which administers the State's Medi-Cal program. This growth in spending reflects the continuing expansion in Medi-Cal caseload under federal health care reform.

Charts 3 and 4 present the percentage of total expenses for each governmental activities program and the percentage of total revenues by source.

Chart 3

Expenses by Program
Year ended June 30, 2016
(as a percent)

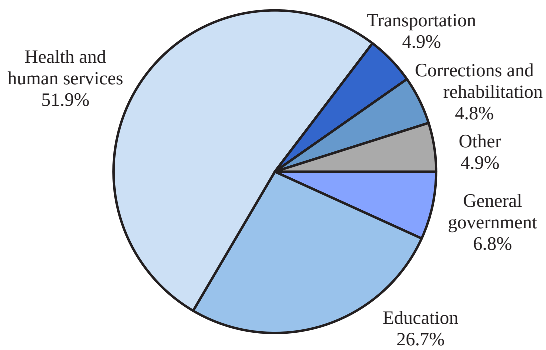
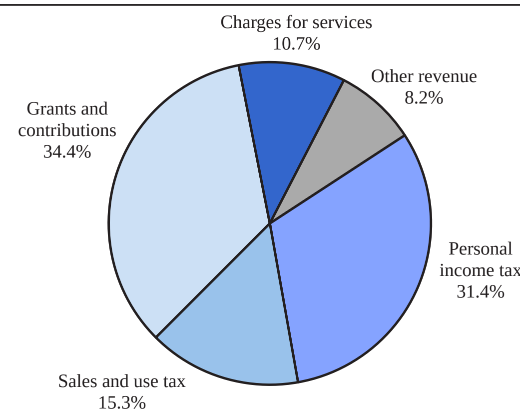


Chart 4

Revenues by Source
Year ended June 30, 2016
(as a percent)



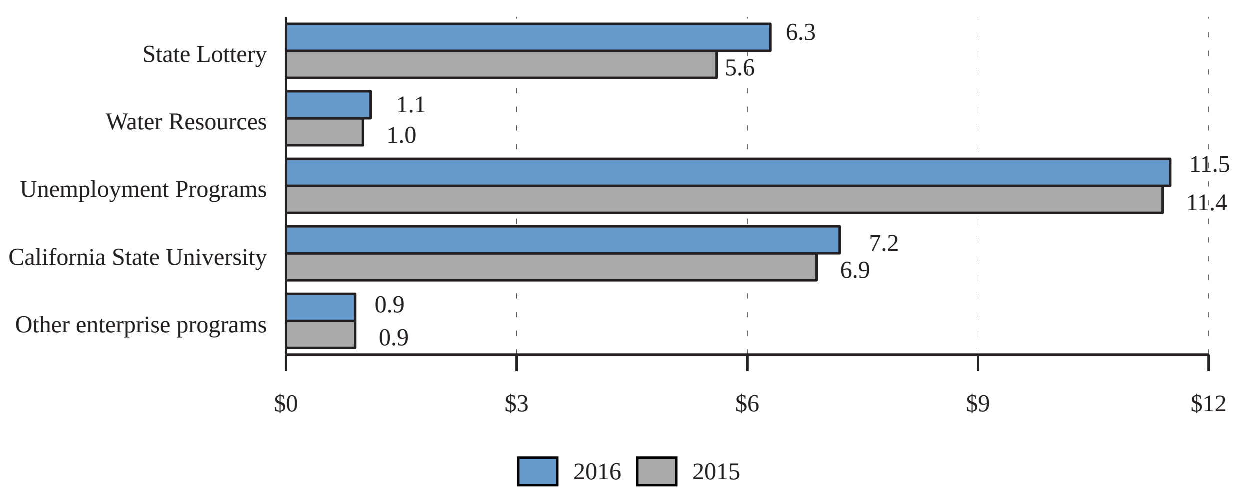
Business-type Activities

As of June 30, 2016, business-type activities' expenses totaled $26.9 billion. Program revenues of $27.2 billion, primarily generated from charges for services, and $2.8 billion in transfers, were sufficient to cover these expenses. As a result, the business-type activities' total net position of $4.6 billion increased by $3.1 billion (214.4%) over the prior-year's net position of $1.5 billion.

Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison
Years ended June 30, 2016 and 2015
(amounts in billions)



Fund Financial Analysis

The State's governmental funds' balance increased by $4.8 billion over the prior year's ending fund balance. The 2015-16 fiscal year marks the first time since before the 2001-02 fiscal year implementation of GASB Statement No. 34 that all of the State's governmental funds ended the year with positive fund balances. Proprietary funds' net position increased by $3.0 billion during the 2015-16 fiscal year, of which $2.4 billion was in the Unemployment Programs Fund, increasing its fund balance to $1.5 billion—its first postive balance in eight years.

Governmental Funds

As of June 30, 2016, the governmental funds' Balance Sheet reported $82.3 billion in assets, $51.4 billion in liabilities and deferred inflows of resources, and $30.9 billion in fund balance. Total assets of governmental funds increased by 5.4%, while total liabilities and deferred inflows of resources decreased by 1.2%, resulting in a total fund balance increase of $4.8 billion (18.5%) over the prior year's balance.

Within the governmental funds' total fund balance, $87 million is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, $28.9 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, of the total fund balance, $5.7 billion is classified as committed for specific purposes and $15 million is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is a negative $3.8 billion, an improvement of $830 million over the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported $255.7 billion in revenues, $255.3 billion in expenditures, and a net $4.4 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the year ended June 30, 2016, was $30.9 billion, a $4.8 billion increase over the prior year's ending fund balance of $26.1 billion.

Governmental funds' revenue consists primarily of taxes (54.6%) and intergovernmental revenue (35.6%). Personal income taxes accounted for 57.2% of tax revenues and increased by $1.7 billion over the prior fiscal year. Sales and use taxes accounted for 28.0% of tax revenues and increased by $746 million over the prior fiscal year. Corporation taxes accounted for 6.6% of tax revenues and decreased by $1.6 billion from the prior fiscal year. The decline in corporation tax revenue is largely due to significantly increased refunding activity as corporate taxpayers continue to adjust to changes in the calculation of their California taxable revenue under Proposition 39 that was enacted in 2012. Intergovermental revenue, primarily from the federal goverment, increased by $3.3 billion (3.8%) over the prior fiscal year.

Governmental funds' expenditures increased by $6.9 billion (2.8%) over the prior fiscal year, primarily for health and human services and education. The increase in health and human services expenditures, of $4.9 billion (4.0%), is due primarily to the continued expansion of the Medi-Cal caseload under the Patient Protection and Affordable Care Act (federal health care reform). The $2.3 billion increase in education expenditures is to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in the 2015-16 fiscal year. Offsetting these two governmental funds' expenditure increases is a decrease of $2.0 billion (15.2%) in debt service principal and interest payments for bonds and commercial paper.

Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison
Years ended June 30, 2016 and 2015
(amounts in billions)

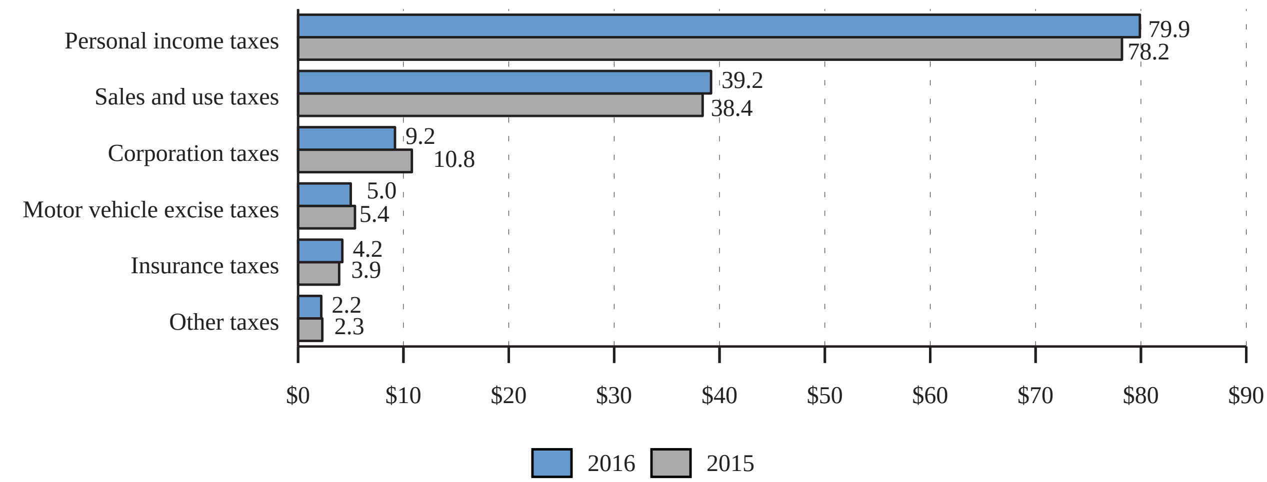
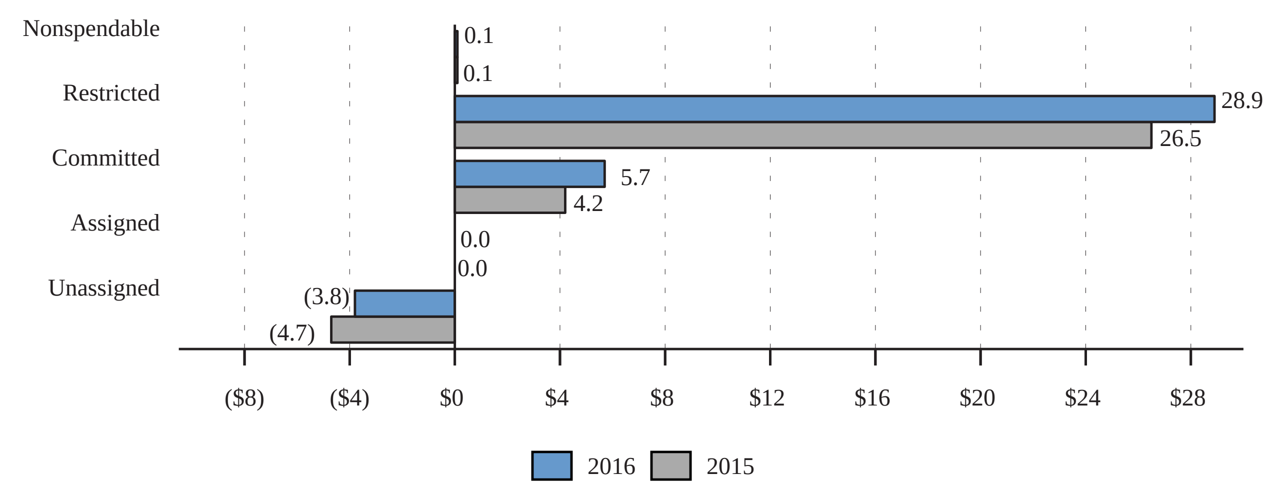


Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison
Years ended June 30, 2016 and 2015
(amounts in billions)



The State's major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, and the Environmental and Natural Resources Fund. The General Fund ended the fiscal year with a fund balance of $362 million, an increase of $2.6 billion over the prior year's fund deficit. The Federal Fund, the Transportation Fund, and the Environmental and Natural Resources Fund ended the fiscal year with fund balances of $248 million, $8.5 billion, and $10.1 billion, respectively. The nonmajor governmental funds ended the fiscal year with a total fund balance of $11.6 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended the 2015-16 fiscal year with assets of $20.9 billion; liabilities and deferred inflows of resources of $20.6 billion; and nonspendable, restricted, and committed fund balances of $76 million, $4.0 billion, and $68 million, respectively, leaving the General Fund with a negative unassigned fund balance of $3.8 billion. Total assets of the General Fund decreased by $1.3 billion (5.6%) from the prior fiscal year, while total liabilities and deferred inflows of resources decreased by $3.8 billion (15.7%). The General Fund's unassigned fund balance deficit decreased by $830 million (17.8%).

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balance, the General Fund had an excess of revenues over expenditures of $5.8 billion ($117.6 billion in revenues and $111.8 billion in expenditures). Approximately $112.5 billion (95.7%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($78.5 billion), sales and use taxes ($24.8 billion), and corporation taxes ($9.2 billion). As a result of fund classifications made to comply with generally accepted governmental accounting principles, a total of $246 million in revenue, essentially all from unemployment programs, is included in the General Fund. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During the 2015-16 fiscal year, total General Fund revenue increased by $796 million (0.7%). The increase is a result of increases in personal income taxes of $1.6 billion (2.1%) and sales and use taxes of $1.2 billion (5.1%), offset by a decrease in corporation taxes of $1.6 billion (14.5%).

General Fund expenditures increased by $4.6 billion (4.3%). The largest increases were in education and health and human services expenditures, which were up $2.3 billion and $2.1 billion, respectively. The General Fund's net fund balance of $362 million for the year ended June 30, 2016, was an improvement of $2.6 billion over the prior year's ending fund deficit of $2.2 billion.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support the grant programs. The largest of these programs is for health and human services, which accounted for $73.8 billion (84.5%) of the total $87.4 billion in fund expenditures. The Medical Assistance program and the Temporary Assistance for Needy Families program are included in this program area. Education programs also constituted a large part of the fund's expenditures, amounting to $6.9 billion (7.9%) of the total. The Federal Fund's revenues increased by $1.9 billion, which was approximately the same amount of increase in the combined expenditures and transfers, resulting in only a $30 million fund balance increase over the prior year's ending fund balance of $218 million.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues decreased by $535 million (5.1%), while its expenditures decreased by $1.4 billion (11.6%). Other financing sources provided net receipts of $1.3 billion. The Transportation Fund ended the fiscal year with an $8.5 billion fund balance, an increase of $322 million over the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues increased by $534 million (10.7%), while its expenditures decreased by $265 million (5.1%). Other financing sources provided net receipts of $1.2 billion. The Environmental and Natural Resources Fund ended the fiscal year with a $10.1 billion fund balance, an increase of $1.8 billion (20.9%) over the prior year.

Proprietary Funds

Enterprise Funds: The economic recovery continued to have a positive impact on the State's enterprise funds. The total net position of the enterprise funds at June 30, 2016, was $4.6 billion—$3.1 billion greater than the prior year's net position of $1.5 billion. The Unemployment Programs Fund had an increase in its net position of $2.4 billion to end the fiscal year with a balance of $1.5 billion. This balance represents the Unemployment Programs Fund's first positive net position since 2009—the end of the recession that dramatically increased the State's unemployment and resulted in the fund's insolvency. The State Lottery Fund, the California State University Fund, and the nonmajor enterprise funds increased their net positions by $52 million, $538 million, and $121 million, respectively.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were $37.0 billion as of June 30, 2016. Of this amount, current assets totaled $12.9 billion, noncurrent assets totaled $22.8 billion, and deferred outflows of resources totaled $1.3 billion. The total liabilities and deferred inflows of resources for the enterprise funds was $32.5 billion. The three largest liabilities of the enterprise funds are $13.9 billion in revenue bonds payable, $7.5 billion in net pension liability, and $3.1 billion in noncurrent loans payable. During the 2015-16 fiscal year, the State reduced by $2.6 billion the balance of the loans from the U.S. Department of Labor that covered prior-year deficits in the Unemployment Programs Fund, leaving a balance of $3.1 billion as of June 30, 2016.

Total net position consisted of four segments: net investment in capital assets of $2.5 billion, a nonexpendable restricted net position of $9 million, a restricted expendable net position of $5.7 billion, and an unrestricted net deficit of $3.7 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of $24.2 billion, operating expenses of $24.0 billion, and net expenses from other transactions of $3 million. The largest sources of operating revenue were unemployment and disability insurance receipts of $13.8 billion in the Unemployment Programs Fund, and lottery ticket sales of $6.3 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund increased by $453 million to $13.8 billion over the prior fiscal year. These receipts came primarily from the federal government unemployment account to pay unemployment and disability benefits. The largest operating expenses were distributions of $11.1 billion to beneficiaries by the Unemployment Programs Fund, personal services of $4.6 billion by the California State University Fund, and lottery prizes of $4.0 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was $458 million as of June 30, 2016. The net position consists of three segments: net investment in capital assets of $383 million, a restricted expendable net position of $131 million, and an unrestricted net deficit of $972 million.

Fiduciary Funds

The State of California has four types of fiduciary funds: private purpose trust funds, pension and other employee benefit trust funds, investment trust funds, and agency funds. The private purpose trust funds ended the fiscal year with a net position of $6.8 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of $507.6 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of $22.7 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the year ended June 30, 2016, the fiduciary funds' combined net position was $537.1 billion, a $4.3 billion decrease from the prior year net position. The net position decreased primarily because payments made to participants exceeded contributions received and investment income in pension and other employee benefit trust funds.

General Fund Budget Highlights

The original General Fund budget of $115.2 billion was increased by $1.7 billion during the 2015-16 fiscal year. This increase is mainly comprised of funding for education, natural resources and environmental protection, and health and human services programs. The funding for education programs increased due primarily to the Proposition 98 minimum funding guarantee per Education Code Section 41202; an increase in General Fund revenue causes an increase to the minimum funding guarantee. Additional funding for drought-related activities accounts for most of the increase in the natural resources and environmental protection budget. The increase in health and human services program funding is due primarily to the continuing implementation of the federal Patient Protection and Affordable Care Act. During the 2015-16 fiscal year, the General Fund's actual budgetary basis expenditures were $114.4 billion, $2.5 billion less than the final budgeted amount of $116.9 billion.

Table 3 presents a summary of the General Fund original and final budgets.

Table 3

General Fund Original and Final Budgets
Year ended June 30, 2016
(amounts in millions)

	Original	Final	Increase
Budgeted amounts			
Business, consumer services, and housing	$ 36	$ 37	$ 1
Transportation	83	83	—
Natural resources and environmental protection	1,717	2,044	327
Health and human services	31,939	32,259	320
Corrections and rehabilitation	9,920	10,130	210
Education	60,008	60,765	757
General government:			
Tax relief	432	432	—
Debt service	5,496	5,496	—
Other general government	5,589	5,672	83
Total	**$ 115,220**	**$ 116,918**	**$ 1,698**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the State's investment in capital assets for its governmental and business-type activities amounted to $136.7 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2016, the State's capital assets increased $4.3 billion, or 3.2% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure and buildings and other depreciable property.

Additional information on the State's capital assets can be found in Note 7.

Table 4 presents a summary of the primary government's capital assets for governmental and business-type activities.

Table 4

Capital Assets – Primary Government – Two-year Comparison
June 30, 2016 and 2015
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land	$ 19,383	$ 19,131	$ 245	$ 237	$ 19,628	$ 19,368
State highway infrastructure	73,463	70,686	—	—	73,463	70,686
Collections – nondepreciable	23	23	16	11	39	34
Buildings and other depreciable property	29,616	28,310	12,743	12,274	42,359	40,584
Intangible assets – amortizable	2,032	1,215	336	338	2,368	1,553
Less: accumulated depreciation/amortization	(13,400)	(12,668)	(5,244)	(4,939)	(18,644)	(17,607)
Construction/development in progress	15,316	16,085	1,639	1,183	16,955	17,268
Intangible assets – nonamortizable	426	419	114	116	540	535
Total	**$ 126,859**	**$ 123,201**	**$ 9,849**	**$ 9,220**	**$ 136,708**	**$ 132,421**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state roadways and bridges). Under the modified approach, the State does not report depreciation expense for its roads and bridges but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During the 2015-16 fiscal year, the actual amount spent on preservation was 48.0% of the estimated budgeted amount needed to maintain the infrastructure assets at the established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines with 84.1% of lane miles judged to be of excellent, good, or fair quality in the last completed pavement-condition survey. The State is responsible for maintaining 49,645 lane miles and 12,972 bridges.

The Required Supplementary Information includes additional information on how the State uses the modified approach for infrastructure assets; it also presents the established condition standards, condition assessments, and preservation costs.

Debt Administration

At June 30, 2016, the State had total bonded debt outstanding of $110.9 billion. Of this amount, $79.8 billion (71.9%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is $3.2 billion and the long-term portion is $76.6 billion. The remaining $31.1 billion (28.1%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $1.7 billion and the long-term portion is $29.4 billion.

During the fiscal year, the State issued $7.3 billion in new general obligation bonds for governmental activities, including: parks, clean water and clean air; reading and literacy improvement and public libraries; safe drinking water; children's hospitals; earthquake safety and public building rehabilitation; public primary, secondary, community college and university education facilities; highway safety, traffic reduction, air quality and port security; transportation; clean water, watershed protection and flood protection; water security, water quality, water supply and river, coastal and beach protection; water conservation; seismic retrofit; wildlife, coastal and parkland conservation; medical research; housing and emergency shelters; veterans' homes; high speed passenger train projects; and to refund previously outstanding general obligation bonds and commercial paper. The State also issued $545 million in new general obligation bonds for veterans farm and home buildings, a business-type activity.

Table 5 presents a summary of all the primary government's long-term obligations for governmental and business-type activities.

Table 5

Long-term Obligations – Primary Government – Two-year Comparison
Years ended June 30, 2016 and 2015
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Government-wide noncurrent liabilities						
General obligation bonds	$ 75,854	$ 77,527	$ 736	$ 579	$ 76,590	$ 78,106
Revenue bonds payable	16,530	17,739	12,905	11,670	29,435	29,409
Total bonded debt	92,384	95,266	13,641	12,249	106,025	107,515
Net pension liability/obligation	64,294	57,456	7,462	6,249	71,756	63,705
Net other postemployment benefits obligation	24,967	21,594	851	735	25,818	22,329
Mandated cost claims payable	2,764	2,377	—	—	2,764	2,377
Loans payable	—	—	3,112	5,671	3,112	5,671
Compensated absences payable	3,777	3,681	201	188	3,978	3,869
Workers' compensation benefits payable	3,528	3,448	3	3	3,531	3,451
Capital lease obligations	345	215	346	1,136	691	1,351
Certificates of participation and commercial paper[1]	771	482	47	89	818	571
Other noncurrent liabilities	1,996	2,378	955	1,191	2,951	3,569
Total noncurrent liabilities	**194,826**	**186,897**	**26,618**	**27,511**	**221,444**	**214,408**
Current portion of long-term obligations	4,777	5,071	2,278	2,078	7,055	7,149
Total long-term obligations	**$ 199,603**	**$ 191,968**	**$ 28,896**	**$ 29,589**	**$ 228,499**	**$ 221,557**

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

[1] All certificates of participation were retired in fiscal year 2016.

During the year ended June 30, 2016, the primary government's total long-term obligations increased by $6.9 billion over the prior year's balance. The largest increases were $8.1 billion in net pension liability and $3.5 billion in other postemployment benefit obligations because the State does not fully fund these benefits. The largest decrease was $2.6 billion in loans payable to the U.S. Department of Labor for prior-year shortfalls in the unemployment program.

Note 9, Long-term Obligations, and Notes 10 through 16 include additional information on the State's long-term obligations.

In July 2015, Standard and Poor's Rating Services raised the State's general obligation rating to "AA-" from "A+", citing the enactment of the State's 2015-16 budget which marked an improved fiscal sustainability. During the 2015-16 fiscal year, the ratings from Fitch Ratings and Moody's Investors Service remained unchanged at "A+" and "Aa3", respectively.

Economic Condition and Future Budgets

The Economy for the Year Ending June 30, 2016

California, along with the United States as a whole, completed its seventh year of economic recovery as the State ended its fiscal year on June 30, 2016. California's economy demonstrated continued economic growth throughout the 2015-16 fiscal year. California's personal income growth outperformed that of the nation as a whole during the 2015-16 fiscal year, increasing by 5.2% compared with a 3.8% increase nationally. Consequently, consumer spending increased, as demonstrated by a 2.8% increase in California's new vehicle registrations in the 2015-16 fiscal year and a $1.2 billion (5.1%) increase in sales and use tax revenue.

The State's real estate market showed mixed signs of continued strength during the 2015-16 fiscal year. As of June 2016, median prices for existing single family homes were 6.1% higher than June 2015, though sales were essentially flat (down by 0.1%) and the pace of homebuilding had largely leveled off. As of June 2016, the rate of new residential building permits issued increased by 1.7% to nearly 97,000 units compared to the same period a year earlier. Nonresidential construction activity showed more strength relative to the residential sector, with new permit activity increasing 15.9% during the 2015-16 fiscal year to $28.1 billion.

California's labor market continued to add jobs during the 2015-16 fiscal year. Total employment for June 2016 stood at 18.1 million jobs, a gain of more than 300,000 jobs from the same period a year earlier. Mirroring the increase in jobs, the State's unemployment rate fell from 6.2% in June 2015 to 5.4% in June 2016.

Economic Outlook for the 2016-17 Fiscal Year as of December 31, 2016

During the first several months of the 2016-17 fiscal year, California continued to experience job growth. By December 2016, total employment was nearly 18.4 million jobs, reflecting a year-to-year increase of 500,000 jobs compared to December 2015. The unemployment rate largely held steady since June 2016, with only a slight decrease to 5.2% by December 2016.

California's personal income growth continued to outpace the nation during the beginning of the 2016-17 fiscal year, with total personal income for the third quarter of 2016 4.8% above the level observed in the same period in 2015, compared with an increase of 3.6% nationally.

The State's real estate market continued to show mixed results during the beginning of the 2016-17 fiscal year. As of December 2016, median home prices were up by 4.0% over the same period one year earlier, but the number of sales decreased 0.6% from the level observed in December 2015. New residential construction activity also leveled off in the first half of the 2016-17 fiscal year with the number of permits for new residential units coming in just under 100,000 units as of December 2016, an increase of 1.9% from the same period one year earlier. The pace of nonresidential construction showed signs of slowing during the first half of the 2016-17 fiscal year. The annual value of nonresidential permits for the period ending December 2016 had a year-to-year increase of 1.6%.

The State's Department of Finance expects only moderate economic growth during the next two years, although this economic recovery has already lasted longer than many previous recoveries, including the expansion from 2001 to 2007. As the economic recovery matures and unemployment decreases, the pace of job growth is expected to slow and inflation is expected to gradually rise.

California's 2016-17 Budget

California's 2016-17 Budget Act was enacted on June 27, 2016. The Budget Act appropriated $170.9 billion—$122.5 billion from the General Fund, $44.6 billion from special funds, and $3.8 billion from bond funds. The General Fund's budgeted expenditures increased by $6.9 billion, or 6.0% over last year's General Fund budget. When the budget was enacted, the General Fund's revenues were projected to be $120.3 billion after a $3.3 billion transfer to the Budget Stabilization Account (BSA), the State's rainy day fund. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 67.5% of total revenue. California's major taxes (personal income, sales and use, and corporation taxes) are projected to supply approximately 98.1% of the General Fund's resources in the 2016-17 fiscal year. When the budget was enacted, the General Fund was projected to end the 2016-17 fiscal year with $8.5 billion in total reserves—$6.7 billion in the BSA and $1.8 billion in the Special Fund for Economic Uncertainties (SFEU), resulting in the fifth consecutive year of projected budget surplus in the General Fund.

In January 2017, the proposed 2017-18 Governor's Budget provided revised General Fund revenue, expenditure, and reserve estimates for the 2016-17 fiscal year. The revised estimate projects General Fund revenue of $118.8 billion, expenditures of $122.8 billion, and total year-end reserves of $6.8 billion—$6.7 billion in the BSA and only $47 million in the SFEU, which is $1.7 billion less than projected in June 2016 for the enacted budget. Actual General Fund cash receipts for the first half of the 2016-17 fiscal year have fallen short of the estimates used in preparing the enacted budget, which supports the need for revised estimates. As of January 1, 2017, revenues were $1.7 billion less than forecasted for the first six months of the fiscal year, while disbursements were $2.2 billion more than estimated. As a result, the General Fund's temporary borrowing was $4.0 billion more than projected, leaving a balance as of December 31, 2016, of $17.8 billion in outstanding loans—comprised entirely of internal borrowing from special funds.

The majority of the spending plan for the 2016-17 fiscal year included funding that maintains existing state policies or is based on spending allocations driven by constitutional funding requirements, such as the Proposition 98 guaranteed minimum funding levels for K-12 schools and community colleges and the Proposition 2 required minimum transfers to the BSA and minimum annual debt reduction payments. The discretionary portion of the 2016-17 spending plan allocated $2.6 billion toward additional General Fund reserves—an additional $2.0 billion transfer to the BSA and $600 million to the SFEU; funding for one-time activities, such as $1.5 billion for repairing and replacing aged infrastructure, $500 million for building affordable housing, and $200 million for drought-related activities; and ongoing funding augmentations for specific programs, including $300 million to the University of California and California State Universities. To offset the impact of reduced General Fund revenues in the 2016-17 fiscal year, the administration is proposing to reduce or eliminate some of these discretionary items in the 2016-17 spending plan.

California's 2017-18 Budget

The Governor released his proposed 2017-18 budget on January 10, 2017. The large revenue growth that the State experienced in the past few years is beginning to slow and, if no action is taken, the Governor's Budget projects a budget shortfall (a gap between estimated revenue and expenditures) of $1.6 billion for the 2017-18 fiscal year. The proposed budget includes a variety of solutions to bring the State's budget back into balance for the 2017-18 fiscal year and future years, including a $1.7 billion reduction in the Proposition 98 minimum funding guarantee for K-12 schools and community colleges based on the lower revenue estimates, a $900 million elimination of uncommitted one-time spending included in the prior year budget (2016-17), and a $600 million delay or elimination of proposed spending increases. After addressing the budget shortfall, the 2017-18 Governor's Budget prioritizes the achievements made in recent years—more money for education, an earned income tax credit for working families, raising the minimum wage, extending health care to millions of Californians, paying down long-term liabilities, and continuing to plan and save for the next recession.

The 2017-18 Governor's Budget projects (with all budget solutions enacted) that General Fund revenues and transfers will be $124.0 billion and expenditures will be $122.5 billion, leaving an estimated year-end reserve of $1.5 billion in the General Fund's SFEU. Estimated 2017-18 General Fund revenues and transfers are 4.4% higher than the revised 2016-17 fiscal year projection of $118.8 billion, but are 2.2% less than estimated for the 2017-18 fiscal year in June 2016. The proposed 2017-18 General Fund expenditures are slightly less than the revised 2016-17 fiscal year projected expenditures of $122.8 billion, but are 3.0% less than projected for the 2017-18 fiscal year in June 2016.

In addition to the $1.5 billion reserve in the General Fund's SFEU, the Governor's budget projects that the 2017-18 fiscal year will end with $7.9 billion in the BSA for a total reserve of $9.4 billion. This would be an increase of $1.2 billion in the BSA, the minimum transfer required by Proposition 2, and $1.5 billion in the SFEU over their estimated 2016-17 fiscal year ending balances. In accordance with the requirements of Proposition 2, the budget proposes an equivalent $1.2 billion General Fund allocation for debt reduction that includes partial repayment of special fund loans and pre-Proposition 42 transportation loans; partial settle-up of prior-years' Proposition 98 underfunding; contributions toward unfunded state retiree postemployment health care benefits; and contributions toward unfunded University of California retirement benefits.

The Legislative Analyst's Office (LAO), California's nonpartisan fiscal and policy advisor, believes the Governor's 2017-18 fiscal year revenue estimates are too low, but supports the Governor's decision to build reserves and limit any new commitments to one-time purposes in order to prepare for the next economic downturn. Both the Governor and the LAO acknowledge that the State is facing uncertainties about the future economy and potential changes to federal fiscal policy that could have significant financial impact on the State's budget and financial condition.

Requests for Information

The State Controller's Office designed this financial report to provide interested parties with a general overview of the State of California's finances. Address questions concerning the information provided in this report or requests for additional information through email to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov. This report is also available on the State Controller's Office's website at www.sco.ca.gov.

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Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2016
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and pooled investments	$ 32,761,989	$ 6,915,588	$ 39,677,577	$ 2,754,318
Amount on deposit with U.S. Treasury	—	11,711	11,711	—
Investments	439,028	2,637,905	3,076,933	6,759,866
Restricted assets:				
Cash and pooled investments	1,358,022	818,524	2,176,546	406,741
Investments	—	—	—	3,190
Due from other governments	—	156,108	156,108	—
Net investment in direct financing leases	53,923	12,356	66,279	—
Receivables (net)	17,166,891	1,984,477	19,151,368	3,986,304
Internal balances	224,839	(224,839)	—	—
Due from primary government	—	—	—	170,203
Due from other governments	19,165,674	216,951	19,382,625	94,307
Prepaid items	189,466	58,072	247,538	1,520
Inventories	77,108	14,668	91,776	214,680
Recoverable power costs (net)	—	72,000	72,000	—
Other current assets	55,644	5,312	60,956	393,270
Total current assets	71,492,584	12,678,833	84,171,417	14,784,399
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	204,388	724,741	929,129	25,588
Investments	—	363,669	363,669	16,058
Loans receivable	—	1,411,250	1,411,250	—
Investments	—	1,757,874	1,757,874	26,905,181
Net investment in direct financing leases	326,402	329,823	656,225	—
Receivables (net)	1,968,037	365,159	2,333,196	2,492,391
Loans receivable	4,458,159	3,045,643	7,503,802	3,240,601
Recoverable power costs (net)	—	3,245,000	3,245,000	—
Long-term prepaid charges	2,383	1,279,465	1,281,848	—
Capital assets:				
Land	19,383,236	244,725	19,627,961	1,316,721
State highway infrastructure	73,462,607	—	73,462,607	—
Collections – nondepreciable	22,627	16,206	38,833	445,038
Buildings and other depreciable property	29,616,279	12,743,444	42,359,723	48,485,473
Intangible assets – amortizable	2,032,279	336,460	2,368,739	921,156
Less: accumulated depreciation/amortization	(13,399,721)	(5,244,397)	(18,644,118)	(23,368,971)
Construction/development in progress	15,316,059	1,639,244	16,955,303	3,091,841
Intangible assets – nonamortizable	426,186	113,531	539,717	5,098
Other noncurrent assets	—	24,194	24,194	230,752
Total noncurrent assets	133,818,921	22,396,031	156,214,952	63,806,927
Total assets	**205,311,505**	**35,074,864**	**240,386,369**	**78,591,326**
DEFERRED OUTFLOWS OF RESOURCES	7,725,585	1,328,282	9,053,867	5,657,571
Total assets and deferred outflows of resources	**$ 213,037,090**	**$ 36,403,146**	**$ 249,440,236**	**$ 84,248,897**

The notes to the financial statements are an integral part of this statement.

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Current liabilities:				
Accounts payable	$ 24,535,430	$ 388,266	$ 24,923,696	$ 2,326,701
Due to component units	170,203	—	170,203	—
Due to other governments	8,433,603	131,762	8,565,365	—
Revenues received in advance	1,531,190	337,229	1,868,419	1,241,723
Tax overpayments	5,294,406	—	5,294,406	—
Deposits	467,642	—	467,642	824,745
Contracts and notes payable	1,595	—	1,595	8,592
Unclaimed property liability	863,807	—	863,807	—
Interest payable	1,172,201	67,011	1,239,212	42,573
Securities lending obligations	—	—	—	866,650
Benefits payable	—	437,574	437,574	—
Current portion of long-term obligations	4,776,639	2,277,631	7,054,270	3,996,704
Other current liabilities	600,365	487,786	1,088,151	1,734,324
Total current liabilities	47,847,081	4,127,259	51,974,340	11,042,012
Noncurrent liabilities:				
Loans payable	—	3,112,178	3,112,178	—
Lottery prizes and annuities	—	708,900	708,900	—
Compensated absences payable	3,777,407	200,898	3,978,305	310,665
Workers' compensation benefits payable	3,527,832	3,282	3,531,114	436,043
Commercial paper and other borrowings	771,215	47,016	818,231	700
Capital lease obligations	344,493	345,567	690,060	496,087
General obligation bonds payable	75,853,643	736,359	76,590,002	—
Revenue bonds payable	16,530,008	12,904,897	29,434,905	20,108,214
Mandated cost claims payable	2,764,469	—	2,764,469	—
Net other postemployment benefits obligation	24,967,059	850,827	25,817,886	10,597,002
Net pension liability	64,294,029	7,462,215	71,756,244	15,352,733
Revenues received in advance	—	14,271	14,271	—
Other noncurrent liabilities	1,995,504	232,124	2,227,628	2,154,140
Total noncurrent liabilities	194,825,659	26,618,534	221,444,193	49,455,584
Total liabilities	**242,672,740**	**30,745,793**	**273,418,533**	**60,497,596**
DEFERRED INFLOWS OF RESOURCES	5,249,323	1,084,851	6,334,174	1,781,557
Total liabilities and deferred inflows of resources	**$ 247,922,063**	**$ 31,830,644**	**$ 279,752,707**	**$ 62,279,153**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Net Position (continued)

June 30, 2016
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
NET POSITION				
Net investment in capital assets	$ 104,596,917	$ 2,520,621	$ 107,117,538	$ 13,358,197
Restricted:				
Nonexpendable – endowments	—	8,653	8,653	5,927,327
Expendable:				
Endowments and gifts	—	—	—	9,845,250
General government	3,729,072	279,304	4,008,376	—
Education	808,286	112,239	920,525	1,363,748
Health and human services	4,330,820	159,808	4,490,628	—
Natural resources and environmental protection	4,569,098	1,688,061	6,257,159	—
Business, consumer services, and housing	3,930,803	22,476	3,953,279	—
Transportation	8,271,822	6,728	8,278,550	—
Corrections and rehabilitation	648	—	648	—
Unemployment programs	—	3,482,018	3,482,018	—
Indenture	—	—	—	531,130
Statute	—	—	—	1,339,909
Other purposes	3,420,422	—	3,420,422	28,431
Total expendable	29,060,971	5,750,634	34,811,605	13,108,468
Unrestricted	(168,542,861)	(3,707,406)	(172,250,267)	(10,424,248)
Total net position (deficit)	**(34,884,973)**	**4,572,502**	**(30,312,471)**	**21,969,744**
Total liabilities, deferred inflows of resources, and net position	**$ 213,037,090**	**$ 36,403,146**	**$ 249,440,236**	**$ 84,248,897**

(concluded)

The notes to the financial statements are an integral part of this statement.

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Statement of Activities

Year Ended June 30, 2016
(amounts in thousands)

		Program Revenues		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government				
Governmental activities:				
General government	$ 16,686,037	$ 6,525,736	$ 1,007,189	$ —
Education	65,467,497	66,298	6,888,076	—
Health and human services	127,543,288	10,630,859	74,290,799	—
Natural resources and environmental protection	6,988,442	4,823,861	472,533	—
Business, consumer services, and housing	814,676	823,189	68,197	—
Transportation	12,120,820	4,532,300	3,866,244	1,480,351
Corrections and rehabilitation	11,875,294	19,411	35,789	—
Interest on long-term debt	4,231,581	—	—	—
Total governmental activities	245,727,635	27,421,654	86,628,827	1,480,351
Business-type activities:				
Electric Power	728,000	728,000	—	—
Water Resources	1,086,650	1,086,650	—	—
State Lottery	6,315,957	6,367,902	—	—
Unemployment Programs	11,458,966	13,866,028	—	—
California State University	7,199,277	3,172,154	1,764,962	—
State Water Pollution Control Revolving	11,814	70,245	—	66,914
Housing Loan	55,627	53,617	—	—
Other enterprise programs	84,188	82,029	—	—
Total business-type activities	26,940,479	25,426,625	1,764,962	66,914
Total primary government	**$ 272,668,114**	**$ 52,848,279**	**$ 88,393,789**	**$ 1,547,265**
Component Units				
University of California	34,098,910	20,030,835	9,020,465	248,705
California Housing Finance Agency	204,542	37,896	—	—
Nonmajor component units	2,033,126	1,039,572	640,574	29,230
Total component units	**$ 36,336,578**	**$ 21,108,303**	**$ 9,661,039**	**$ 277,935**

General revenues:
- Personal income taxes
- Sales and use taxes
- Corporation taxes
- Motor vehicle excise tax
- Insurance taxes
- Other taxes
- Investment and interest income (loss)
- Escheat
- Other

Gain on early extinguishment of debt

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) – beginning

Net position (deficit) – ending

* Restated

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
$ (9,153,112)		$ (9,153,112)	
(58,513,123)		(58,513,123)	
(42,621,630)		(42,621,630)	
(1,692,048)		(1,692,048)	
76,710		76,710	
(2,241,925)		(2,241,925)	
(11,820,094)		(11,820,094)	
(4,231,581)		(4,231,581)	
(130,196,803)		(130,196,803)	
	$ —	—	
	—	—	
	51,945	51,945	
	2,407,062	2,407,062	
	(2,262,161)	(2,262,161)	
	125,345	125,345	
	(2,010)	(2,010)	
	(2,159)	(2,159)	
	318,022	318,022	
$ (130,196,803)	**$ 318,022**	**$ (129,878,781)**	
			$ (4,798,905)
			(166,646)
			(323,750)
			$ (5,289,301)
$ 80,303,076	$ —	$ 80,303,076	$ —
39,121,061	—	39,121,061	—
9,213,173	—	9,213,173	—
5,028,589	—	5,028,589	—
4,203,885	—	4,203,885	—
2,158,874	—	2,158,874	—
131,615	—	131,615	(63,506)
304,960	—	304,960	—
—	—	—	3,277,793
40,516	—	40,516	—
(2,800,101)	2,800,101	—	—
137,705,648	**2,800,101**	**140,505,749**	**3,214,287**
7,508,845	3,118,123	10,626,968	(2,075,014)
(42,393,818) *	1,454,379	**(40,939,439)**	**24,044,758** *
$ (34,884,973)	**$ 4,572,502**	**$ (30,312,471)**	**$ 21,969,744**

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2016
(amounts in thousands)

	General	Federal
ASSETS		
Cash and pooled investments	$ 5,232,634	$ 332,432
Investments	—	—
Receivables (net)	13,814,675	14,950
Due from other funds	1,470,536	—
Due from other governments	286,667	17,897,348
Interfund receivables	69,034	—
Loans receivable	43,283	240,613
Other assets	13,762	—
Total assets	**$ 20,930,591**	**$ 18,485,343**
LIABILITIES		
Accounts payable	$ 1,821,395	$ 1,193,869
Due to other funds	3,823,174	14,696,218
Due to component units	137,882	—
Due to other governments	2,005,713	2,270,505
Interfund payables	3,983,168	—
Revenues received in advance	726,648	47,207
Tax overpayments	5,294,406	—
Deposits	1,848	—
Interest payable	—	846
Unclaimed property liability	863,807	—
Other liabilities	340,648	15,879
Total liabilities	**18,998,689**	**18,224,524**
DEFERRED INFLOWS OF RESOURCES	1,570,174	12,985
Total liabilities and deferred inflows of resources	**20,568,863**	**18,237,509**
FUND BALANCES		
Nonspendable	75,939	—
Restricted	4,044,911	247,834
Committed	68,102	—
Assigned	—	—
Unassigned	(3,827,224)	—
Total fund balances	**361,728**	**247,834**
Total liabilites, deferred inflows of resources, and fund balances	**$ 20,930,591**	**$ 18,485,343**

The notes to the financial statements are an integral part of this statement.

Transportation	Environmental and Natural Resources	Nonmajor Governmental	Total
$ 5,502,453	$ 8,110,249	$ 12,328,681	$ 31,506,449
—	—	439,028	439,028
948,967	509,734	3,691,001	18,979,327
961,034	362,169	1,140,413	3,934,152
5,598	53,425	909,805	19,152,843
2,424,616	454,800	801,246	3,749,696
—	1,424,076	2,750,187	4,458,159
30,722	—	11,160	55,644
$ 9,873,390	**$ 10,914,453**	**$ 22,071,521**	**$ 82,275,298**
$ 362,920	$ 476,704	$ 847,986	$ 4,702,874
136,424	42,173	4,419,317	23,117,306
—	—	32,321	170,203
241,914	54,264	4,196,870	8,769,266
10,864	14,790	23,975	4,032,797
20,023	149,491	113,179	1,056,548
—	—	—	5,294,406
2,640	915	461,092	466,495
—	—	—	846
—	—	—	863,807
457,772	12,865	145,725	972,889
1,232,557	**751,202**	**10,240,465**	**49,447,437**
101,916	36,157	182,484	1,903,716
1,334,473	**787,359**	**10,422,949**	**51,351,153**
—	—	11,188	87,127
8,487,110	6,140,880	10,009,342	28,930,077
51,807	3,987,251	1,613,420	5,720,580
—	—	14,622	14,622
—	(1,037)	—	(3,828,261)
8,538,917	**10,127,094**	**11,648,572**	**30,924,145**
$ 9,873,390	**$ 10,914,453**	**$ 22,071,521**	**$ 82,275,298**

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

(amounts in thousands)

Total fund balances – governmental funds		**$ 30,924,145**
Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:		
• The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land	19,381,154	
State highway infrastructure	73,462,607	
Collections – nondepreciable	22,627	
Buildings and other depreciable property	29,012,566	
Intangible assets – amortizable	1,966,630	
Less: accumulated depreciation/amortization	(12,915,431)	
Construction/development in progress	14,199,912	
Intangible assets – nonamortizable	426,186	
		125,556,251
• State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds.		1,903,716
• Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds.		(7,798,090)
• Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position.		(4,381,983)
• Deferred inflows and outflows of resources related to pension transactions are not reported in the funds.		1,810,250
• Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds.		563,989
• General obligation bonds and related accrued interest totaling $75,977,987, revenue bonds totaling $6,936,807, and commercial paper totaling $771,215 are not due and payable in the current period and are not reported in the funds.		(83,686,009)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(3,622,022)	
Capital leases	(370,182)	
Net pension liability	(63,131,928)	
Net other postemployment benefits obligation	(24,370,278)	
Mandated cost claims	(2,764,469)	
Workers' compensation	(3,485,636)	
Proposition 98 funding guarantee	(996,740)	
Pollution remediation obligations	(1,021,854)	
Other noncurrent liabilities	(14,133)	
		(99,777,242)
Net position of governmental activities		**$ (34,884,973)**

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2016

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	$ 78,510,777	$ —
Sales and use taxes	24,837,111	—
Corporation taxes	9,214,173	—
Motor vehicle excise taxes	113,000	—
Insurance taxes	2,569,104	—
Other taxes	599,375	—
Intergovernmental	—	88,096,152
Licenses and permits	6,929	—
Charges for services	329,038	—
Fees	288,858	—
Penalties	273,936	40
Investment and interest	42,819	—
Escheat	304,945	—
Other	483,357	—
Total revenues	**117,573,422**	**88,096,192**
EXPENDITURES		
Current:		
General government	4,577,584	979,580
Education	57,456,958	6,875,091
Health and human services	31,685,307	73,788,372
Natural resources and environmental protection	1,696,631	287,972
Business, consumer services, and housing	27,544	65,254
Transportation	—	5,335,202
Corrections and rehabilitation	9,935,849	35,789
Capital outlay	1,148,774	—
Debt service:		
Bond and commercial paper retirement	2,434,028	8,970
Interest and fiscal charges	2,841,773	2,423
Total expenditures	**111,804,448**	**87,378,653**
Excess (deficiency) of revenues over (under) expenditures	5,768,974	717,539
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	113,106	—
Capital leases	1,148,774	—
Transfers in	626,175	—
Transfers out	(5,066,669)	(687,585)
Total other financing sources (uses)	**(3,178,614)**	**(687,585)**
Net change in fund balances	2,590,360	29,954
Fund balances (deficit) – beginning	**(2,228,632)**	**217,880**
Fund balances – ending	**$ 361,728**	**$ 247,834**

* Restated

The notes to the financial statements are an integral part of this statement.

Transportation	Environmental and Natural Resources	Nonmajor Governmental	Total
$ —	$ —	$ 1,423,508	$ 79,934,285
464,607	—	13,834,322	39,136,040
—	—	—	9,214,173
4,788,282	26,649	100,658	5,028,589
—	—	1,634,781	4,203,885
—	152,988	1,433,327	2,185,690
—	—	2,973,601	91,069,753
4,329,468	405,514	2,870,640	7,612,551
140,302	131,846	268,956	870,142
20,458	2,487,994	7,985,780	10,783,090
42,611	63,004	720,018	1,099,609
58,722	56,683	74,061	232,285
2	—	447	305,394
123,745	2,185,530	1,257,157	4,049,789
9,968,197	**5,510,208**	**34,577,256**	**255,725,275**
262,408	55,202	10,841,118	16,715,892
1,935	2,567	876,991	65,213,542
2,806	50,595	21,674,234	127,201,314
164,628	3,908,418	220,714	6,278,363
97,265	72,604	867,546	1,130,213
9,399,244	70,979	9,404	14,814,829
—	—	1,479,342	11,450,980
—	237,238	106,430	1,492,442
997,241	516,397	2,973,230	6,929,866
6,704	20,772	1,186,235	4,057,907
10,932,231	**4,934,772**	**40,235,244**	**255,285,348**
(964,034)	575,436	(5,657,988)	439,927
2,051,115	846,870	1,176,995	4,074,980
331,870	766,015	4,122,435	5,220,320
(2,790)	(823,890)	(3,551,648)	(4,378,328)
157,554	166,973	600,287	1,037,920
—	—	—	1,148,774
10,021	235,941	3,512,986	4,385,123
(1,261,882)	(14,098)	(99,908)	(7,130,142)
1,285,888	**1,177,811**	**5,761,147**	**4,358,647**
321,854	1,753,247	103,159	4,798,574
8,217,063	**8,373,847**	**11,545,413** *	**26,125,571**
$ 8,538,917	**$ 10,127,094**	**$ 11,648,572**	**$ 30,924,145**

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

(amounts in thousands)

Net change in fund balances – total governmental funds		**$ 4,798,574**
Amounts reported for governmental activities in the Statement of Activities are different from those in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because:		
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:		
Purchase of assets	7,550,591	
Disposal of assets	(3,899,467)	
Depreciation expense, net of asset disposal	(760,016)	
		2,891,108
• Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds.		234,735
• Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(65,414)

• The issuance of long-term debt instruments provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure of governmental funds. Neither transaction, however, has any effect on the Statement of Activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following shows the effect of these differences in the treatment of long-term debt and related items:

	General Obligation Bonds	Revenue Bonds	Certificates of Participation and Commercial Paper	Total	
Debt issued	(7,316,280)	(162,500)	(1,816,520)	(9,295,300)	
Premium on debt issued	(1,017,928)	(19,992)	—	(1,037,920)	
Accreted interest	—	(45,346)	—	(45,346)	
Principal repayments	5,302,930	87,831	1,539,105	6,929,866	
Payments to refund long-term debt	4,172,348	205,980	—	4,378,328	
Related expenses not reported in governmental funds:					
Premium/discount amortization	362,554	20,507	(30)	383,031	
Deferred gain/loss on refunding	(33,143)	(16,028)	(46)	(49,217)	
Prepaid insurance	—	(619)	—	(619)	
Accrued interest	(6,251)	1,132	—	(5,119)	
	1,464,230	70,965	(277,491)		1,257,704

(continued)

- The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized as expenditures in governmental funds. Once the use of current financial resources is required, expenditures are recognized in governmental funds but are eliminated from the Statement of Activities. In the current period, the net adjustment consists of:

Compensated absences	(94,077)	
Capital leases	(95,422)	
Net pension liability	1,598,122	
Net other postemployment benefits obligation	(3,294,378)	
Mandated cost claims	23,170	
Workers' compensation	(84,046)	
Proposition 98 funding guarantee	259,729	
Pollution remediation obligations	75,782	
Other noncurrent liabilities	3,258	
		(1,607,862)
Change in net position of governmental activities		**$ 7,508,845**

(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2016
(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 550,968
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	581,000	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	119,701
Due from other funds	4,000	1,265
Due from other governments	—	38,596
Prepaid items	—	—
Inventories	—	5,171
Recoverable power costs (net)	72,000	—
Other current assets	—	—
Total current assets	657,000	715,701
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	609,000	115,661
Investments	302,000	61,669
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	92,011
Loans receivable	—	12,968
Recoverable power costs (net)	3,245,000	—
Long-term prepaid charges	—	1,270,731
Capital assets:		
Land	—	147,681
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	4,717,570
Intangible assets – amortizable	—	36,994
Less: accumulated depreciation/amortization	—	(2,084,676)
Construction/development in progress	—	769,871
Intangible assets – nonamortizable	—	111,883
Other noncurrent assets	—	—
Total noncurrent assets	4,156,000	5,252,363
Total assets	**4,813,000**	**5,968,064**
DEFERRED OUTFLOWS OF RESOURCES	118,000	230,231
Total assets and deferred outflows of resources	**$ 4,931,000**	**$ 6,198,295**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
$ 741,273	$ 3,979,688	$ 634,165	$ 1,009,494	$ 6,915,588	$ 1,255,540
—	11,711	—	—	11,711	—
88,393	—	2,549,512	—	2,637,905	—
—	—	—	237,524	818,524	1,358,022
—	—	—	156,108	156,108	—
—	—	12,356	—	12,356	453,875
461,786	1,211,282	158,103	33,605	1,984,477	91,280
1,394	7,667	823	1,578	16,727	515,148
—	36,730	—	141,625	216,951	12,831
—	5,223	52,849	—	58,072	189,466
7,066	—	—	2,431	14,668	77,108
—	—	—	—	72,000	—
5,312	—	—	—	5,312	—
1,305,224	5,252,301	3,407,808	1,582,365	12,920,399	3,953,270
—	—	80	—	724,741	204,388
—	—	—	—	363,669	—
—	—	—	1,411,250	1,411,250	—
840,662	—	900,055	17,157	1,757,874	—
—	—	329,823	—	329,823	7,267,038
—	76,086	289,073	—	365,159	—
—	308,233	—	1,600	401,844	25,363
—	—	81,246	2,951,429	3,045,643	—
—	—	—	—	3,245,000	—
8,734	—	—	—	1,279,465	1,373
11,577	—	84,195	1,272	244,725	2,082
—	—	16,206	—	16,206	—
235,507	23,307	7,748,225	18,835	12,743,444	603,713
—	166,966	130,913	1,587	336,460	65,649
(83,168)	(31,541)	(3,027,327)	(17,685)	(5,244,397)	(484,290)
—	86,302	782,857	214	1,639,244	1,116,147
—	—	1,648	—	113,531	—
—	—	17,798	6,396	24,194	—
1,013,312	629,353	7,354,792	4,392,055	22,797,875	8,801,463
2,318,536	**5,881,654**	**10,762,600**	**5,974,420**	**35,718,274**	**12,754,733**
20,125	29,029	922,449	8,448	1,328,282	191,843
$ 2,338,661	**$ 5,910,683**	**$ 11,685,049**	**$ 5,982,868**	**$ 37,046,556**	**$ 12,946,576**

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2016
(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,000	$ 115,898
Due to other funds	—	39,370
Due to other governments	—	94,551
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	37,000	11,229
Benefits payable	—	—
Current portion of long-term obligations	756,000	199,665
Other current liabilities	—	—
Total current liabilities	795,000	460,713
Noncurrent liabilities:		
Interfund payables	—	—
Loans payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	405	25,888
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	42,776
Capital lease obligations	—	—
General obligation bonds payable	—	88,300
Revenue bonds payable	4,124,000	2,636,703
Net other postemployment benefits obligation	6,595	230,198
Net pension liability	5,000	485,502
Revenues received in advance	—	—
Other noncurrent liabilities	—	89,684
Total noncurrent liabilities	4,136,000	3,599,051
Total liabilities	**4,931,000**	**4,059,764**
DEFERRED INFLOWS OF RESOURCES	—	933,103
Total liabilities and deferred inflows of resources	**4,931,000**	**4,992,867**
NET POSITION		
Net investment in capital assets	—	1,155,487
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	49,941
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	—	49,941
Unrestricted	—	—
Total net position (deficit)	**—**	**1,205,428**
Total liabilities, deferred inflows of resources, and net position	**$ 4,931,000**	**$ 6,198,295**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	**Unemployment Programs**	**California State University**	**Nonmajor Enterprise**	**Total**	**Internal Service Funds**
$ 42,190	$ 2,769	$ 223,033	$ 2,368	$ 388,258	$ 431,786
384,733	217,160	—	2,155	643,418	106,081
—	37,207	—	4	131,762	60,018
2,859	44,569	289,763	38	337,229	474,642
—	—	—	—	—	1,147
—	—	—	—	—	8,779
—	—	—	18,782	67,011	109,738
—	437,574	—	—	437,574	—
976,209	—	301,653	44,104	2,277,631	547,641
214	38,288	449,270	14	487,786	38,691
1,406,205	777,567	1,263,719	67,465	4,770,669	1,778,523
—	—	—	—	—	144,106
—	3,112,178	—	—	3,112,178	—
708,900	—	—	—	708,900	—
—	54,426	109,575	10,604	200,898	160,434
2,260	—	—	1,022	3,282	42,196
—	—	4,240	—	47,016	—
—	—	345,567	—	345,567	—
—	—	—	648,059	736,359	—
—	—	5,340,583	803,611	12,904,897	9,473,620
58,564	173,273	368,803	13,394	850,827	596,781
104,521	252,559	6,578,194	36,439	7,462,215	1,162,101
—	—	14,271	—	14,271	—
—	—	93,619	48,821	232,124	20,818
874,245	3,592,436	12,854,852	1,561,950	26,618,534	11,600,056
2,280,450	**4,370,003**	**14,118,571**	**1,629,415**	**31,389,203**	**13,378,579**
2,248	5,505	143,167	828	1,084,851	25,499
2,282,698	**4,375,508**	**14,261,738**	**1,630,243**	**32,474,054**	**13,404,078**
163,916	245,034	951,956	4,228	2,520,621	383,387
—	—	8,653	—	8,653	—
—	—	19,752	—	19,752	130,894
—	—	46,769	66,876	163,586	—
—	—	—	1,567,358	1,567,358	—
146,174	—	—	—	146,174	—
—	3,482,018	—	—	3,482,018	—
—	—	45,718	326,028	371,746	—
146,174	3,482,018	112,239	1,960,262	5,750,634	130,894
(254,127)	(2,191,877)	(3,649,537)	2,388,135	(3,707,406)	(971,783)
55,963	**1,535,175**	**(2,576,689)**	**4,352,625**	**4,572,502**	**(457,502)**
$ 2,338,661	**$ 5,910,683**	**$ 11,685,049**	**$ 5,982,868**	**$ 37,046,556**	**$ 12,946,576**

(concluded)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2016

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	$ —	$ —
Lottery ticket sales	—	—
Power sales	(182,000)	71,236
Student tuition and fees	—	—
Services and sales	—	1,015,414
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	**(182,000)**	**1,086,650**
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(191,000)	219,661
Personal services	—	363,980
Supplies	—	—
Services and charges	9,000	147,946
Depreciation	—	77,170
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	65,004
Total operating expenses	**(182,000)**	**873,761**
Operating income (loss)	—	212,889
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income	910,000	—
Interest expense and fiscal charges	(910,000)	(106,978)
Lottery payments for education	—	—
Other	—	(105,911)
Total nonoperating revenues (expenses)	**—**	**(212,889)**
Income (loss) before capital contributions and transfers	—	—
Capital contributions	—	—
Gain on early extinguishment of debt	—	—
Transfers in	—	—
Transfers out	—	—
Change in net position	—	—
Total net position (deficit) – beginning	**—**	**1,205,428**
Total net position (deficit) – ending	**$ —**	**$ 1,205,428**

*Restated

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					**Governmental Activities**
State Lottery	**Unemployment Programs**	**California State University**	**Nonmajor Enterprise**	**Total**	**Internal Service Funds**
$ —	$ 13,847,329	$ —	$ —	$ 13,847,329	$ —
6,275,597	—	—	—	6,275,597	—
—	—	—	—	(110,764)	—
—	—	2,204,941	—	2,204,941	—
—	—	533,959	93,817	1,643,190	2,896,039
—	—	—	107,204	107,204	9,258
—	—	—	209	209	404,816
—	—	73,161	—	73,161	—
—	—	200,497	2,306	202,803	—
6,275,597	**13,847,329**	**3,012,558**	**203,536**	**24,243,670**	**3,310,113**
3,955,791	—	—	—	3,955,791	—
—	—	—	—	28,661	—
79,415	177,623	4,578,876	44,307	5,244,201	875,130
19,807	—	1,212,500	35,672	1,267,979	10,222
647,386	125,129	—	33,516	962,977	1,964,227
13,529	7,144	302,916	284	401,043	50,858
—	—	881,578	—	881,578	—
—	11,149,036	—	—	11,149,036	—
—	—	—	33,428	33,428	453,052
—	—	—	—	—	3,608
—	34	—	321	65,359	—
4,715,928	**11,458,966**	**6,975,870**	**147,528**	**23,990,053**	**3,357,097**
1,559,669	2,388,363	(3,963,312)	56,008	253,617	(46,984)
—	—	1,764,962	—	1,764,962	—
—	—	68,010	—	68,010	—
92,112	18,699	65,962	2,166	1,088,939	858
(36,879)	—	(223,407)	(2,199)	(1,279,463)	(18)
(1,563,150)	—	—	—	(1,563,150)	—
193	—	25,624	(1,713)	(81,807)	(5,079)
(1,507,724)	**18,699**	**1,701,151**	**(1,746)**	**(2,509)**	**(4,239)**
51,945	2,407,062	(2,262,161)	54,262	251,108	(51,223)
—	—	—	66,914	66,914	375
—	—	—	—	—	40,516
—	—	2,800,101	—	2,800,101	1,459
—	—	—	—	—	(56,541)
51,945	2,407,062	537,940	121,176	3,118,123	(65,414)
4,018	**(871,887)**	**(3,114,629)**	**4,231,449**	**1,454,379**	**(392,088)** *
$ 55,963	**$ 1,535,175**	**$ (2,576,689)**	**$ 4,352,625**	**$ 4,572,502**	**$ (457,502)**

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	$ (174,000)	$ 1,129,333
Receipts from interfund services provided	—	—
Payments to suppliers	(7,000)	(319,699)
Payments to employees	(6,000)	(374,380)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	—	5,741
Net cash provided by (used in) operating activities	**(187,000)**	**440,995**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	—	1,094
Changes in interfund payables and loans payable	—	—
Receipt of bond charges	914,000	—
Proceeds from general obligation bonds	—	—
. Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(669,000)	—
Interest received	—	—
Interest paid	(253,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Net cash provided by (used in) noncapital financing activities	**(8,000)**	**1,094**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(243,811)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	180,375
Principal paid on notes payable and commercial paper	—	(225,500)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(49,915)
Proceeds from revenue bonds	—	215,805
Retirement of revenue bonds	—	(171,455)
Interest paid	—	(91,841)
Grants received	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**(386,342)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(110,585)
Proceeds from maturity and sale of investments	—	100,870
Earnings on investments	22,000	27,667
Net cash provided by (used in) investing activities	**22,000**	**17,952**
Net increase (decrease) in cash and pooled investments	(173,000)	73,699
Cash and pooled investments – beginning	**1,363,000**	**592,930**
Cash and pooled investments – ending	**$ 1,190,000**	**$ 666,629**

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					**Governmental Activities**
State Lottery	**Unemployment Programs**	**California State University**	**Nonmajor Enterprise**	**Total**	**Internal Service Funds**
$ 6,345,402	$ 13,984,128	$ 2,737,067	$ 334,284	$ 24,356,214	$ 31,610
—	—	—	2,507	2,507	3,745,711
(248,079)	(125,129)	(1,395,267)	(66,664)	(2,161,838)	(1,513,796)
(59,405)	(134,462)	(4,568,576)	(31,048)	(5,173,871)	(707,951)
(21,819)	(8,411)	—	(737)	(30,967)	—
(3,898,471)	—	—	—	(3,898,471)	—
(432,981)	(11,185,872)	—	—	(11,618,853)	(440,607)
272,700	130,608	(694,304)	(371,811)	(657,066)	(520,901)
1,957,347	**2,660,862**	**(3,921,080)**	**(133,469)**	**817,655**	**594,066**
—	—	12,800	—	13,894	(11,408)
—	(2,255,018)	(4,001)	—	(2,259,019)	4,461
—	—	—	—	914,000	—
—	—	—	547,565	547,565	—
—	—	—	(354,415)	(354,415)	—
—	—	137,022	501,961	638,983	—
—	—	(184,431)	(77,085)	(930,516)	—
—	—	28,671	—	28,671	—
—	—	(26,991)	(2,608)	(282,599)	(18)
—	—	2,800,101	—	2,800,101	1,459
—	—	—	—	—	(56,541)
—	—	1,865,328	67,889	1,933,217	—
(1,562,889)	—	—	—	(1,562,889)	
(1,562,889)	**(2,255,018)**	**4,628,499**	**683,307**	**1,486,993**	**(62,047)**
(47,873)	(1,206)	(597,600)	(516)	(891,006)	(1,327,912)
190	34	3,276	—	3,500	11,367
—	—	—	—	180,375	—
—	—	—	—	(225,500)	—
—	—	1,065	—	1,065	—
—	—	(423,225)	—	(423,225)	—
—	—	—	—	(49,915)	—
—	—	1,800,445	—	2,016,250	958,237
—	—	(1,040,256)	—	(1,211,711)	(1,243,020)
—	—	—	—	(91,841)	—
—	—	35,869	—	35,869	—
(47,683)	**(1,172)**	**(220,426)**	**(516)**	**(656,139)**	**(1,601,328)**
(11,200)	—	(9,522,788)	(1,100)	(9,645,673)	—
92,557	(68)	9,287,576	1,912	9,482,847	—
20,661	18,699	38,931	1,608	129,566	858
102,018	**18,631**	**(196,281)**	**2,420**	**(33,260)**	**858**
448,793	423,303	290,712	551,742	1,615,249	(1,068,451)
292,480	**3,556,385**	**343,533**	**695,276**	**6,843,604**	**3,886,401**
$ 741,273	**$ 3,979,688**	**$ 634,245**	**$ 1,247,018**	**$ 8,458,853**	**$ 2,817,950**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2016
(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ —	$ 212,889
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	—	77,170
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Amortization of long-term prepaid charges and credits	—	116,809
Other	—	5,741
Change in account balances:		
Receivables	—	(39,766)
Due from other funds	—	—
Due from other governments	—	(1,189)
Prepaid items	—	—
Inventories	—	(12)
Net investment in direct financing leases	—	—
Recoverable power costs (net)	(184,000)	—
Other current assets	—	—
Loans receivable	—	—
Deferred outflow of resources	(3,000)	—
Accounts payable	—	77,797
Due to other funds	—	(5,695)
Due to component units	—	—
Due to other governments	—	7,651
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	(10,400)
Deferred inflow of resources	—	—
Total adjustments	(187,000)	228,106
Net cash provided by (used in) operating activities	**$ (187,000)**	**$ 440,995**
Noncash investing, capital, and financing activities:		
Issuance of long-term debt to terminate SPWB capitalized lease obligations	$ —	$ —
Termination of SPWB capitalized lease obligations	—	—
Reclassification of long-term debt to capitalized lease obligation	—	—
Amortization of bond premium and discount	82,000	19,637
Unrealized gain on investments	2,000	—
Contributed capital assets	—	—
Change in accrued capital asset purchases	—	—
Interest accreted on annuitized prizes	—	—
Unclaimed lottery prizes directly allocated to another entity	—	—
Amortization of deferred loss on refundings	28,000	10,902
Interest accreted on zero coupon bonds	—	—
Other miscellaneous noncash transactions	—	—

The notes to the financial statements are an integral part of this statement.

Business-type Activities – Enterprise Funds					**Governmental Activities**
State Lottery	**Unemployment Programs**	**California State University**	**Nonmajor Enterprise**	**Total**	**Internal Service Funds**
$ 1,559,669	$ 2,388,363	$ (3,963,312)	$ 56,008	$ 253,617	$ (46,984)
13,529	7,144	302,916	284	401,043	50,858
9,041	—	—	(2,161)	6,880	—
—	—	—	1,136	1,136	(76,985)
—	—	—	—	116,809	553
17	—	(99,155)	(13,708)	(107,105)	10,173
39,417	118,028	(948)	(1,589)	115,142	(69,933)
—	(23,226)	823	(301)	(22,704)	57,264
—	2,856	—	(3,962)	(2,295)	688
3,646	—	(7,694)	(383)	(4,431)	(73,648)
2,876	—	—	853	3,717	1,581
—	—	—	—	—	477,029
—	—	—	—	(184,000)	—
66	—	—	(1,285)	(1,219)	—
—	—	—	(167,012)	(167,012)	—
—	(4,652)	(208,337)	(6,547)	(222,536)	(51,451)
(9,296)	—	18,764	(1,689)	85,576	83,721
(10,608)	155,291	—	109	139,097	(111,348)
—	—	—	—	—	(132)
—	(856)	—	(33)	6,762	163
—	—	—	—	—	462
—	—	—	—	—	(5,207)
—	—	—	2,622	2,622	(12,981)
(63)	18,771	6,729	1	25,438	125,266
(613)	(11,834)	2,165	337	(9,945)	8,545
—	(36,836)	27,315	590	(8,931)	12,207
329,961	—	—	—	329,961	—
—	8,368	12,181	1,993	22,542	(124)
19,705	73,815	(956,104)	3,287	(869,697)	361,347
—	(34,370)	943,577	(2,019)	907,188	(146,998)
397,678	272,499	42,232	(189,477)	564,038	641,050
$ 1,957,347	**$ 2,660,862**	**$ (3,921,080)**	**$ (133,469)**	**$ 817,655**	**$ 594,066**

(concluded)

$ —	$ —	$ 831,538	$ —	$ 831,538	$ —
—	—	800,559	—	800,559	—
—	—	57,672	—	57,672	—
—	—	22,766	—	124,403	—
54,508	—	—	—	56,508	—
—	—	37,240	—	37,240	—
—	—	9,191	—	9,191	—
36,879	—	—	—	36,879	—
24,267	—	—	—	24,267	—
—	—	4,746	—	43,648	—
16,226	—	—	—	16,226	—
—	—	9,445	6,619	16,064	—

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2016
(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust: Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	$ 103,974	$ 3,231,528	$ 22,742,368	$ 5,815,718
Investments, at fair value:				
Short-term	—	28,785,152	—	—
Equity securities	3,323,022	252,240,485	—	—
Debt securities	2,227,087	119,382,887	—	—
Real estate	235,924	57,958,450	—	—
Securities lending collateral	—	30,343,896	—	—
Other	962,251	51,753,835	—	—
Total investments	6,748,284	540,464,705	—	—
Receivables (net)	11,956	19,873,271	—	3,830,029
Due from other funds	11,036	627,475	—	18,762,267
Due from other governments	—	7,007	—	34,906
Loans receivable	—	2,134,015	—	7,935
Other assets	176,181	932,631	—	70
Total assets	**7,051,431**	**567,270,632**	**22,742,368**	**$ 28,450,925**
DEFERRED OUTFLOWS OF RESOURCES	—	22,879	—	
Total assets and deferred outflows of resources	**7,051,431**	**567,293,511**	**22,742,368**	
LIABILITIES				
Accounts payable	46,165	1,497,840	—	$ 17,117,963
Due to other governments	—	615	30,210	8,182,636
Tax overpayments	—	—	—	646
Benefits payable	—	2,926,977	—	—
Revenues received in advance	—	—	—	680
Deposits	176,181	—	—	1,279,229
Securities lending obligations	—	30,299,546	—	—
Loans payable	—	2,129,694	—	—
Other liabilities	5,581	22,788,082	—	1,869,771
Total liabilities	**227,927**	**59,642,754**	**30,210**	**$ 28,450,925**
DEFERRED INFLOWS OF RESOURCES	—	15,723	—	
Total liabilities and deferred inflows of resources	**227,927**	**59,658,477**	**30,210**	
NET POSITION				
Held in trust for:				
Pension and other postemployment benefits	—	489,273,640	—	
Deferred compensation participants	—	13,227,692	—	
Pool participants	—	—	22,712,158	
Individuals, organizations, or other governments	6,823,504	5,133,702	—	
Total net position	**$ 6,823,504**	**$ 507,635,034**	**$ 22,712,158**	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2016

(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust: Local Agency Investment
ADDITIONS			
Contributions:			
Employer	$ —	$ 16,353,889	$ —
Plan member	—	8,455,029	—
Non-employer	—	1,939,902	—
Total contributions	—	26,748,820	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	(191,108)	(1,901,217)	—
Interest, dividends, and other investment income	288,592	6,451,755	90,709
Less: investment expense	(3,933)	(1,198,350)	—
Net investment income	93,551	3,352,188	90,709
Receipts from depositors	3,483,700	—	23,802,929
Other	—	82,590	—
Total additions	**3,577,251**	**30,183,598**	**23,893,638**
DEDUCTIONS			
Distributions paid and payable to participants	—	34,714,503	89,147
Refunds of contributions	—	328,665	—
Administrative expense	7	403,271	1,562
Payments to and for depositors	3,257,403	585,291	22,579,919
Total deductions	**3,257,410**	**36,031,730**	**22,670,628**
Change in net position	319,841	(5,848,132)	1,223,010
Net position – beginning	**6,503,663**	**513,483,166**	**21,489,148**
Net position – ending	**$ 6,823,504**	**$ 507,635,034**	**$ 22,712,158**

The notes to the financial statements are an integral part of this statement.

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2016
(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 461,477	$ 1,246,992	$ 1,045,849	$ 2,754,318
Investments	6,224,967	57,386	477,513	6,759,866
Restricted assets:				
Cash and pooled investments	—	—	406,741	406,741
Investments	—	—	3,190	3,190
Receivables (net)	3,452,191	213,352	320,761	3,986,304
Due from primary government	170,203	—	—	170,203
Due from other governments	94,307	—	—	94,307
Prepaid items	—	468	1,052	1,520
Inventories	214,680	—	—	214,680
Other current assets	334,877	18,622	39,771	393,270
Total current assets	10,952,702	1,536,820	2,294,877	14,784,399
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	25,588	25,588
Investments	—	—	16,058	16,058
Investments	24,816,866	247,183	1,841,132	26,905,181
Receivables (net)	2,251,456	—	240,935	2,492,391
Loans receivable	—	2,944,550	296,051	3,240,601
Capital assets:				
Land	1,163,095	—	153,626	1,316,721
Collections – nondepreciable	434,738	—	10,300	445,038
Buildings and other depreciable property	46,413,298	1,249	2,070,926	48,485,473
Intangible assets – amortizable	910,769	—	10,387	921,156
Less: accumulated depreciation/amortization	(22,298,114)	(662)	(1,070,195)	(23,368,971)
Construction/development in progress	3,065,029	—	26,812	3,091,841
Intangible assets – nonamortizable	—	—	5,098	5,098
Other noncurrent assets	178,367	7,686	44,699	230,752
Total noncurrent assets	56,935,504	3,200,006	3,671,417	63,806,927
Total assets	**67,888,206**	**4,736,826**	**5,966,294**	**78,591,326**
DEFERRED OUTFLOWS OF RESOURCES	5,573,864	38,037	45,670	5,657,571
Total assets and deferred outflows of resources	**$ 73,462,070**	**$ 4,774,863**	**$ 6,011,964**	**$ 84,248,897**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Net Position (continued)

Discretely Presented Component Units – Enterprise Activity

June 30, 2016
(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ 1,720,584	$ 60,373	$ 545,744	$ 2,326,701
Revenues received in advance	1,173,229	—	68,494	1,241,723
Deposits	578,901	243,911	1,933	824,745
Contracts and notes payable	—	—	8,592	8,592
Interest payable	—	39,690	2,883	42,573
Securities lending obligations	866,650	—	—	866,650
Current portion of long-term obligations	3,845,664	59,438	91,602	3,996,704
Other current liabilities	1,531,365	924	202,035	1,734,324
Total current liabilities	9,716,393	404,336	921,283	11,042,012
Noncurrent liabilities:				
Compensated absences payable	294,842	—	15,823	310,665
Workers' compensation benefits payable	391,440	—	44,603	436,043
Commercial paper and other borrowings	—	—	700	700
Capital lease obligations	147,745	—	348,342	496,087
Revenue bonds payable	17,107,477	2,529,360	471,377	20,108,214
Net other postemployment benefits obligation	10,456,840	29,611	110,551	10,597,002
Net pension liability	15,124,690	47,369	180,674	15,352,733
Other noncurrent liabilities	1,480,656	217,739	455,745	2,154,140
Total noncurrent liabilities	45,003,690	2,824,079	1,627,815	49,455,584
Total liabilities	**54,720,083**	**3,228,415**	**2,549,098**	**60,497,596**
DEFERRED INFLOWS OF RESOURCES	1,733,739	9,219	38,599	1,781,557
Total liabilities and deferred inflows of resources	**56,453,822**	**3,237,634**	**2,587,697**	**62,279,153**
NET POSITION				
Net investment in capital assets	12,816,190	587	541,420	13,358,197
Restricted:				
Nonexpendable – endowments	4,847,898	—	1,079,429	5,927,327
Expendable:				
Endowments and gifts	9,826,929	—	18,321	9,845,250
Education	461,402	—	902,346	1,363,748
Indenture	—	531,130	—	531,130
Statute	—	1,059,583	280,326	1,339,909
Other purposes	—	—	28,431	28,431
Total expendable	10,288,331	1,590,713	1,229,424	13,108,468
Unrestricted	(10,944,171)	(54,071)	573,994	(10,424,248)
Total net position	**17,008,248**	**1,537,229**	**3,424,267**	**21,969,744**
Total liabilities, deferred inflows of resources, and net position	**$ 73,462,070**	**$ 4,774,863**	**$ 6,011,964**	**$ 84,248,897**

(concluded)

The notes to the financial statements are an integral part of this statement.

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2016

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	$ 20,979,910	$ 28,983	$ 516,087	$ 21,524,980
Scholarships and fellowships	651,565	—	58,951	710,516
Supplies	3,108,907	—	9,949	3,118,856
Services and charges	282,692	24,327	1,262,914	1,569,933
Department of Energy laboratories	1,252,842	—	—	1,252,842
Depreciation	1,804,046	232	72,443	1,876,721
Interest expense and fiscal charges	693,062	72,288	34,078	799,428
Grants provided	889,278	—	—	889,278
Other	4,436,608	78,712	78,704	4,594,024
Total operating expenses	**34,098,910**	**204,542**	**2,033,126**	**36,336,578**
PROGRAM REVENUES				
Charges for services	20,030,835	37,896	1,039,572	21,108,303
Operating grants and contributions	9,020,465	—	640,574	9,661,039
Capital grants and contributions	248,705	—	29,230	277,935
Total program revenues	**29,300,005**	**37,896**	**1,709,376**	**31,047,277**
Net revenues (expenses)	(4,798,905)	(166,646)	(323,750)	(5,289,301)
GENERAL REVENUES				
Investment and interest income (loss)	(275,479)	223,127	(11,154)	(63,506)
Other	2,799,236	31,717	446,840	3,277,793
Total general revenues	**2,523,757**	**254,844**	**435,686**	**3,214,287**
Change in net position	(2,275,148)	88,198	111,936	(2,075,014)
Net position – beginning	**19,283,396**	**1,449,031 ***	**3,312,331 ***	**24,044,758**
Net position – ending	**$ 17,008,248**	**$ 1,537,229**	**$ 3,424,267**	**$ 21,969,744**

* Restated

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements – Index

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application,* effective for the fiscal year ended June 30, 2016, defines fair value and provides guidance for determining fair value measurement for financial reporting purposes, applying fair value to certain investments, and disclosures related to fair value measurements. A new schedule categorizing the State's investments by levels of fair value measurement hierarchy was added to Note 3, Deposits and Investments.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, includes some provisions that are applicable to the State that are effective for the fiscal year ended June 30, 2016. The State does not offer any defined benefit pensions that are not within the scope of Statement No. 68; thus, the provisions of Statement No. 73 related to those pensions are not applicable. The provisions that amended Statements Nos. 67 and 68 are applicable to the State; however, implementation of these provisions had no impact on the financial statements for the year ended June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* became effective for the fiscal year ended June 30, 2016, and should be applied retroactively. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles for governmental financial reporting and establish the framework for selecting those principles. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of Statement No. 76 had no impact on the financial statements for the year ended June 30, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, with some provisions effective for the fiscal year ended June 30, 2016, and others effective for next fiscal year, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The State administers one external investment pool for local governments and public agencies, the Local Agency Investment Fund (LAIF). The California State Treasurer has determined that LAIF does not meet the criteria established by Statement No. 79 and, therefore, the election was *not* made. Implementation of Statement No. 79 had no impact on the financial statements for the year ended June 30, 2016.

A. Reporting Entity

These financial statements present the primary government of the State and its component units. The **primary government** consists of all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the State. **Component units** are organizations that are legally separate from the State, but for which the State is financially accountable, or organizations whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading. Following is information on the blended, fiduciary, and discretely presented component units of the State.

1. Blended Component Units

Blended component units, although legally separate entities, are in substance part of the primary government's operations. Therefore, data from these blended component units are integrated into the appropriate funds for reporting purposes.

Building authorities are blended component units because they have been created through the use of joint exercise of powers agreements with various cities to finance the construction of state buildings. The building authorities' financial activities are reported in capital projects funds. As a result, capital lease arrangements between the building authorities and the State have been eliminated from the financial statements. Instead, only the underlying capital assets and the debt used to acquire them are reported in the government-wide financial statements. For information regarding obtaining copies of the financial statements of the building authorities, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The *Golden State Tobacco Securitization Corporation (GSTSC)* is a not-for-profit corporation established through legislation in September 2002 solely for the purpose of purchasing Tobacco Settlement Revenues from the State. The five voting members of the State Public Works Board serve ex officio as the directors of the corporation. The GSTSC is authorized to issue bonds as necessary to provide sufficient funds for carrying out its purpose. The GSTSC's financial activity is reported in the combining statements in the Nonmajor Governmental Funds section as a special revenue fund. For information regarding obtaining copies of the financial statements of GSTSC, contact the Department of Finance, Natural Resources, Energy, Environmental, and Capital Outlay Section, 915 L Street, 9th Floor, Sacramento, California 95814.

2. Fiduciary Component Units

The State has two legally separate fiduciary component units that administer pension and other employee benefit trust funds. The State appoints a voting majority of the board members of both plans which, due to their fiduciary nature, are presented in the Fiduciary Fund Statements as pension and other employee benefit trust funds, along with other primary government fiduciary funds.

The *California Public Employees' Retirement System (CalPERS)* administers pension plans for state employees, non-teaching school employees, and employees of California public agencies. Its Board of Administration has plenary authority and fiduciary responsibility for the investment of monies and the administration of the plan. CalPERS administers the following seven pension and other employee benefit trust funds: the Public Employees' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement Fund II, the Legislators' Retirement Fund, the State Peace Officers' and Firefighters' Defined Contribution Plan Fund, the Public Agency Deferred Compensation Plan, and the public employee Supplemental Contributions Program Fund. CalPERS' separately issued financial statements may be found on its website at www.CalPERS.ca.gov.

The *California State Teachers' Retirement System (CalSTRS)* administers pension benefit plans for California public school teachers and certain other employees of the public school system. The State is financially accountable for CalSTRS. CalSTRS administers the following four pension and other employee benefit trust funds: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefit Program. CalSTRS' separately issued financial statements may be found on its website at www.CalSTRS.com.

3. Discretely Presented Component Units

Enterprise activity of discretely presented component units is reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the primary government and usually provide services to entities and individuals outside the primary government. Discretely presented component units that report enterprise activity include the University of California, the California Housing Finance Agency, and nonmajor component units. Most component units separately issue their own financial statements. In general, the notes to the financial statements in this publication do not include information found in the component units' separately issued financial statements. Instead, references to the individual component unit financial statements are provided where applicable.

The *University of California* was founded in 1868 as a public, state-supported, land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California (Regents). The University is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the University. The University offers defined benefit pension plans and defined contribution pension plans to its employees through the University of California Retirement System (UCRS), a fiduciary responsibility of the Regents. The financial information of the UCRS is not included in the financial statements of this report due to its fiduciary nature. The University's financial statements may be found on its website at www.ucop.edu.

The *California Housing Finance Agency (CalHFA)* was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended. CalHFA's purpose is to finance the housing needs of persons and families of low and moderate income. It is a component unit of the State because the State appoints a voting majority of CalHFA's governing board and the executive director, who administers the day-to-day operations. CalHFA's financial statements may be found on its website at www.CalHFA.ca.gov.

State legislation created various nonmajor component units to provide certain services outside the primary government and to provide certain private and public entities with a low-cost source of financing for programs deemed to be in the public interest. California State University auxiliary organizations are considered component units because they exist entirely or almost entirely for the direct benefit of the universities. The remaining nonmajor component units are considered component units because the majority of members of their governing boards are appointed by or are members of the primary government, and the primary government can impose its will on the entity; or the entity provides a specific financial benefit to or imposes a financial burden on the primary government. For information regarding obtaining copies of the financial statements of these component units, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The nonmajor consolidated component unit segments are:

> *California State University auxiliary organizations*, which provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

Financing authorities, which provide financing for specific purposes. These agencies include:

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;

- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and

- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural association's financial report is as of and for the year ended December 31, 2015).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law*, which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;

- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation*, which provides financial assistance to small business; and

- The *Public Employees' Contingency Reserve*, which provides health benefit plans for state employees and annuitants.

4. Joint Venture

A joint venture is an entity resulting from a contractual arrangement; it is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture called the *Capitol Area Development Authority (CADA)*. CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city, and is administered by a board of five members—two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2016, CADA had total assets and deferred outflows of resources of $33.6 million, total liabilities and deferred inflows of resources of $21.3 million, and total net position of $12.3 million. Total revenues for the fiscal year were $11.4 million and expenses were $8.8 million, resulting in an increase in net position of $2.6 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained from the Capitol Area Development Authority, 1522 14th Street, Sacramento, California 95814-5958 or on its website at www.cadanet.org.

5. Related Organizations

A related organization is an organization for which a primary government is accountable because that government appoints a voting majority of the organization's governing board, but for which it is not financially accountable.

Chapter 854 of the Statutes of 1996 created an *Independent System Operator (ISO)*, a state-chartered, nonprofit market institution. The ISO provides centralized control of the statewide electrical transmission grid to ensure the efficient use and reliable operation of the transmission system. The ISO is governed by a five-member board, the members of which are appointed by the Governor and confirmed by the Senate. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the ISO, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the ISO, contact the Independent System Operator, P.O. Box 639014, Folsom, California 95763-9014 or go to its website at www.caiso.com.

The *California Earthquake Authority (CEA)*, a legally separate organization, offers earthquake insurance for California homeowners, renters, condominium owners, and mobilehome owners. A three-member board of state-elected officials governs the CEA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CEA, contact the California Earthquake Authority, 801 K Street, Suite 1000, Sacramento, California 95814 or go to its website at www.earthquakeauthority.com.

The *State Compensation Insurance Fund (State Fund)* was established by the State through legislation enacted in 1913 to provide an available market for workers' compensation insurance to employees located in California. State Fund operates in competition with other insurance carriers to serve California businesses. The State appoints all 11 members of the State Fund's governing board. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the State Fund, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, contact the State Compensation Insurance Fund, 333 Bush Street, 8th Floor, San Francisco, California 94104 or go to its website at www.statefundca.com.

The *California Health Benefit Exchange (the Exchange)*, an independent public entity, offers new health insurance to individuals, families, and small businesses. A five-member board of state-elected officials governs the Exchange. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the Exchange, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the Exchange, contact Covered California, P.O. Box 989725, West Sacramento, California 95798-9725.

The *California Pollution Control Financing Authority (CPCFA)* was created through the California Pollution Control Financing Authority Act of 1972. The CPCFA is a legally separate entity that provides financing for pollution control facilities. A three-member board of state-elected officials governs the CPCFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CPCFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CPCFA, contact the State Treasurer's Office, 915 Capitol Mall, Room 457, Sacramento, California 95814 or go to its website at www.treasurer.ca.gov/cpcfa.

The *California Health Facilities Financing Authority (CHFFA)* was established by the State through legislation enacted in 1979. The CHFFA is a legally separate entity that provides financing for the construction, equipping, and acquisition of health facilities. A nine-member board of state-elected officials and appointees govern the CHFFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CHFFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CHFFA, contact the State Treasurer's Office, 915 Capitol Mall, Suite 590, Sacramento, California 95814 or go to its website at www.treasurer.ca.gov/chffa.

The *California Educational Facilities Authority (CEFA)* was created by Board of Control approval in 1974. The CEFA is a legally separate entity established to issue revenue bonds to finance loans for students attending public and private colleges and universities, and to assist private educational institutions of higher learning in financing the expansion and construction of educational facilities. A five-member board of state-elected officials and appointees govern the CEFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements for the CEFA, contact the State Treasurer's Office, 915 Capitol Mall, Suite 590, Sacramento, California 95814 or go to its website at www.treasurer.ca.gov/cefa.

The *California School Finance Authority (CSFA)* was created in 1985. The CSFA is a legally separate entity that provides loans to school and community college districts to assist them in obtaining equipment and facilities. A three-member board of state officials governs the CSFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CSFA, the financial information for this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CSFA, contact the State Treasurer's Office, 300 South Spring Street, Suite 8500, Los Angeles, California 90013 or go to its website at www.treasurer.ca.gov/csfa.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from legally separate component units for which the State is financially accountable. Within the primary government, the State's governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from the statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances and transfers. Centralized services provided by the General Fund for other funds are charged as direct costs to the funds that received those services. Also, the General Fund recovers the cost of centralized services provided to federal programs from the federal government.

The Statement of Net Position reports all of the financial and capital resources of the government as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items that are not program-related are reported as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and discretely presented component units. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The State maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements. Nonmajor governmental and proprietary funds are grouped into separate columns. Discretely presented component unit statements, which follow the fiduciary fund statements, also separately report the enterprise activity of the major discretely presented component units. In this report, the enterprise activity of nonmajor discretely presented component units is grouped in a separate column.

Governmental fund types are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The State reports the following major governmental funds:

The *General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that need not be accounted for in another fund.

The *Federal Fund* accounts for the receipt and use of grants, entitlements, and shared revenues received from the federal government that are all restricted by federal regulations.

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for transportation purposes, including highway and passenger rail construction and transportation safety programs.

The *Environmental and Natural Resources Fund* accounts for fees, bond proceeds, and other revenues that are restricted for maintaining the State's natural resources and improving the environmental quality of its air, land, and water.

Proprietary fund types focus on the determination of operating income, changes in net position, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For its proprietary funds, the State applies all applicable GASB pronouncements.

The State has two proprietary fund types: enterprise funds and internal service funds.

Enterprise funds record business-type activity for which a fee is charged to external users for goods and services. In addition, the State is required to report activities as enterprise funds in the context of the activity's principal revenue sources when any of the following criteria are met:

- The activity's debt is secured solely by fees and charges of the activity;
- There is a legal requirement to recover costs; or
- The pricing policies of fees and charges are designed to recover costs.

The State reports the following major enterprise funds:

The *Electric Power Fund* accounts for the acquisition and resale of electric power to retail end-use customers.

The *Water Resources Fund* accounts for charges to local water districts and the sale of excess power to public utilities.

The *State Lottery Fund* accounts for the sale of California State Lottery (Lottery) tickets and the Lottery's payments for education.

The *Unemployment Programs Fund* accounts for employer and worker contributions used for payments of unemployment insurance and disability benefits.

The *California State University Fund* accounts for student fees and other receipts from gifts, bequests, donations, federal and state grants, and loans that are used for educational purposes.

Nonmajor enterprise funds account for additional operations that are financed and operated in a manner similar to private business enterprises.

Additionally, the State reports *internal service funds* as a proprietary fund type with governmental activity. Internal service funds account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis. The goods and services provided include architectural services, public building construction and improvements, printing and procurement services, goods produced by inmates of state prisons, data processing services, and administrative services related to water delivery. Internal service funds are included in the governmental activities at the government-wide level.

Fiduciary fund types are used to account for assets held by the State. The State acts as a trustee or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds, including fiduciary component units, are not included in the government-wide financial statements.

The State has the following four fiduciary fund types:

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension or investment trust funds, whereby principal and income benefit individuals, private organizations, or other governments. The following are the State's largest private purpose trust funds:

The *Scholarshare Program Trust Fund* accounts for money received from participants to fund their beneficiaries' higher education expenses at certain postsecondary educational institutions.

The *Unclaimed Property Fund* accounts for unclaimed money and properties held in trust by the State. Unclaimed money is remitted to the General Fund where it can be used by the State until it is claimed.

Pension and other employee benefit trust funds of the primary government and fiduciary component units account for transactions, assets, liabilities, and net position available for plan benefits of the retirement systems and for other employee benefit programs.

An *investment trust fund* accounts for the deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies.

Agency funds account for assets held by the State, which acts as an agent for individuals, private organizations, or other governments. The following are the State's largest agency funds:

The *Receipting and Disbursing Fund* accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from numerous state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The *Deposit Fund* accounts for various deposits, such as those from condemnation and litigation proceedings.

Discretely presented component units consist of certain organizations that have enterprise activity. The enterprise activity component units are the University of California, the California Housing Finance Agency, and nonmajor component units. In this report, all of the enterprise activity of the discretely presented component units is reported in a separate column in the government-wide financial statements and on separate pages following the fund financial statements.

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

The measurement focus and basis of accounting for the fund financial statements vary with the type of fund. **Governmental fund types** are presented using the current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets; the unassigned fund balance is a measure of available, spendable resources.

The accounts of the governmental fund types are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. The State records revenue sources when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months. When an asset is recorded in a governmental fund statement, but the revenue is not available within the ensuing 12 months, the State reports a deferred inflow of resources until such time as the revenue becomes available. Principal tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and corporation taxes), as sales are made (consumption and use taxes), and as a taxable event occurs (miscellaneous taxes), net of estimated tax overpayments.

Proprietary fund types, the **investment trust fund**, **private purpose trust funds**, and **pension and other employee benefit trust funds** are accounted for using the economic resources measurement focus. **Agency funds** are custodial in nature and do not measure the results of operations.

The accounts of the proprietary fund types, the investment trust fund, private purpose trust funds, pension and other employee benefit trust funds, and agency funds are reported using the accrual basis of accounting.

Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed.

Lottery revenue and the related prize expenses are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

Discretely presented component units are accounted for using the economic resources measurement focus and the accrual basis of accounting.

D. Cash and Investments

The State considers cash and pooled investments, for the purpose of the Statement of Cash Flows, as cash and cash equivalents. Cash and cash equivalents are considered to be cash on hand; deposits in the State's pooled investment program; restricted cash and pooled investments for debt service, construction, and operations; restricted cash on deposit with fiscal agents (for example, revenue bond trustees); and highly liquid investments with an original maturity date of three months or less.

The State reports investments at fair value, as prescribed by GAAP, which was recently updated by the provisions of GASB Statement No. 72, *Fair Value Measurement and Application.* Additional information on the State's investments and fair value measurement can be found in Note 3, Deposits and Investments.

E. Receivables

Amounts are aggregated into a single receivables account net of allowance for uncollectible amounts. The detail of the primary government's accounts receivable can be found in Note 4, Accounts Receivable.

F. Inventories

Inventories of supplies are reported at cost and inventories held for resale are stated at the lower of average cost or market. In the government-wide financial statements, inventories for both governmental and business-type activities are expensed when they are consumed and unused inventories are reported as an asset on the Statement of Net Position. In the fund financial statements, governmental funds report inventories as expenditures when purchased, and proprietary funds report inventories as expenditures when consumed. The discretely presented component units have inventory policies similar to those of the primary government.

G. Net Investment in Direct Financing Leases

The State Public Works Board accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. The payments from these leases are used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the cost of projects such as acquisition and construction of facilities and equipment. Upon expiration of these leases, title to the facilities and projects transfers to the primary government agency or the local agency. The State Public Works Board records the net investment in direct financing leases at the net present value of the minimum lease payments in the internal service fund financial statements. As the majority of this lease receivable is from governmental funds, it is eliminated within the governmental activities column of the government-wide Statement of Net Position.

The California State University (CSU) system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into 30-year capital lease agreements with certain auxiliary organizations. These agreements lease existing and newly constructed facilities to the CSU auxiliary organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

H. Long-term Prepaid Charges

The long-term prepaid charges account in the enterprise funds primarily represents operating and maintenance costs that will be recognized in the Water Resources Fund as expenses over the remaining life of long-term state water supply contracts. These costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as long-term prepaid charges. These charges are recognized when billed in the future years under the terms of water supply contracts. Long-term prepaid charges are also included in the State Lottery Fund. These prepaid charges are incurred in connection with certain contracts that extend beyond a one-year period, which are amortized as expenses over the remaining life of the contracts. The long-term prepaid charges for the Public Buildings Construction Fund, an internal service fund, include prepaid insurance costs on revenue bonds issued. In the government-wide financial statements, the prepaid charges for governmental activities include prepaid insurance costs on revenue bonds issued.

I. Capital Assets

Capital assets are categorized into land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land-use rights, patents, copyrights, and trademarks. The value of the capital assets, including the related accumulated depreciation and amortization, is reported in the applicable governmental, business-type, or component unit activities columns in the government-wide Statement of Net Position.

The primary government has a large collection of historical and contemporary treasures that have important documentary and artistic value. These assets are not capitalized or depreciated because they are cultural resources and cannot reasonably be valued and/or the assets have inexhaustible useful lives. These treasures and works of art include furnishings, portraits and other paintings, books, statues, photographs, and miscellaneous artifacts. These collections meet the conditions for exemption from capitalization because the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

In general, capital assets of the primary government are defined as assets that have a normal useful life of at least one year and a unit cost of at least $5,000. These assets are recorded at historical cost or estimated historical cost, including all costs related to the acquisition. Donated capital assets are recorded at the fair market value on the date the gift was received. Major capital asset outlays are capitalized as projects are constructed.

Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over five years, and intangible assets are amortized over 10 to 20 years. Depreciable or amortizable assets of business-type activities are depreciated or amortized using the straight-line method over their estimated useful or service lives, ranging from three to 100 years.

California has elected to use the modified approach for capitalizing the infrastructure assets of the state highway system. The state highway system is maintained by the California Department of Transportation. By using the modified approach, the infrastructure assets of the state highway system are not depreciated and all expenditures made for those assets, except for additions and improvements, are expensed in the period incurred. All additions and improvements made after June 30, 2001, are capitalized. All infrastructure assets that are related to projects completed prior to July 1, 2001, are recorded at the historical costs contained in annual reports of the American Association of State Highway and Transportation Officials and the Federal Highway Administration.

The capital assets of the discretely presented component units are reported at cost at the date of acquisition or at fair market value at the date of donation, in the case of gifts. They are depreciated or amortized over their estimated useful service lives.

J. Long-term Obligations

Long-term obligations consist of unmatured general obligation bonds, unmatured revenue bonds, capital lease obligations, certificates of participation, commercial paper, net pension liability, net other postemployment benefits obligation (OPEB), employees' compensated absences and workers' compensation claims, pollution remediation obligations, amounts owed for lawsuits, reimbursement for costs mandated by the State, outstanding Proposition 98 funding guarantee owed to schools, the liability for Lottery prizes and annuities, loans from other governments, and the primary government's share of the University of California's pension liability that is due in more than one year. In the government-wide financial statements, the obligations are reported as liabilities in the applicable governmental activities, business-type activities, and component units columns of the Statement of Net Position. The current portion—amount due within one year—of the long-term obligations is reported under current liabilities.

Pollution remediation obligations are recorded by the State when one or more of the GASB Statement No. 49 obligating events have occurred and when a reasonable estimate of the remediation cost is available. These liabilities are measured using actual contract costs, where no change in cost is expected, or the expected cash flow technique. The remediation obligation estimates that appear in this report are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations, and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

With advance approval from the Legislature, certain authorities and state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds, building authorities, and agencies. The General Fund has no legal liability for payment of principal and interest on revenue bonds. With the exception of certain special revenue funds (Transportation and the Golden State Tobacco Securitization Corporation) and the building authorities capital projects fund, the liability for revenue bonds is recorded in the respective fund.

K. Compensated Absences

The government-wide financial statements report both the current and the noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs.

However, unused sick-leave balances are not included in the compensated absences because they do not vest to employees. In the governmental fund financial statements, only the compensated absences liability for employees who have left state service and have unused reimbursable leave at fiscal year-end is included. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued in proprietary funds when incurred. In the discretely presented component units, the compensated absences are accounted for in the same manner as in the proprietary funds of the primary government.

L. Deferred Outflows and Deferred Inflows of Resources

The government-wide and fund financial statements report deferred outflows of resources and deferred inflows of resources.

1. Deferred Outflows of Resources

Deferred outflows of resources are the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources are presented separately after "Total Assets" in the Balance Sheet and Statement of Net Position.

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Decrease in Fair Value of Hedging Derivatives*: Negative changes in the fair value of hedging derivatives are reported for component units.

- *Net Pension Liability*: Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

2. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources are presented separately after "Total Liabilities" in the Balance Sheet and Statement of Net Position.

The State's deferred inflows of resources consist of the following transactions:

- *Unavailable Revenues*: Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.

- *Gain on Refunding of Debt*: The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

- *Service Concession Arrangements*: The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.

- *Net Pension Liability*: Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Other Deferred Inflows of Resources*: Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments plus residual interest made to a third party are reported as deferred inflows of resources and will be recognized on a straight-line basis through the expiration of the patents.

M. Abnormal Account Balances

In the 2015-16 fiscal year, the Water Resources Electric Power Fund had a net refund of $182 million in power charges revenue. The refund resulted from lower power sales, return of prior year over-collection, and return of reserves as lower levels of reserve were required. During the 2015-16 fiscal year, the fund returned $178 million through adjustments to power charges and through separate monthly payments to its ratepayers.

N. Nonmajor Enterprise Segment Information

Two nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

State Water Pollution Control Revolving Fund: Interest charged on loans to communities for construction of water pollution control facilities and projects.

Housing Loan Fund: Interest payments from low-interest, long-term farm and home mortgage loan contracts to eligible veterans living in California.

O. Net Position and Fund Balance

The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is called "net position" on the government-wide financial statements, the proprietary and fiduciary fund statements, and the component unit statements; it is called "fund balance" on the governmental fund statements.

1. Net Position

The government-wide financial statements include the following categories of net position:

Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2016, the government-wide financial statements show restricted net position for the primary government of $34.8 billion, of which $7.9 billion is due to enabling legislation.

Unrestricted net position is neither restricted nor invested in capital assets.

2. Fund Balance

In the fund financial statements, proprietary funds include categories of net position similar to those in the government-wide financial statements. Fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form (inventories; prepaid amounts; long-term portion of loans or notes receivable; or property held for resale unless the proceeds are restricted, committed, or assigned) or they are legally or contractually required to remain intact.

Restricted fund balance has constraints placed upon the use of the resources either by an external party (creditors, grantors, contributors, or laws and regulations of other governments) or through a constitutional provision or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by state law as adopted by the California State Legislature. The state law that commits fund balance to a specific purpose must have been adopted prior to the end of the reporting period, but the amount subject to the constraint may be determined in a subsequent period. Committed fund balance incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: California does not have a formal policy to delegate authority to assign resources. However, fund balance can be classified as assigned when a purchase order creates an outstanding encumbrance amount, unless the purchase order relates to restricted or committed resources. Furthermore, in governmental funds created by state law for a specific purpose, other than the General Fund, all resources that are not reported as nonspendable, restricted, or committed are classified as assigned for the purpose of the respective funds.

Unassigned fund balance is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported.

Fund balance spending order: For the purpose of reporting fund balance in this financial report under GASB Statement No. 54, the State considers resources to be spent in the following order when an expenditure is incurred for which these classifications are available: restricted, committed, assigned, and unassigned.

Fiduciary fund net position represents amounts held in trust for pension and other postemployment benefits, deferred compensation participants, pool participants, individuals, organizations, or other governments.

3. Budget Stabilization Account

In accordance with Article 16, Section 20 of the California State Constitution, the State maintains the Budget Stabilization Account. The Budget Stabilization Account is reported in the General Fund. By October 1 of each fiscal year, a transfer must be made from the General Fund to the Budget Stabilization Account in an amount equal to one-half of (a) 1.5% of the estimated General Fund revenues for that fiscal year and (b) personal capital gains tax revenues in excess of 8% of estimated General Fund taxes for that fiscal year less amounts that must be spent on Proposition 98. The remaining half of the calculated amount is used as appropriated by the State Legislature to pay down (1) interfund loans, (2) specified debts to local governments, and (3) debts for pension and retiree health benefits.

The State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2016, the Budget Stabilization Account had restricted fund balance of $3.4 billion.

P. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by $24 million. The net increase is comprised of a $27 million increase in the Health Care Related Programs Fund, a nonmajor special revenue fund for the reclassification of a program previously reported in an agency fund and a decrease of $3 million due to the overstatement of prior-year revenue reported in the Building Authorities Fund, a nonmajor capital projects fund.

The beginning net position of the *internal service funds* decreased by $183 million due to the allocation of net pension liability and related amounts to a department included in the Other Internal Service Programs Fund. In the prior year, this amount was part of the unallocated total reported only within governmental activities in the government-wide financial statements.

The beginning net position of the *discretely presented component units* decreased by $90 million ($264 thousand in the California Housing Finance Agency Fund, a major component unit, and $90 million in the District Agriculture Associations Fund, a nonmajor component unit) for the recognition of net pension liability and deferred outflows of resources from the first-year implementation of GASB Statements No. 68 and No. 71 for entities whose financial information is presented as of and for the year ended December 31, 2015.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by $24 million. In addition to the $24 million increase described in the previous section for governmental funds, the restatement also includes a $35 million decrease for overstated capital assets and a $35 million increase for overstated pollution remediation liability. As internal service funds are also included in *governmental activities* in the government-wide financial statements, there is no impact to *governmental activities* for the allocation of pension liability and related amounts described in the previous section for internal service funds.

The beginning net position of *component units* was restated as described in the previous section for discretely presented component units.

Q. Guaranty Deposits

The State is the custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

The State's annual budget is primarily prepared on a modified accrual basis for governmental funds. The Governor recommends a budget for approval by the Legislature each year. This recommended budget includes estimated revenues, but revenues are not included in the annual budget bill adopted by the Legislature. Under state law, the State cannot adopt a spending plan that exceeds estimated revenues.

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the year ended June 30, 2016, increased spending authority for the budgetary/legal basis-reported General Fund and Transportation Funds, and decreased spending authority for the Environmental and Natural Resources Funds.

Appropriations are generally available for expenditure or encumbrance either in the year appropriated or for a period of three years if the legislation does not specify a period of availability. At the end of the availability period, the encumbering authority for the unencumbered balance lapses. Some appropriations continue indefinitely, while others are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period in which the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

B. Legal Compliance

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall appropriation control and does not allow expenditures in excess of authorized appropriations.

Financial activities are mainly controlled at the appropriation level but can vary, depending on the presentation and wording contained in the Budget Act. The Budget Act appropriations are identified by department, reference item, and fund. The annual appropriated budget may establish detailed allocations to specific programs, projects, or sources of reimbursement within an appropriation. The Department of Finance can authorize adjustments between the detail allocations but cannot increase the amount of the overall appropriation. While the financial activities are controlled at various levels, the legal level of budgetary control—the extent to which management may amend the budget without seeking approval of the governing body—has been established in the Budget Act for the annual operating budget.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State prepares a separate report, the Comprehensive Annual Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with Government Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, section 2400.121. The supplement includes the comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Comprehensive Annual Financial Report Supplement is available upon request by emailing the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash balances not required for immediate use are invested by the State Treasurer. The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). A single portfolio of investments exists, with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner.

A. Primary Government

1. Control of State Funds

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in United States government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2016, the discretely presented component units and related organizations account for approximately 3.4% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. For certain banks, the State Treasurer's Office maintains cash deposits that cover uncleared checks deposited in the State's accounts and that earn income that compensates the banks for their services.

Demand and time deposits held by financial institutions as of June 30, 2016, totaling approximately $7.8 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2016, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $22 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

Certain funds have elected to participate in the pooled investment program even though they have the authority to invest on their own. Others may be required by legislation to participate in the program; as a result, the deposits of these funds may be considered involuntary. However, these funds are part of the State's reporting entity. The remaining participant in the pool, the Local Agency Investment Fund, is voluntary.

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the $41 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2015-16 was earned on balances in these funds.

Enterprise funds and special revenue funds also make separate investments, which are presented at fair value.

2. Valuation of State Investments

The State Treasurer's Office reports its investments at fair value. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. The fair value of securities in the State Treasurer's pooled investment program generally is based on quoted market prices. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations can be obtained from the State Treasurer's Office website at www.treasurer.ca.gov.

Table 1 categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices for identical assets or liabilities in active markets at the date of measurement; Level 2 inputs are significant other directly or indirectly observable inputs other than quoted prices; and Level 3 inputs are significant unobservable inputs. The State does not use Level 3 inputs to measure the fair value of its investments.

Table 1

Schedule of Investments – Primary Government – Investments by Fair Value Level
June 30, 2016
(amounts in thousands)

		Fair Value Measurements Using	
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Pooled investments			
U.S. Treasury bills and notes	$ 33,912,924	$ 33,912,924	$ —
U.S. Agency bonds and discount notes (IBRD)	9,241,229	9,241,229	—
Supranational debentures	601,736	601,736	—
Small Business Administration loans	705,336	705,336	—
Mortgage-backed securities	63,530	63,530	—
Certificates of deposit	16,574,127	—	16,574,127
Bank notes	799,736	—	799,736
Commercial paper	7,492,217	—	7,492,217
Total pooled investments at fair value	**69,390,835**	$ **44,524,755**	$ **24,866,080**
Other primary government investments			
U.S. Treasuries and agencies	2,585,251	1,488,790	1,096,461
Commercial paper	40,056	—	40,056
Corporate debt securities	1,030,765	—	1,030,765
Repurchase agreements	19,774	—	19,774
Other	1,035,204	406,656	628,548
Total other primary government investments at fair value	**4,711,050**	$ **1,895,446**	$ **2,815,604**
Investments measured at the net asset value (NAV)			
2a-7 money market funds	287,426		
Total investments measured at the NAV	**287,426**		
Other investment instruments			
Guaranteed investment contracts[1]	200,000		
Total other investment instruments	**200,000**		
Funds outside primary government included in pooled investments			
Less: investment trust funds	22,701,071		
Less: other trust and agency funds	4,323,877		
Less: discretely presented component units and related organizations	2,373,319		
Total primary government investments	**$ 45,191,044**		

[1] Reported at carrying value.

As of June 30, 2016, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 174 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

The Pooled Money Investment Board (PMIB) provides oversight of the State Treasurer's pooled investment program. The purpose of the board is to design and administer an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The PMIB is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. This board designates the amounts of money available for investment. The State Treasurer is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2016, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants quarterly, based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This amortized cost method differs from the fair value method used to value investments in these financial statements; the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Because the total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements. The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

As of June 30, 2016, medium-term asset-backed securities comprised approximately 1.1% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities are called real estate mortgage investment conduits (REMICs), and are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.37% of the pooled investments.

Table 2 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office Investment Policy for the Pooled Investment Program. Maturities are limited by the State Treasurer's Office Investment Policy for the Pooled Money Investment Program. For commercial paper, the Investment Policy matches the Government Code. For corporate bonds and notes, the Government Code requires that a security falls within the top three ratings of a nationally recognized statistical ratings organization (NRSRO). Items reported as N/A have no limitation in either the Government Code or the State Treasurer's Office Investment Policy.

Table 2

Authorized Investments

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury securities	5 years	N/A	N/A	N/A
Federal agency and supranational securities	5 years	N/A	N/A	N/A
Certificates of deposit	5 years	N/A	N/A	N/A
Bankers acceptances	180 days	N/A	N/A	N/A
Commercial paper	270 days	30%	10 % of issuer's outstanding Commercial Paper	A-3/P-3/F-3
Corporate bonds/notes	5 years	N/A	N/A	A-/A3/A-
Repurchase agreements	1 year	N/A	N/A	N/A
Reverse repurchase agreements	1 year	10%	N/A	N/A

4. Risk of Investments

The following types of risks are common in deposits and investments, including those of the State:

Interest Rate Risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

Credit Risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

Custodial Credit Risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of deposits, investments, or collateral.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include $5.5 billion of time deposits and $502 million of internal loans to state funds. Repurchase agreements of the California State University system mature in one day. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2016, only $64 million, or 0.09% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2016
(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	$ 33,912,924	0.68
U.S. Agency bonds and discount notes (IBRD)	9,241,229	0.42
Supranational debentures	601,736	1.24
Small Business Administration loans	705,336	0.25
Mortgage-backed securities	63,530	2.12
Certificates of deposit	16,574,127	0.21
Bank notes	799,736	0.35
Commercial paper	7,492,217	0.15
Total pooled investments	**69,390,835**	
Other primary government investments		
U.S. Treasuries and agencies	2,585,251	3.36
Commercial paper	40,056	3.40
Guaranteed investment contracts	200,000	5.83
Corporate debt securities	1,030,765	1.12
Repurchase agreements	19,774	—
Other	1,322,630	2.02
Total other primary government investments	**5,198,476**	
Funds outside primary government included in pooled investments		
Less: investment trust funds	22,701,071	
Less: other trust and agency funds	4,323,877	
Less: discretely presented component units and related organizations	2,373,319	
Total primary government investments	**$ 45,191,044**	

b. Credit Risk

Table 4 presents the credit risk of the primary government's debt securities. If a particular security has multiple ratings, the lowest rating of the three major NRSROs is used. Similar to interest rate risk shown in Table 3, time deposits and internal loans to state funds are not included.

Table 4

Schedule of Investments in Debt Securities – Primary Government – Credit Risk
June 30, 2016
(amounts in thousands)

Credit Rating as of Year End			
Short-term	**Long-term**		**Fair Value**
Pooled investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	$	7,549,713
A-1/P-1/F-1	AA/Aa/AA		25,809,354
A-2/P-2/F-2	A/A/A		1,349,978
Not rated			63,530
Not applicable			34,618,260
Total pooled investments		**$**	**69,390,835**
Other primary government investments			
A-1+/P-1/F-1+	AAA/Aaa/AAA	$	935,887
A-1/P-1/F-1	AA/Aa/AA		1,780,339
A-2/P-2/F-2	A/A/A		1,080,922
A-3/P-3/F-3	BBB/Baa/BBB		22,384
B/NP/B	BB/Ba/BB		5,101
Not rated			1,373,837
Not applicable			6
Total other primary government investments		**$**	**5,198,476**

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2016, one guaranteed investment contract of the Electric Power Fund in the amount of $100 million was uninsured and uncollateralized.

d. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2016, the State had investments in the Federal National Mortgage Association totaling 6.6% of the total pooled investments.

B. Fiduciary Funds

The fiduciary funds include pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 97% of these separately invested funds. CalPERS and CalSTRS exercise their authority under the State Constitution and invest in stocks, bonds, mortgages, real estate, and other investments, including derivative instruments.

Additional disclosure for CalPERS' investments and derivative instruments is included in CalPERS' separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for CalSTRS' investments and derivative instruments is included in CalSTRS' separately issued financial statements, which may be found on its website at www.CalSTRS.com.

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 93.1% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

Additional disclosures for the University of California's investments and derivative instruments are included in the University's separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu. Additional disclosure for CalHFA's investments and derivative instruments is included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 4: ACCOUNTS RECEIVABLE

Table 5 presents the disaggregation of accounts receivable attributable to taxes; licenses, permits, and fees; Lottery retailer collections; unemployment program receipts; and the California State University. Other receivables are for interest, gifts, grants, penalties, and other charges.

Table 5

Schedule of Accounts Receivable
June 30, 2016
(amounts in thousands)

	Taxes	Licenses, Permits and Fees	Lottery Retailers
Current governmental activities			
General Fund	$ 12,993,809	$ —	$ —
Federal Fund	—	—	—
Transportation Fund	476,056	386,211	—
Environmental and Natural Resources Fund	—	389,485	—
Nonmajor governmental funds	340,242	2,504,787	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue [1]	(1,484,015)	(74,059)	—
Total current governmental activities	**$ 12,326,092**	**$ 3,206,424**	**$ —**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 1,484,015**	**$ 74,059**	**$ —**
Current business-type activities			
Water Resources Fund	$ —	$ —	$ —
State Lottery Fund	—	—	461,786
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise programs	—	—	—
Total current business-type activities	**$ —**	**$ —**	**$ 461,786**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ —**	**$ —**	**$ —**

[1] The unavailable revenue reported in the governmental fund financial statements represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

[2] Amount includes noncurrent receivables for service concession arrangements of $64 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
$ —	$ —	$ 820,866	$ 13,814,675
—	—	14,950	14,950
—	—	86,700	948,967
—	—	120,249	509,734
—	—	845,972	3,691,001
—	—	91,280	91,280
—	—	(345,642)	(1,903,716)
$ —	**$ —**	**$ 1,634,375**	**$ 17,166,891**
$ —	**$ —**	**$ 409,963** [2]	**$ 1,968,037**
$ —	$ —	$ 119,701	$ 119,701
—	—	—	461,786
1,211,282	—	—	1,211,282
—	158,103	—	158,103
—	—	33,605	33,605
$ 1,211,282	**$ 158,103**	**$ 153,306**	**$ 1,984,477**
$ 76,086	**$ 289,073**	**$ —**	**$ 365,159**

NOTE 5: RESTRICTED ASSETS

Table 6 presents a summary of the legal restrictions placed on assets of the primary government and the discretely presented component units.

Table 6

Schedule of Restricted Assets
June 30, 2016
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	$ 1,677,885	$ 363,669	$ 156,108	$ 1,411,250	$ 3,608,912
Construction	1,381,096	—	—	—	1,381,096
Operations	46,000	—	—	—	46,000
Other	694	—	—	—	694
Total primary government	**3,105,675**	**363,669**	**156,108**	**1,411,250**	**5,036,702**
Discretely presented component units					
Debt service	422,294	19,248	—	—	441,542
Other	10,035	—	—	—	10,035
Total discretely presented component units	**432,329**	**19,248**	**—**	**—**	**451,577**
Total restricted assets	**$ 3,538,004**	**$ 382,917**	**$ 156,108**	**$ 1,411,250**	**$ 5,488,279**

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

The State Public Works Board (SPWB) accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the SPWB. The lease-purchase activity between the SPWB and the primary government agencies shown in the schedule below represents only that activity with agencies reported as enterprise funds. The lease receivable of $7.3 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

The CSU system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into capital lease agreements with certain auxiliary organizations. These agreements lease existing and newly constructed facilities to the auxiliary organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

Table 7 summarizes the minimum lease payments to be received by the primary government.

Table 7

Schedule of Minimum Lease Payments to be Received by the Primary Government
(amounts in thousands)

	State Public Works Board			
Year Ending June 30	**Primary Government Agencies**	**Local Agencies**	**Total**	**California State University**
2017	$ 37,793	$ 39,986	$ 77,779	$ 30,433
2018	24,864	32,698	57,562	26,714
2019	15,986	26,183	42,169	26,741
2020	15,978	13,369	29,347	26,995
2021	15,960	12,754	28,714	27,281
2022-2026	79,696	63,523	143,219	160,755
2027-2031	79,031	56,823	135,854	131,348
2032-2036	62,789	7,513	70,302	74,898
2037-2041	—	—	—	28,647
2042-2046	—	—	—	17,972
Total minimum lease payments	**332,097**	**252,849**	**584,946**	**551,784**
Less: unearned income	143,688	60,933	204,621	209,605
Net investment in direct financing leases	188,409	191,916	380,325	342,179
Less: current portion	23,235	30,688	53,923	12,356
Noncurrent net investment in direct financing leases	**$ 165,174**	**$ 161,228**	**$ 326,402**	**$ 329,823**

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital activity for the primary government.

Table 8

Schedule of Changes in Capital Assets – Primary Government
June 30, 2016
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 19,014,276 *	$ 495,565	$ 126,605	$ 19,383,236
State highway infrastructure	70,684,432 *	2,882,122	103,947	73,462,607
Collections	22,630	—	3	22,627
Construction/development in progress	15,886,117 *	3,322,560	3,892,618	15,316,059
Intangible assets	418,477 *	7,709	—	426,186
Total capital assets not being depreciated/amortized	**106,025,932**	**6,707,956**	**4,123,173**	**108,610,715**
Capital assets being depreciated/amortized				
Buildings and improvements	22,568,634 *	1,395,331	55,711	23,908,254
Infrastructure	736,156	1,592	83	737,665
Equipment and other assets	4,903,365 *	398,668	331,673	4,970,360
Intangible assets	1,659,204 *	435,860	62,785	2,032,279
Total capital assets being depreciated/amortized	**29,867,359**	**2,231,451**	**450,252**	**31,648,558**
Less accumulated depreciation/amortization for:				
Buildings and improvements	7,722,917 *	588,915	30,330	8,281,502
Infrastructure	360,410	16,667	83	376,994
Equipment and other assets	4,019,521 *	317,564	320,335	4,016,750
Intangible assets	624,453 *	159,334	59,312	724,475
Total accumulated depreciation/amortization	**12,727,301**	**1,082,480**	**410,060**	**13,399,721**
Total capital assets being depreciated/amortized, net	**17,140,058**	**1,148,971**	**40,192**	**18,248,837**
Governmental activities, capital assets, net	**$ 123,165,990**	**$ 7,856,927**	**$ 4,163,365**	**$ 126,859,552**
Business-type activities				
Capital assets not being depreciated/amortized				
Land	$ 239,322 *	$ 7,963	$ 2,560	$ 244,725
Collections	11,088	5,125	7	16,206
Construction/development in progress	1,167,867 *	787,871	316,494	1,639,244
Intangible assets	115,761	4,643	6,873	113,531
Total capital assets not being depreciated/amortized	**1,534,038**	**805,602**	**325,934**	**2,013,706**
Capital assets being depreciated/amortized				
Buildings and improvements	11,098,198 *	446,877	1,790	11,543,285
Infrastructure	305,549	69,344	2,044	372,849
Equipment and other assets	740,532	107,225	20,447	827,310
Intangible assets	337,629	13,609	14,778	336,460
Total capital assets being depreciated/amortized	**12,481,908**	**637,055**	**39,059**	**13,079,904**
Less accumulated depreciation/amortization for:				
Buildings and improvements	4,205,428 *	294,595	961	4,499,062
Infrastructure	84,420	18,041	2,115	100,346
Equipment and other assets	437,292	69,984	18,657	488,619
Intangible assets	151,979	18,423	14,032	156,370
Total accumulated depreciation/amortization	**4,879,119**	**401,043**	**35,765**	**5,244,397**
Total capital assets being depreciated/amortized, net	**7,602,789**	**236,012**	**3,294**	**7,835,507**
Business-type activities, capital assets, net	**$ 9,136,827**	**$ 1,041,614**	**$ 329,228**	**$ 9,849,213**

* Restated

Table 9 summarizes the depreciation expense charged to the activities of the primary government.

Table 9

Schedule of Depreciation Expense – Primary Government
June 30, 2016
(amounts in thousands)

	Amount
Governmental activities	
General government	$ 226,524
Education	163,433
Health and human services	119,322
Natural resources and environmental protection	59,895
Business, consumer services, and housing	13,029
Transportation	176,347
Corrections and rehabilitation	273,072
Internal service funds (charged to the activities that utilize the fund)	50,858
Total governmental activities	**1,082,480**
Business-type activities	401,043
Total primary government	**$ 1,483,523**

Table 10 summarizes the capital activity for discretely presented component units.

Table 10

Schedule of Changes in Capital Assets – Discretely Presented Component Units
June 30, 2016
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	$ 1,125,463	$ 193,328	$ 2,070	$ 1,316,721
Collections	394,180	51,030	172	445,038
Construction/development in progress	2,859,030	276,209	43,398	3,091,841
Intangible assets	5,098	—	—	5,098
Total capital assets not being depreciated/amortized	**4,383,771**	**520,567**	**45,640**	**4,858,698**
Capital assets being depreciated/amortized				
Buildings and improvements	35,276,089	1,775,033	60,028	36,991,094
Infrastructure	734,287	20,985	5,085	750,187
Equipment and other depreciable assets	10,445,545	660,216	361,569	10,744,192
Intangible assets	863,343	101,071	43,258	921,156
Total capital assets being depreciated/amortized	**47,319,264**	**2,557,305**	**469,940**	**49,406,629**
Less accumulated depreciation/amortization for:				
Buildings and improvements	13,806,309	1,126,322	27,988	14,904,643
Infrastructure	352,449	24,729	5,085	372,093
Equipment and other depreciable assets	7,332,506	651,652	295,667	7,688,491
Intangible assets	360,964	74,018	31,238	403,744
Total accumulated depreciation/amortization	**21,852,228**	**1,876,721**	**359,978**	**23,368,971**
Total capital assets being depreciated/amortized, net	**25,467,036**	**680,584**	**109,962**	**26,037,658**
Capital assets, net	**$ 29,850,807**	**$ 1,201,151**	**$ 155,602**	**$ 30,896,356**

NOTE 8: ACCOUNTS PAYABLE

Accounts payable are amounts, related to different programs, that are due taxpayers, vendors, customers, beneficiaries, and employees. Table 11 presents details related to accounts payable.

The adjustment for the fiduciary funds represents amounts due fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Position.

Table 11

Schedule of Accounts Payable
June 30, 2016
(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	$ 250,452	$ 454,545	$ 482,163
Federal Fund	124,941	213,362	303,604
Transportation Fund	2,217	—	1
Environmental and Natural Resources Fund	3,987	51	915
Nonmajor governmental funds	613,248	929	199,152
Internal service funds	278,147	—	127,340
Adjustment:			
Fiduciary funds	710,696	1,473,320	17,153,402
Total governmental activities	**$ 1,983,688**	**$ 2,142,207**	**$ 18,266,577**
Business-type activities			
Electric Power Fund	$ —	$ —	$ —
Water Resources Fund	—	—	—
State Lottery Fund	42,190	—	—
Unemployment Programs Fund	—	—	2,769
California State University	—	223,033	—
Nonmajor enterprise funds	47	31	55
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	**$ 42,237**	**$ 223,064**	**$ 2,824**

Natural Resources and Environmental Protection	Transportation	Other	Total
$ 267,880	$ —	$ 366,355	$ 1,821,395
54,128	463,134	34,700	1,193,869
10,446	350,205	51	362,920
336,439	134,811	501	476,704
5,286	1,837	27,534	847,986
15,799	—	10,500	431,786
—	63,352	—	19,400,770
$ 689,978	**$ 1,013,339**	**$ 439,641**	**$ 24,535,430**
$ 2,000	$ —	$ —	$ 2,000
115,898	—	—	115,898
—	—	—	42,190
—	—	—	2,769
—	—	—	223,033
617	—	1,618	2,368
—	—	8	8
$ 118,515	**$ —**	**$ 1,626**	**$ 388,266**

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2016, the primary government had long-term obligations totaling $228.5 billion. Of that amount, $7.1 billion is due within one year. Governmental activities had a net increase in long-term obligations of $7.7 billion. Significant increases included $6.8 billion in net pension liability and $3.4 billion in net OPEB obligation. Significant decreases included $1.5 billion in general obligation bonds payable, $1.2 billion in revenue bonds payable, and $298 million in Proposition 98 funding guarantees.

Not included in the mandated cost claims payable shown in Table 12 are certain state-mandated programs that are in the adjudication process. Until the Commission on State Mandates rules on a test claim and the claim's parameters and guidelines are established, expected costs cannot be reasonably determined; however, a positive finding for any of the claimants could individually or in aggregate pose a significant cost to the State.

As of June 30, 2016, the pollution remediation obligations decreased by $75 million to $1.0 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2016, the State estimates that remediation costs at Stringfellow will total $426 million. At two other sites, Leviathan Mine and BKK Landfill, obligating events have occurred. At the Leviathan Mine site, litigation was concluded by settlement in March 2015. The settlement requires the State to pay 20% to 25% of ongoing cleanup costs at the Leviathan Mine site, with the remainder paid by ARCO. At the BKK Landfill site, reasonable estimates of the remediation costs cannot be made at this time. In addition to superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup, as required by state law.

The other long-term obligations for governmental activities consist of $18 million owed to the University of California, the Technology Services Revolving Fund notes payable of $23 million, and the Water Resources Revolving Fund notes payable of $5 million. The compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate net pension liabilities, the Proposition 98 funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Business-type activities had a net decrease in long-term obligations of $550 million, as restated. Significant decreases included $2.6 billion in loans payable to the US Department of Labor for prior-year's shortfalls in the Unemployment Fund and $821 million in capital lease obligations. Significant increases included $1.3 billion in revenue bonds payable, $1.2 billion in net pension liability, and $343 million in lottery prizes and annuities.

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Table 12 summarizes the changes in long-term obligations during the year ended June 30, 2016.

Table 12

Schedule of Changes in Long-term Obligations
(amounts in thousands)

	Balance July 1, 2015	Additions
Governmental activities		
Compensated absences payable	$ 3,686,010	$ 1,459,159
Workers' compensation benefits payable	3,840,191	539,868
Certificates of participation and commercial paper outstanding[1]	493,800	1,816,520
Discounts	(30)	—
Total certificates of participation and commercial paper payable	493,770	1,816,520
Capital lease obligations	274,760	120,535
General obligation bonds outstanding	76,949,340	7,316,280
Premiums	3,560,462	1,017,929
Total general obligation bonds payable	80,509,802	8,334,209
Revenue bonds outstanding	17,187,495	990,835
Accreted interest	467,317	45,346
Premiums	756,579	136,424
Discounts	(1,420)	—
Total revenue bonds payable	18,409,971	1,172,605
Mandated cost claims payable	3,006,566	145,525
Net other postemployment benefits obligation	21,593,644	5,423,222
Net pension liability	57,456,241	22,325,704
Other long-term obligations:		
Proposition 98 funding guarantee	1,512,469	13,274
Pollution remediation obligations	1,098,641 *	43,695
Other	50,857	15,653
Total other long-term obligations	2,661,967	72,622
Total governmental activities	**$ 191,932,922**	**$ 41,409,969**
Business-type activities		
Loans payable	$ 5,670,653	$ —
Lottery prizes and annuities	1,334,895	4,265,312
Compensated absences payable	337,561	133,628
Workers' compensation benefits payable	2,976	442
Commercial paper outstanding	237,186	183,970
Capital lease obligations	1,210,409	66,972
General obligation bonds outstanding	651,150	545,440
Premiums	—	3,697
Discounts	(1,017)	(1,573)
Total general obligation bonds payable	650,133	547,564
Revenue bonds outstanding	11,813,518	3,073,320
Premiums	857,295	428,669
Discounts	(194)	—
Total revenue bonds payable	12,670,619	3,501,989
Net other postemployment benefits obligation	735,176	188,642
Net pension liability	6,248,976	2,544,017
Other long-term obligations	347,339 *	31,073
Total business-type activities	**$ 29,445,923**	**$ 11,463,609**

* Restated
[1] All certificates of participation were retired in the 2015-16 fiscal year.

Deductions	Balance June 30, 2016	Due Within One Year	Noncurrent Liabilities
$ 1,361,803	$ 3,783,366	$ 5,959	$ 3,777,407
443,621	3,936,438	408,606	3,527,832
1,539,105	771,215	—	771,215
(30)	—	—	—
1,539,075	771,215	—	771,215
25,113	370,182	25,689	344,493
9,323,865	74,941,755	2,963,410	71,978,345
476,851	4,101,540	226,242	3,875,298
9,800,716	79,043,295	3,189,652	75,853,643
2,245,691	15,932,639	585,661	15,346,978
—	512,663	—	512,663
127,386	765,617	94,938	670,679
(1,000)	(420)	(108)	(312)
2,372,077	17,210,499	680,491	16,530,008
209,941	2,942,150	177,681	2,764,469
2,049,807	24,967,059	—	24,967,059
15,487,916	64,294,029	—	64,294,029
311,003	1,214,740	218,000	996,740
118,978	1,023,358	59,544	963,814
20,543	45,967	11,017	34,950
450,524	2,284,065	288,561	1,995,504
$ 33,740,593	**$ 199,602,298**	**$ 4,776,639**	**$ 194,825,659**
$ 2,558,475	$ 3,112,178	$ —	$ 3,112,178
3,922,738	1,677,469	968,569	708,900
114,315	356,874	155,976	200,898
136	3,282	—	3,282
373,740	47,416	400	47,016
887,996	389,385	43,818	345,567
404,330	792,260	58,010	734,250
72	3,625	—	3,625
(1,074)	(1,516)	—	(1,516)
403,328	794,369	58,010	736,359
2,107,660	12,779,178	943,470	11,835,708
136,718	1,149,246	80,007	1,069,239
(144)	(50)	—	(50)
2,244,234	13,928,374	1,023,477	12,904,897
72,991	850,827	—	850,827
1,330,778	7,462,215	—	7,462,215
104,636	273,776	27,381	246,395
$ 12,013,367	**$ 28,896,165**	**$ 2,277,631**	**$ 26,618,534**

NOTE 10: PENSION TRUSTS

The California Public Employees' Retirement System (CalPERS) provides retirement and health benefits to eligible employees of the State, public agencies, and public schools through single-employer, agent multiple-employer, and cost-sharing plans. The California State Teachers' Retirement System (CalSTRS) provides pension benefits to full-time and part-time employees of the State's public school system. Both are fiduciary component units of the State, and their financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

CalPERS administers four defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (Judges'), the Judges' Retirement Fund II (Judges' II), and the Legislators' Retirement Fund (Legislators'). CalPERS previously administered three defined contribution plans: the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Employees' Deferred Compensation Fund, and the Supplemental Contributions Program Fund. The SPOFF plan was terminated in 2014 and, as directed by state statute, the remaining funds were transferred to the Supplemental Contributions Program Fund.

The PERF accounts for the majority of assets and liabilities reported for CalPERS' plans. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. The report may be found on CalPERS' website at www.CalPERS.ca.gov.

Contributions to the CalPERS' pension trust funds are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan.

CalSTRS administers four defined benefit retirement plans within the State Teachers' Retirement Plan: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefit Program. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. This report may be found on its website at www.CalSTRS.com.

Member contributions to CalSTRS' pension plans are recognized in the period in which the contributions are earned. Employer and state contributions are recognized when earned and when the employer or the State has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the retirement and benefits programs.

For the purpose of measuring net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of CalPERS' and CalSTRS' plans and changes to the plans' fiduciary net positions has been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions. The State does not directly contribute to the UCRS. Additional information on the UCRS can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. California Public Employees' Retirement System

1. Public Employees' Retirement Fund (PERF)

***Plan Description*:** The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans that have more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2015, included the primary government and certain discretely presented component units; 1,423 school employers, including charter schools; and 1,630 public agencies. As the State is not an employer in PERF B or PERF C, the term "PERF" is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

CalPERS acts as the common investment and administrative agent for participating employers. State employees served by the PERF include first- and second-tier miscellaneous and industrial employees, California Highway Patrol (CHP) employees, peace officers and firefighters, and other safety members.

***Benefits Provided*:** All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2014 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2014-state-valuation.pdf. In general, for the PERF plans, retirement benefits are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous, safety, industrial, CHP, or peace officers and firefighters);
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

The four basic types of retirement are:

- Service Retirement – The "normal" retirement is a lifetime benefit. In most cases, employees become eligible for service retirement as early as age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, he or she must be at least 52 year old with at least five years of service to retire. Second-tier employees (miscellaneous and industrial) become eligible at age 55 with at least ten years of service credit.
- Vested Deferred Retirement – Vested members who leave employment but keep their contribution balances on deposit with CalPERS are eligible for this benefit.
- Disability Retirement – Vested members who can no longer perform the usual duties of their current position due to illness or injury may receive this benefit.
- Industrial Disability Retirement – This benefit is available for eligible safety members, industrial employees, CHP employees, and peace officers and firefighters, who are unable to perform the usual duties of their current position due to job-related illness or injury.

***Employees Covered by Benefit Terms*:** The State's June 30, 2015 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 13 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 13

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2015

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	182,297	12,752	22,687	34,781	8,650	**261,167**
Inactive employees entitled to but not yet receiving benefits	51,939	3,202	5,857	6,378	366	**67,742**
Active employees	204,731	19,888	31,536	46,237	7,493	**309,885**
Total	**438,967**	**35,842**	**60,080**	**87,396**	**16,509**	**638,794**

***Contributions*:** Section 20814(c) of 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 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. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

Table 14 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2015.

Table 14

Contribution Rates – PERF Plans
June 30, 2015

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	6.587 %	7.735 %	10.450 %	11.498 %	10.388 %
Employer rate of annual payroll	24.265 %	18.134 %	19.278 %	36.780 %	43.455 %
Total	**30.852 %**	**25.869 %**	**29.728 %**	**48.278 %**	**53.843 %**

***Actuarial Methods and Assumptions*:** The total pension liability for PERF plans was measured as of June 30, 2015 (measurement date), by rolling forward the total pension liability determined by the June 30, 2014 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 15.

Table 15

Actuarial Methods and Assumptions – PERF Plans

Valuation date:	June 30, 2014
Actuarial cost method:	Entry age normal in accordance with the requirement of GASB 68
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.
Post-retirement benefit adjustments (COLAs)	Contract COLA up to 2.75% until the Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.65% for the PERF. 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 differ from the actuarially assumed discount rate. Results of the testing showed that none of the tested plans would exhaust assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% was applied to all plans in the PERF. The stress test results are presented in the "GASB Crossover Testing Report," which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2015.pdf.

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- 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, CalPERS calculated expected compound (geometric) returns 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- 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- 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.

Table 16 shows long-term expected geometric real rate of return by asset class for all plans in the PERF.

Table 16

Long-term Expected Real Rate of Return by Asset Class – PERF Plans

Asset Class	Current Target Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global equity	51.0 %	5.25 %	5.71 %
Global fixed income	19.0	0.99	2.43
Inflation sensitive	6.0	0.45	3.36
Private equity	10.0	6.83	6.95
Real estate	10.0	4.50	5.13
Infrastructure and forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	**100.0 %**		

[1] An expected inflation rate of 2.5% used for this period.

[2] An expected inflation rate of 3.0% used for this period.

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***Changes in Net Pension Liability*:** Table 17 shows changes in net pension liability recognized over the measurement period for the PERF plans.

Table 17

Changes in Net Pension Liability – PERF Plans
(amounts in thousands)

	State Miscellaneous			State Industrial		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balance at June 30, 2014 (Valuation Date)	$ 92,189,174	$ 68,380,562	$ 23,808,612	$ 3,367,907	$ 2,826,449	$ 541,458
Changes recognized for the measurement period:						
Service cost	1,576,695	—	1,576,695	100,006	—	100,006
Interest on total pension liability	6,970,837	—	6,970,837	257,527	—	257,527
Difference between expected and actual experience	693,639	—	693,639	26,976	—	26,976
Plan to plan resources movement	—	(354)	354	—	30	(30)
Employer contributions	—	2,608,785	(2,608,785)	—	107,238	(107,238)
Employee contributions	—	771,046	(771,046)	—	49,482	(49,482)
Investment income	—	1,505,042	(1,505,042)	—	62,385	(62,385)
Benefit payments, including refunds of employee contributions	(5,098,222)	(5,098,222)	—	(157,029)	(157,029)	—
Administrative expense	—	(76,678)	76,678	—	(3,252)	3,252
Net changes	**4,142,949**	**(290,381)**	**4,433,330**	**227,480**	**58,854**	**168,626**
Balance at June 30, 2015 (Measurement Date)	**$ 96,332,123**	**$ 68,090,181**	**$ 28,241,942**	**$ 3,595,387**	**$ 2,885,303**	**$ 710,084**

* Restated

State Safety			State Peace Officers and Firefighters		
Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
$ 9,626,597 *	$ 7,841,392	$ 1,785,205	$ 36,219,196 *	$ 26,367,989	$ 9,851,207
422,634	—	422,634	838,628	—	838,628
734,333	—	734,333	2,759,982	—	2,759,982
(4,150)	—	(4,150)	288,526	—	288,526
—	499	(499)	—	194	(194)
—	393,925	(393,925)	—	1,146,192	(1,146,192)
—	215,482	(215,482)	—	366,419	(366,419)
—	175,677	(175,677)	—	584,142	(584,142)
(469,275)	(469,275)	—	(1,697,676)	(1,697,676)	—
—	(9,200)	9,200	—	(30,069)	30,069
683,542	**307,108**	**376,434**	**2,189,460**	**369,202**	**1,820,258**
$ 10,310,139	**$ 8,148,500**	**$ 2,161,639**	**$ 38,408,656**	**$ 26,737,191**	**$ 11,671,465**

(continued)

Table 17 (continued)

Changes in Net Pension Liability – PERF Plans (continued)
(amounts in thousands)

	California Highway Patrol			Total PERF Plans		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balance at June 30, 2014						
(Valuation Date)	$ 10,060,085	$ 6,656,447	$ 3,403,638	**$ 151,462,959**	**$ 112,072,839**	**$ 39,390,120**
Changes recognized for the measurement period:						
Service cost	198,665	—	198,665	**3,136,628**	**—**	**3,136,628**
Interest on total pension liability	764,348	—	764,348	**11,487,027**	**—**	**11,487,027**
Difference between expected and actual experience	75,593	—	75,593	**1,080,584**	**—**	**1,080,584**
Plan to plan movement	—	(214)	214	**—**	**155**	**(155)**
Employer contributions	—	351,197	(351,197)	**—**	**4,607,337**	**(4,607,337)**
Employee contributions	—	85,791	(85,791)	**—**	**1,488,220**	**(1,488,220)**
Investment income	—	146,782	(146,782)	**—**	**2,474,028**	**(2,474,028)**
Benefit payments, including refunds of employee contributions	(487,061)	(487,061)	—	**(7,909,263)**	**(7,909,263)**	**—**
Administrative expense	—	(7,600)	7,600	**—**	**(126,799)**	**126,799**
Net changes	**551,545**	**88,895**	**462,650**	**7,794,976**	**533,678**	**7,261,298**
Balance at June 30, 2015						
(Measurement Date)	**$ 10,611,630**	**$ 6,745,342**	**$ 3,866,288**	**$ 159,257,935**	**$ 112,606,517**	**$ 46,651,418**

Reported in governmental activities	$ 37,543,522
Reported in business-type activities	7,462,215
Reported by discretely presented component units	133,525
Not reported in government-wide Statement of Net Position [1]	1,512,156
Total net pension liability – PERF plans	**$ 46,651,418**

(concluded)

[1] Includes amounts allocated to related organizations and fiduciary funds. Additionally, this amount includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2015. Also includes adjustments for net pension liability understatments or overstatements included in the separately issued financial statements of proprietary funds, fiduciary component units, and discretely presented component units.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Table 18 shows the net pension liability of the State, with regard to the PERF plans, calculated using the discount rate of 7.65%, as well as what the State's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans
June 30, 2016
(amounts in thousands)

	Current Rate -1%	Current Rate 7.65%	Current Rate +1%
State Miscellaneous	$ 39,887,881	$ 28,241,942	$ 18,471,007
State Industrial	1,195,626	710,084	308,543
State Safety	3,525,745	2,161,639	1,054,683
State Peace Officers and Firefighters	17,052,265	11,671,465	7,258,454
California Highway Patrol	5,342,954	3,866,288	2,655,853
Total PERF plans	**$ 67,004,471**	**$ 46,651,418**	**$ 29,748,540**

***Pension Plans Fiduciary Net Position*:** Detailed information about the PERF plans' fiduciary net position is available in the separately issued CalPERS financial report.

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the PERF plans, for the year ended June 30, 2016, the State recognized pension expense of $4.3 billion. At June 30, 2016, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2015, but prior to the year ended June 30, 2016. Differences between expected and actual expenses are recognized as deferred outflows and inflows of resources. The aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred inflows of resources. 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 subsequent year.

Table 19 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each PERF plan.

Table 19

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – PERF Plans
June 30, 2016
(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	$ 2,415,705	$ 84,220	$ 294,062	$ 1,153,836	$ 352,040	$ **4,299,863**
Deferred Outflows of Resources:						
Employer contributions	2,814,126	116,594	404,595	1,263,436	377,534	**4,976,285**
Difference between expected and actual experience	515,782	19,042	—	231,952	61,594	**828,370**
Deferred Inflows of Resources:						
Difference between expected and actual experience	—	—	(3,207)	—	—	**(3,207)**
Net difference between projected and actual earnings on pension plan investments	(616,506)	(21,457)	(52,450)	(214,556)	(54,680)	**(959,649)**

Table 20 shows amounts reported as deferred outflows and inflows of resources related to pensions that will be recognized in pension expense in future years for the PERF plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 20

Recognition of Deferred Outflows and Deferred Inflows of Resources – PERF Plans
(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
2017	$ (270,130)	$ (9,405)	$ (46,902)	$ (109,417)	$ (28,161)	$ **(464,015)**
2018	(270,130)	(9,404)	(46,902)	(109,417)	(28,161)	**(464,014)**
2019	(287,915)	(14,165)	(46,901)	(109,416)	(28,161)	**(486,558)**
2020	727,451	30,559	85,048	339,989	85,798	**1,268,845**
2021	—	—	—	5,657	5,599	**11,256**

***Payable to the Pension Plans*:** At June 30, 2016, the State reported a payable of $628 million for the outstanding amount of contributions to the PERF pension plans required for the year ended June 30, 2016.

2. Single-employer Plans

***Plan Description*:** CalPERS administers three single-employer defined benefit retirement plans.

Judges' – Judges' membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts who were appointed or elected prior to November 9, 1994. Judges' is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year, and a General Fund augmentation are used to provide funding for benefit payments.

Judges' II – Judges' II membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts, who were appointed or elected on or after November 9, 1994. There are two types of service retirement available for plan members: the Defined Benefit Plan and the Monetary Credit Plan, in which members can choose a single lump sum payment or annuity at retirement.

Legislators' – Legislators' was established in 1947 and its members consist of state legislators, constitutional officers, and legislative statutory officers. The PEPRA closed Legislators' to new participants effective January 1, 2013.

***Benefits Provided*:** All employees in a covered class of employment who work on a half-time basis or more are eligible to participate. The benefits for the defined benefit plans are based on a member's years of service, age, final compensation, and a 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 years of credited service. Benefits are established in accordance with the provisions of the Judges' Retirement Law, Judges' Retirement System II Law, and Legislators' Retirement Law. Additional information is available in the Actuarial Valuation Report for each plan, which may be found on CalPERS' website at www.CalPERS.ca.gov.

Judges' – The four basic types of retirement are:

- Service Retirement – Members must be at least age 60 with 20 years of service or age 70 with at least 10 years of service.
- Deferred Retirement – Vested members are eligible for deferred retirement at any age with at least 5 years of service.
- Disability Retirement – The service requirement is four years. The retirement allowance is 65% of a judge's final salary, or 75% of his or her final salary if the judge has 20 or more years of service.
- Death Benefits – Beneficiaries may receive 25% of a current active judge's salary for life if the judge was not eligible for retirement. Beneficiaries receive one-half of what the retirement allowance would have been if the judge had retired on the date of death.

Judges' II – The four basic types of retirement are:

- Service Retirement – Judges must be at least age 65 with 20 years of service or age 70 with a minimum of five years of service to receive the defined benefit plan. Judges must have at least five years of service to receive the monetary credit plan.
- Disability Retirement (non-work related) – Judges who have five years of service and become permanently disabled because of a mental or physical disability may apply to the Commission on Judicial Performance for disability retirement.
- Disability Retirement (work related) – Judges receive 65% of their average monthly salary earned during the 12 months preceding their retirement date, regardless of age or length of service.

- Death Benefits – Beneficiaries receive the judge's monetary credits or three times the annual salary at the time of death, whichever is greater, if the judge was not eligible for retirement. Beneficiaries receive one-half of the retirement pension for life if the judge was retired on the date of death.

Legislators' – The three basic types of retirement are:

- Service Retirement – Members must be age 60, with four or more years of service credit, or any age with 20 or more years. The retirement age for legislative statutory officers is 55, or any age with 20 years or more of service credit.
- Disability Retirement – Disability retirement uses the same formula as service retirement. There is no reduction for members of the Legislature if retirement is before age 60.
- Death Benefits – Beneficiaries have multiple options depending on whether the member was eligible for retirement or was retired at the time of death.

***Employees Covered by Benefit Terms*:** The June 30, 2015 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 21 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 21

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2015

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,924	96	244	**2,264**
Inactive employees entitled to but not yet receiving benefits	15	1	14	**30**
Active employees	231	1,470	9	**1,710**
Total	**2,170**	**1,567**	**267**	**4,004**

***Contributions*:** As Judges' is funded on a "pay-as-you-go" basis, the contributions made will be less than the actuarially determined contribution requirement of normal cost plus a 10-year amortization of the unfunded accrued liability. The actual contribution is the estimated amount of benefit payouts during the year. Currently, Judges' member contributions are 8% of pay. In certain situations, employers make member contributions.

Judges' II contribution rates are determined through the CalPERS' annual actuarial valuation process as required by section 75600.5 of the PERL. Classic members contribute 8% of their annual compensation to the plan. New members contribute half of the total normal cost calculated on January 1, 2013. The percentage only changes in any given year once the change to the total normal cost is greater than one percent from the original percentage determined.

For Legislators', contribution rates are determined through the CalPERS' annual actuarial valuation process as required by section 9358 on the PERL. The minimum employer contribution rate under PEPRA is the greater of the actuarially determined employer rate or the employer normal cost.

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2015.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2015

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	8.062 %	7.533 %
Employer rate of annual payroll	as-you-	24.615 %	42.257 %
Total	go"	**32.677 %**	**49.790 %**

Actuarial Methods and Assumptions**:** The total pension liability for single-employer plans was measured as of June 30, 2015 (measurement date), by rolling forward the total pension liability determined by the June 30, 2014 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 23.

Table 23

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2014
Actuarial cost method:	Entry age normal in accordance with the requirement of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 3.82%, Judges' II 7.15%, Legislators' 6.00%
Inflation	All single-employer plans – 2.75%
Salary increases	All single-employer plans – 3.00%
Investment rate of return	Judges' 3.82%, Judges' II 7.15%, Legislators' 6.00%, net of pension plan investment without reduction of administrative expenses; includes inflation.
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.
Post-retirement benefit adjustments (COLAs)	Judges' – 3.00% Judges' II – 2.75% Legislators' – 2.75%

***Discount Rate*:** 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 differ from the actuarially assumed discount rate. For the single-employer plans, the following rates were used:

Judges' – 3.82%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.82%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 7.15%

Legislators' – 6.00%

With the exception of Judges', which uses a lower rate of return, the information regarding the discount rate and the long-term expected real rate of return described previously for the PERF plans is also applicable to the single-employer plans. GAAP requires that the long-term discount rate should be determined without reduction for pension plan administrative expense.

Table 24 shows long-term expected real rates of return by asset class for Judges' II and Legislators'.

Table 24

Long-term Expected Real Rate of Return by Asset Class – Judges' II and Legislators' Plans

Asset Class	Judges' II Current Target Allocation	Legislators' Current Target Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global equity	50.0 %	24.0 %	5.25 %	5.71 %
Global fixed income	34.0	39.0	1.79	2.40
Inflation sensitive	5.0	26.0	1.00	2.25
Commodities	3.0	3.0	1.66	4.95
Real estate	8.0	8.0	3.25	7.88
Total	**100.0 %**	**100.0 %**		

[1] An expected inflation rate of 2.5% used for this period.
[2] An expected inflation rate of 3.0% used for this period.

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***Changes in Net Pension Liability*:** Table 25 shows the changes in net pension liability recognized over the measurement period for the single-employer plans.

Table 25

Changes in Net Pension Liability – Single-employer Plans
(amounts in thousands)

	Judges'			Judges' II		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2014 (Valuation Date)	$ 3,357,212	$ 57,199	$ 3,300,013	$ 967,962	$ 1,013,840	$ (45,878)
Changes recognized for the measurement period:						
Service cost	27,841	—	27,841	79,641	—	79,641
Interest on total pension liability	133,181	—	133,181	69,128	—	69,128
Difference between expected and actual experience:	57,568	—	57,568	(17,319)	—	(17,319)
Changes of assumptions	158,646	—	158,646	(16,619)	—	(16,619)
Employer contributions	—	180,910	(180,910)	—	65,629	(65,629)
Employee contributions	—	3,878	(3,878)	—	22,242	(22,242)
Investment income	—	88	(88)	—	(2,402)	2,402
Benefit payments, including refunds of employee contributions	(201,868)	(201,868)	—	(14,041)	(14,041)	—
Administrative expense	—	(1,227)	1,227	—	(1,127)	1,127
Other miscellaneous income	—	2,198	(2,198)	—	—	—
Net changes	**175,368**	**(16,021)**	**191,389**	**100,790**	**70,301**	**30,489**
Balance at June 30, 2015 (Measurement Date)	**$ 3,532,580**	**$ 41,178**	**$ 3,491,402**	**$ 1,068,752**	**$ 1,084,141**	**$ (15,389)**

Legislators'			Total Single-employer Plans		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/Asset
$ 115,521	$ 130,354	$ (14,833)	**$ 4,440,695**	**$ 1,201,393**	**$ 3,239,302**
769	—	769	**108,251**	**—**	**108,251**
6,268	—	6,268	**208,577**	**—**	**208,577**
(4,246)	—	(4,246)	**36,003**	**—**	**36,003**
(2,654)	—	(2,654)	**139,373**	**—**	**139,373**
—	590	(590)	**—**	**247,129**	**(247,129)**
—	105	(105)	**—**	**26,225**	**(26,225)**
—	(94)	94	**—**	**(2,408)**	**2,408**
(9,087)	(9,087)	—	**(224,996)**	**(224,996)**	**—**
—	(399)	399	**—**	**(2,753)**	**2,753**
—	—	—	**—**	**2,198**	**(2,198)**
(8,950)	**(8,885)**	**(65)**	**267,208**	**45,395**	**221,813**
$ 106,571	**$ 121,469**	**$ (14,898)**	**$ 4,707,903**	**$ 1,246,788**	**$ 3,461,115**
				Reported in governmental activities	**$ 3,461,115**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Judges' net pension liability was calculated using a discount rate of 3.82%; Judges' II used 7.15%; and Legislators' used 6.00%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans
June 30, 2016
(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (3.82%)	$ 3,906,181	$ 3,491,402	$ 3,143,782
Judges' II (7.15%)	124,249	(15,389)	(124,114)
Legislators' (6.00%)	(2,489)	(14,898)	(25,065)
Total Single-employer Plans	**$ 4,027,941**	**$ 3,461,115**	**$ 2,994,603**

***Pension Plans Fiduciary Net Position*:** Detailed information about the single-employer plans' fiduciary net position is available in the separately issued CalPERS financial report.

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** For the single-employer plans, for the year ended June 30, 2015, the State recognized pension expense of $227 million. At June 30, 2016, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2015, but prior to the year ended June 30, 2016, which will be recognized as a reduction of the net pension liability in the subsequent year.

Table 27 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each single-employer plan.

Table 27

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions - Single-employer Plans
June 30, 2016
(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	$ 194,248	$ 40,216	$ (7,278)	$ **227,186**
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	3,252	60,476	549	**64,277**
Net difference between projected and actual earnings on pension plan investments	3,510	7,231	1,212	**11,953**
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(15,305)	—	**(15,305)**
Changes of assumptions	—	(14,686)	—	**(14,686)**

Table 28 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years for the single-employer plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 28

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources		
Year Ending June 30	**Judges'**	**Judges' II**	**Legislators'**	**Total**
2017	$ 1,051	$ (6,702)	$ (106)	$ **(5,757)**
2018	1,051	(6,702)	(106)	**(5,757)**
2019	1,050	(6,702)	(106)	**(5,758)**
2020	358	11,552	1,530	**13,440**
2021	—	(3,946)	—	**(3,946)**
Thereafter	—	(10,260)	—	**(10,260)**

B. California State Teachers' Retirement System

The State reports a net pension liability, deferred outflows and deferred inflows of resources, and expenses as a result of its statutory requirement to contribute to the State Teachers' Retirement Fund as a non-employer contributing entity.

Plan Description**:** CalSTRS administers the State Teachers' Retirement Fund, which is an employee benefit trust fund created to finance the State Teachers' Retirement Plan (STRP). The STRP is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and survivor benefits to teachers and certain other employees of the California public school system. Four programs comprise the STRP: the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program, the Cash Balance Benefit (CBB) Program, and the Replacement Benefit (RB) Program. CalSTRS issues a publicly available financial report, which may be found on CalSTRS' website at www.CalSTRS.com.

Benefits Provided**:** Membership in the DB Program is mandatory for all employees meeting certain statutory requirements. The DB Program provides retirement benefits based on a member's age, final compensation, and years of service. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1740 contributing employers, 438,388 active and 187,804 inactive program members, and 288,079 benefit recipients as of June 30, 2016. The payroll for employees covered by the DB Program for the year ended June 30, 2015, was approximately $32.0 billion.

Membership in the DBS Program is automatic for all members of the DB Program. The DBS Program provides benefits based on the amount of funds contributed. Vesting in the DBS Program occurs automatically with vesting in the DB Program. The Teachers' Retirement Law establishes the benefits for the DBS Program. The primary government does not contribute to the DBS Program.

Contributions**:** The DB Program contribution rates are based on the provisions of AB 1469 and Education Code Section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were

8.15% and 8.88% of creditable compensation, respectively. The General Fund contributed an additional 2.017% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 4.311% in the next year and continue to increase until fiscal year 2046-47. The State contributed a total of $1.9 billion for the fiscal year 2015-16. CalSTRS' June 30, 2014 Defined Benefit Actuarial Valuation Report, may be found on CalSTRS' website at www.CalSTRS.com/sites/main/files/file-attachements/2014_db_valuation_report.pdf.

The CB Benefit Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CB Benefit Program is optional. However, if the employer elects to offer the CB Benefit Program, then each eligible employee will automatically be covered by the CB Benefit Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2015, the CB Benefit Program had 33 contributing school districts and 36,530 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The program is funded as needed. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2015, 287 individuals were receiving benefits from the RB program.

***Actuarial Methods and Assumptions*:** The total pension liability in the June 30, 2014 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2015.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Investment rate of return	7.60 %
Consumer price inflation	3.00 %
Wage growth	3.75 %
Post-retirement benefit increases (COLAs)	2.00 % simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases created by AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear.

Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. Based on the model from CalSTRS' consulting actuary's investment practice, a best estimate range was determined by assuming that the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect since 2012.

Table 30 shows the assumed allocation and best estimates of 10-year geometric real rate of return for each major asset class.

Table 30

Long-term Expected Real Rate of Return by Asset Class – CalSTRS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47 %	4.50 %
Private equity	12	6.20
Real estate	15	4.35
Inflation sensitive	5	3.20
Fixed income	20	0.20
Cash/liquidity	1	0.00
Total	**100 %**	

***Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*:** CalSTRS' net pension liability was measured as of June 30, 2015 (measurement date) by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2014 (valuation date). The State's proportion of the net pension liability was based on CalSTRS' calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS' revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS' policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2015, the State's proportionate share of the CalSTRS' net pension liability was 34.593%, or $23.3 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2016.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of $1.55 billion for the year ended June 30, 2016 and reported deferred outflows and deferred inflows of resources as shown in Table 31.

Table 31

Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS
June 30, 2016
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ —	$ 1,898,464
Difference between expected and actual experiences	—	389,171
Proportionate share change	—	1,908,275
State contributions subsequent to the measurement date	1,935,287	—
Total	**$ 1,935,287**	**$ 4,195,910**

The $1.9 billion reported as deferred outflows of resources resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Table 32 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in futures years as a result of the State's requirement to contribute to CalSTRS. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 32

Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS
(amounts in thousands)

Year Ending June 30	Amount
2017	$ (1,168,663)
2018	(1,168,663)
2019	(1,168,663)
2020	75,820
2021	(382,883)
Thereafter	(382,858)

***Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*:** Table 33 shows the State's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate.

Table 33

Net Pension Liability Sensitivity – CalSTRS
June 30, 2016
(amounts in thousands)

	Current Rate –1%	Current Rate 7.60%	Current Rate +1%
State's proportionate share of net pension liability	$ 35,165,160	$ 23,289,390	$ 13,419,660

***Pension Plan Fiduciary Net Position*:** Detailed information about CalSTRS' pension plans' fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11: POSTEMPLOYMENT HEALTH CARE BENEFITS

***Other Postemployment Benefits (OPEB) Plan Description*:** The primary government provides health benefits (medical and prescription drug benefits) and dental benefits to annuitants of retirement systems through a substantive single-employer defined benefit plan to which the primary government contributes as an employer (State substantive plan). The primary government also offers life insurance, long-term care, and vision benefits to retirees; however, because these benefits are completely paid for by the retirees, the primary government has no liability. The design of health and dental benefit plans can be amended by the California Public Employees' Retirement System (CalPERS) Board of Administration and the California Department of Human Resources (CalHR), respectively. Employer and retiree contributions are governed by the primary government and can be amended by the primary government through the Legislature. The State contributes to the California Employers' Retiree Benefit Trust Fund (CERBTF). The CERBTF is a self-funded trust fund for the prefunding of health, dental, and other non-pension benefits. CalPERS reports on the CERBTF as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

Fifty-eight county superior courts (trial courts) are included in the primary government. However, each trial court is a separate employer for GASB Statement No. 45 reporting purposes. Fifty-one trial courts have a single-employer defined benefit plan; these plans have separate biennial actuarial valuations. One trial court (San Diego) has a cost-sharing multiple-employer defined benefit plan. Six trial courts (Alameda, Fresno, Mendocino, Modoc, San Benito, and Stanislaus) have no plan. Twenty-one plans are not accounted for in a trust fund and do not issue separate reports.

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. During the 2015-16 fiscal year, approximately 178,750 annuitants were enrolled to receive health benefits and approximately 149,560 annuitants were enrolled to receive dental benefits. As of July 1, 2015, the most recent actuarial valuation date, the trial courts had approximately 4,750 enrolled retirees and spouses.

***Funding Policy*:** The contribution requirements of plan members and the State are established and may be amended by the Legislature. 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 by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis, with a modest amount of prefunding for members of Bargaining Units 5, 12, and 16. The maximum 2016 monthly State contribution was $705 for one-party coverage, $1,343 for two-party coverage, and $1,727 for family coverage.

Each of the trial courts determines its respective retirees' benefits and benefit levels as well as the funding policy for its respective plan. Nineteen trial courts fund retirees' benefits on a strictly pay-as-you-go basis. The fiscal year 2015-16 monthly contribution rate for the trial courts with single-employer defined benefit plans, the latest year for which contribution information is available, ranged from $0 to $2,977,294, with the average being $145,805. One trial court (Yolo) continuously contributes at least the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. San Diego's plan, a cost-sharing multiple-employer defined benefit plan, had a contribution rate of 1.78% of annual covered payroll for active members of the San Diego County Employees Retirement Association. Twenty-one trial courts will make future trust contributions as funds are made available. For 2016, Orange contributed either 3.5% of payroll or no less than the ARC, with no commitment to future contributions. Kern and Lassen are fully funded and no future trust contributions are expected. Sonoma and Solano anticipate future contributions to be equal to the annual direct subsidy amount, with Sonoma ceasing contributions once the plan is fully funded. Both Marin and Santa Clara expect to contribute to their trusts until sufficient funds are available to pay all future benefits, with Santa Clara expecting to initially contribute $31 million in the 2015-16 fiscal year and an amount annually thereafter, and Marin expecting to annually contribute $100,000. Los Angeles and Nevada expect to contribute to their trusts as funds are available, with Los Angeles initially contributing $21 million in the 2016-17 fiscal year, and Nevada contributing $25,000 in the 2015-16 fiscal year. Shasta will make future trust contributions as funds are available, with an annual target of $100,000. For the year ended June 30, 2016, the State contributed $2.1 billion toward annuitants' health and dental benefits. Of this amount, the trial courts represent $91 million and certain discretely presented component units represent $4 million.

***Annual OPEB Cost and Net OPEB Obligation*:** The State's annual OPEB cost (expense) is calculated based on the ARC. Table 34 presents the State's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016, and the two preceding years, including trial courts.

Table 34

Schedule of Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed and Net OPEB Obligation
(amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 5,129,284	37.20 %	$ 19,489,030
June 30, 2015	5,156,787	39.33	22,617,653
June 30, 2016	5,693,106	37.74	26,162,194

Table 35 presents the components of the State's net OPEB obligation to the OPEB plan, including trial courts.

Table 35

Schedule of Net OPEB Obligation
June 30, 2016
(amounts in thousands)

	Amount
Annual required contribution	$ 5,626,380
Interest on net OPEB obligation	967,619
Adjustment to annual required contribution	(900,893)
Annual OPEB cost	**5,693,106**
Contributions made	(2,148,565)
Increase in net OPEB obligation	**3,544,541**
Net OPEB obligation – beginning of year	22,617,653
Net OPEB obligation – end of year [1]	**$ 26,162,194**

[1] This total is not fully reported within this State's financial statements as a portion is allocated to related organizations that are not included in the CAFR and fiduciary component units that deem the amount immaterial for inclusion in their separately issued financial statements.

***Funded Status and Funding Progress*:** As of June 30, 2016—the most recent actuarial valuation date for the State substantive plan—the actuarial accrued liability (AAL) for benefits was $76.7 billion, and the actuarial value of assets was $148 million, resulting in an unfunded actuarial accrued liability (UAAL) of $76.5 billion. The covered payroll (annual payroll of active employees covered by the plan) was $20.2 billion, and the ratio of the UAAL to the covered payroll was 380%.

For the trial courts, as of July 1, 2015—the most recent actuarial valuation date—the AAL for benefits was $1.5 billion and the actuarial value of assets was $88 million, resulting in an UAAL of $1.4 billion. The covered payroll was $1.0 billion and the ratio of the UAAL to covered payroll was 139%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the plan's funded status and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions*:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective.

In the June 30, 2016 State substantive plan actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual health care cost trend rate of actual increases for 2017 and 8.00% in 2018 initially, reduced to an ultimate rate of 4.50% in 2023. Both rates included a 2.75% annual inflation assumption. Annual wage inflation is assumed to be 3.00%. The UAAL is being amortized as a level percentage of active member payroll on an open basis over 30 years.

In the July 1, 2015 biennial actuarial valuations, the entry age normal cost method was used for 51 of the trial courts. The actuarial assumptions included a 3.75% investment rate of return for 19 trial courts. There are 32 other trial courts with investment rates of return ranging from 4.95% to 7.28%. The actuarial assumptions included a health care cost trend assumption based on the Society of Actuaries' "Getzen" trend model that incorporates (1) initial short-term rates (up to five years); (2) a multi-decade transition period of medium-term rates until projected healthcare costs reach gross domestic product capacity; and (3) a transition to the ultimate trend rate. The initial trend rates start at 8.25% for most trial courts and then reduce gradually to an ultimate trend rate of 4.4% after 60 years. Annual inflation and payroll growth are assumed to be 2.75% and 3.00%, respectively, for most trial courts. The UAAL is amortized on an open basis over 30 years as a level percentage of payroll for 47 trial courts. Three other trial courts (Lassen, Orange, and Yolo) amortize on a closed basis as a level percentage of payroll over 27, 22, and 23 years, respectively. Alpine is amortizing using the level dollar amount over 22 years on a closed basis.

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

The primary government has two commercial paper borrowing programs: a general obligation commercial paper program and an enterprise fund commercial paper program for the Department of Water Resources. Commercial paper (new issuance or rollover notes that replace maturing new issuances) may be issued at the prevailing market rate, not to exceed 11% for the general obligation program and 12% for the Department of Water Resources enterprise fund program, for periods not to exceed 270 days from the date of issuance. The proceeds from the initial issuance of commercial paper are restricted primarily for construction costs of general obligation bond program projects and certain state water projects. For both commercial paper borrowing programs, the commercial paper is retired by the issuance of long-term debt, so commercial paper is considered a noncurrent liability.

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks. The current "Letter of Credit" or "Note Purchase" agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed $2.2 billion. As of June 30, 2016, the general obligation commercial paper program had

$771 million in outstanding commercial paper notes for governmental activities. The current agreement for the enterprise fund commercial paper program authorizes the issuance of notes in an aggregate principal amount not to exceed $140 million. As of June 30, 2016, the enterprise fund commercial paper program had $43 million in outstanding notes.

The primary government has a bond anticipation note program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2016, $5 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

The University of California, a discretely presented component unit, has a commercial paper program and other uncollateralized borrowings. Additional disclosures for the University's commercial paper and other long-term borrowings are included in the University's separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2016, was approximately $1.8 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the year ended June 30, 2016, amounted to approximately $256 million for governmental activities and $27 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is $760 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. Included in the capital lease commitments are lease-purchase agreements, amounting to a present value of net minimum lease payments of $208 million that the California State University, reported as an enterprise fund, has entered into with the State Public Works Board (SPWB), reported as an internal service fund. This amount represents 27.3% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of $254 million for governmental activities and $467 million for business-type activities.

The capital lease commitments do not include $7.3 billion in lease-purchase agreements with the SPWB and $186 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

The University of California, a discretely presented component unit, leases land, buildings, and equipment under agreements recorded as operating leases. Additional disclosure for the University's lease obligations is included in its separately issued financial statements that may be found on its website at www.ucop.edu.

Table 36 summarizes future minimum lease commitments of the primary government.

Table 36

Schedule of Future Minimum Lease Commitments – Primary Government
(amounts in thousands)

	Governmental Activities		Business-type Activities		
Year Ending June 30	**Operating Leases**	**Capital Leases**	**Operating Leases**	**Capital Leases**	**Total**
2017	$ 215,480	$ 65,031	$ 25,274	$ 63,683	$ 369,468
2018	166,683	54,120	19,227	61,232	301,262
2019	122,124	46,876	15,918	34,614	219,532
2020	68,942	30,025	14,355	33,229	146,551
2021	27,511	26,423	15,289	32,476	101,699
2022-2026	65,915	65,846	30,268	144,813	306,842
2027-2031	9,538	42,143	15,920	127,436	195,037
2032-2036	3,735	39,765	5,198	91,829	140,527
2037-2041	104	21,106	2,603	13,005	36,818
2042-2046	104	262	397	—	763
2047-2051	104	—	324	—	428
2052-2056	98	—	33	—	131
2057-2061	45	—	33	—	78
2062-2066	—	—	211	—	211
Total minimum lease payments	**$ 680,383**	**391,597**	**$ 145,050**	**602,317**	**$ 1,819,347**
Less: amount representing interest		21,415		212,932	
Present value of net minimum lease payments		**370,182**		**389,385**	
Less: current portion		25,689		43,818	
Capital lease obligation, net of current portion		**$ 344,493**		**$ 345,567**	

NOTE 14: COMMITMENTS

As of June 30, 2016, the primary government had commitments of $7.3 billion for certain highway construction and high-speed rail projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with $1.1 billion from local governments and $6.2 billion from proceeds of approved federal grants. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of $623 million for various education programs, $371 million for terrorism prevention and disaster-preparedness response projects, $296 million for services under the workforce development program, $189 million for services provided under various public health programs, $111 million for community service programs, $44 million for services provided under the welfare program, and $18 million for services provided under the child support program.

The primary government had other commitments, totaling $9.1 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The $9.1 billion in commitments includes grant agreements totaling approximately $4.9 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The $9.1 billion in commitments includes $379 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need and $2.0 billion for undisbursed loan commitments to qualified agencies for clean water projects.

The $9.1 billion in commitments also includes contracts of $1.0 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of $473 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of natural gas and electricity. As of June 30, 2016, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $30 million in electricity through December 2019 and $10 million in natural gas through June 2018. The primary government also had commitments of $43 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of $243 million for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2016, the primary government encumbered expenditures of $989 million for the General Fund, $2.5 billion for the Transportation Fund, $977 million for the Environmental and Natural Resources Fund, and $910 million for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2016, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds vote of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education; the General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service it provides on their behalf. General obligation bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included as a liability of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such funds.

As of June 30, 2016, the State had $74.9 billion in outstanding general obligation bonds related to governmental activities and $792 million related to business-type activities. In addition, $27.9 billion in long-term general obligation bonds had been authorized but not issued, of which $27.6 billion is related to governmental activities and $368 million is related to business-type activities. The total amount authorized but not issued includes $15.5 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, $771 million in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2016, the State had $3.0 billion in variable-rate general obligation bonds outstanding, consisting of $803 million in daily-rate bonds with credit enhancement and $1.7 billion in weekly-rate bonds with credit enhancement, and $498 million in weekly- or monthly-rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced Index Floating Rate Bonds are determined by the Securities Industry and Financial Markets Association (SIFMA) Index rate or percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds. The State has entered into different credit agreements with various banks for each series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments or the commitment amounts to the bondholders; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the bank commitment amounts. The bondholders have the right to tender the bonds daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. Upon a tender, the remarketing agent will attempt to remarket the bonds to a new investor. If the remarketing of the bonds is unsuccessful, the bonds will enter into a bank bond period and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed or redeemed. If the bonds cannot be remarketed and remain in a bank bond period ranging from 45 days to 90 days, the bonds will be subject to term loan payment in 12 equal quarterly installments under the terms stated in the credit agreements. The term loan period may exceed the expiration dates of the credit agreements. The bonds may be remarketed at any time during the bank bond or term loan period. There were no bank bonds during fiscal year 2015-16.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of December 16, 2016; September 7, 2018; November 2, 2018; November 16, 2018; and April 26, 2019. The letters of credit for the Series 2004 variable-rate bonds have expiration dates of April 5, 2018; September 7, 2018; and August 11, 2020. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of December 16, 2016; April 11, 2017; November 16, 2018; November 4, 2019; and November 15, 2019. The Series 2012A and 2013 C, D, and E Index Floating Rate Bonds have mandatory purchase dates on December 1, 2016 (Series 2013C); December 1, 2017 (Series 2013D); May 1, 2018 (Series 2012A); and December 3, 2018 (Series 2013E). The Series 2012B SIFMA Index Floating Rate Bonds have final maturities from 2017 to 2020.

Based on the schedules provided in the Official Statements, any required sinking fund deposits for the variable-rate general obligation bonds were set aside in a mandatory sinking fund at the beginning of each of fiscal year 2015-16 and will continue through 2033-34, and 2039-40. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption of any other general obligation bonds then outstanding. To the extent that the deposit is not applied by January 31 of each fiscal year, the variable-rate general obligation bonds will be redeemed in whole or in part on an interest payment date in that fiscal year.

B. Mandatory Tender Bonds

As of June 30, 2016, the State had $1.1 billion in outstanding general obligation mandatory tender bonds, including $675 million with a fixed interest rate and $400 million with an index floating rate (discussed in Section A). On their respective mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption on or prior to that day. These bonds have mandatory tender dates on December 1, 2016; December 1, 2017; May 1, 2018; December 3, 2018; December 2, 2019; and December 1, 2021. In the event of an unsuccessful remarketing of all the outstanding bonds on the scheduled mandatory tender dates, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Current state laws limit interest rates to 11% per annum. With respect to $100 million of the Index Floating Rate Bonds, beginning six months after the scheduled mandatory tender date, the bonds will be subject to special mandatory redemption in 20 equal quarterly installments until they are remarketed or refunded.

C. Build America Bonds

As of June 30, 2016, the State had $13.5 billion in taxable various-purpose general obligation bonds outstanding that were issued as “Build America Bonds” under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds will mature between 2020 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 7.3% for the federal fiscal year ending September 30, 2015, and by 6.8% for the federal fiscal year ending September 30, 2016. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the United States Treasury under ARRA. The subsidy payments are deposited into the State’s General Fund.

D. Debt Service Requirements

Table 37 shows the debt service requirements for all general obligation bonds as of June 30, 2016. The estimated debt service requirements for the $3.0 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2016. For mandatory tender bonds, the debt service requirements shown in Table 37 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 37

Schedule of Debt Service Requirements for General Obligation Bonds
(amounts in thousands)

	Governmental Activities			Business-type Activities		
Year Ending June 30	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2017	$ 2,963,410	$ 3,842,972	$ 6,806,382	$ 58,010	$ 25,933	$ 83,943
2018	2,922,565	3,744,362	6,666,927	62,325	23,640	85,965
2019	2,856,030	3,621,838	6,477,868	49,000	21,997	70,997
2020	2,975,970	3,470,786	6,446,756	41,365	20,700	62,065
2021	2,724,850	3,340,243	6,065,093	31,445	19,496	50,941
2022 - 2026	12,644,665	14,832,444	27,477,109	39,235	91,220	130,455
2027 - 2031	14,360,190	11,729,861	26,090,051	172,830	79,632	252,462
2032 - 2036	15,178,125	8,111,319	23,289,444	191,805	42,744	234,549
2037 - 2041	13,745,625	3,502,269	17,247,894	102,300	17,062	119,362
2042 - 2046	4,570,325	478,323	5,048,648	41,915	3,996	45,911
2047	—	—	—	2,030	33	2,063
Total	**$ 74,941,755**	**$ 56,674,417**	**$ 131,616,172**	**$ 792,260**	**$ 346,453**	**$ 1,138,713**

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 9, 2015, the primary government issued $1.4 billion in general obligation bonds to current and advance refund $1.5 billion in outstanding general obligation bonds maturing in 2016 to 2036. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $273 million and resulted in an economic gain of $205 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.80% per year over the life of the new bonds.

On November 3, 2015, the primary government issued $866 million in general obligation bonds to advance refund $930 million in outstanding general obligation bonds maturing in 2017 to 2035. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $160 million and resulted in an economic gain of $123 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.71% per year over the life of the new bonds.

On March 17, 2016, the primary government issued $1.8 billion in general obligation bonds to current and advance refund $2.0 billion in outstanding general obligation bonds maturing in 2016 to 2037. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $399 million and resulted in an economic gain of $294 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.62% per year over the life of the new bonds.

On April 28, 2016, the primary government issued $998 million in general obligation bonds to current and advance refund $1.1 billion in outstanding general obligation bonds maturing 2017 to 2037. As a result, the refunded bonds are defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by $251 million and resulted in an economic gain of $196 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.05% per year over the life of the new bonds.

2. Outstanding Balance

In the current and prior years, the primary government placed the proceeds of the refunding bonds in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2016, the outstanding balance of defeased general obligation bonds was approximately $3.6 billion.

NOTE 16: REVENUE BONDS

A. Governmental Activities

The State Treasurer is authorized by state law to issue Federal Highway Grant Anticipation Revenue Vehicles (GARVEE bonds). The purpose of these bonds is to accelerate the funding and construction of critical transportation infrastructure projects in order to provide congestion relief benefits to the public significantly sooner than with traditional funding mechanisms. These bonds are secured and payable from the annual federal appropriation for the State's federal-aid transportation projects. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $46 million, payable through 2020. In addition, the California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. Both of these bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. In 2013 and 2015, bonds were issued to partially refund the 2005 bonds. Total principal and interest remaining on all asset-backed bonds is $16.6 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled $371 million, while Tobacco

Settlement Revenue and interest earned totaled $365 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of constructing state office buildings. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is $14.8 billion, payable through 2040. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

For the specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

B. Business-type Activities

Revenue bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included in the accounts of such funds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds of agencies that issued the bonds. The General Fund has no legal liability for payment of principal and interest on revenue bonds. For specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

Revenue bonds to acquire, construct, or renovate state facilities or to refund outstanding revenue bonds in advance of maturity are issued for water resources, financing of electric power purchases for resale to utility customers, state university campuses, and certain nonmajor enterprise funds.

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2015-16, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for fiscal year 2015-16, which may be found on its website at www.CalHFA.ca.gov.

Table 38 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 38

Schedule of Revenue Bonds Payable
June 30, 2016
(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	$ 44,213
Public Buildings Construction Fund	10,017,624
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,926,057
Building authorities	222,605
Total governmental activities	**17,210,499**
Business-type activities	
Electric Power Fund	4,880,000
Water Resources Fund	2,770,888
California State University	5,450,928
Nonmajor enterprise funds	826,558
Total business-type activities	**13,928,374**
Total primary government	**31,138,873**
Discretely presented component units	
University of California	18,379,830
California Housing Finance Agency	2,583,952
Nonmajor component units	485,300
Total discretely presented component units	**21,449,082**
Total revenue bonds payable	**$ 52,587,955**

Table 39 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 38.

Table 39

Schedule of Debt Service Requirements for Revenue Bonds
(amounts in thousands)

	Primary Government				Discretely Presented Component Units	
	Governmental Activities		Business-type Activities			
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest *
2017	$ 585,661	$ 794,652	$ 943,470	$ 590,843	$ 418,057	$ 913,104
2018	633,856	766,394	1,001,000	545,980	441,035	898,970
2019	611,811	736,244	1,050,405	498,776	446,010	879,669
2020	621,616	705,990	1,105,103	449,566	753,840	856,823
2021	628,206	676,967	1,128,540	397,369	727,630	832,652
2022-2026	2,918,736	3,081,895	2,651,660	1,372,908	2,958,465	3,658,865
2027-2031	3,116,910	2,347,108	1,751,670	909,721	3,310,730	2,910,341
2032-2036	2,930,995	1,482,848	1,552,955	534,444	3,531,885	2,099,123
2037-2041	1,968,860	885,462	801,235	267,891	3,490,031	1,296,701
2042-2046	1,579,475	667,894	490,145	109,699	2,304,190	687,053
2047-2051	849,176	3,169,381	258,580	28,189	684,735	380,862
2052-2116	—	—	44,415	777	1,375,810	4,077,092
Total	**$ 16,445,302**	**$ 15,314,835**	**$ 12,779,178**	**$ 5,706,163**	**$ 20,442,418**	**$ 19,491,255**

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2016.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

In April 2016, the SPWB and the California State University (CSU) entered into a restructuring agreement in which the bonds held by SPWB for CSU projects were refunded by revenue bonds issued by CSU. A portion of the bond proceeds of the CSU refunding bonds were deposited into escrow accounts and will be used to make principal and interest payments for the refunded debt, resulting in the legal defeasance of $773 million in bonds payable. The restructuring was authorized in the 2015-16 budget.

The SPWB and CSU also executed termination agreements for the leases related to the defeased bonds. As a result, the net investment in direct financing leases, construction work in progress, and bonds payable related to these leases were removed from the Public Buildings Construction Fund's Statement of Net Position. The net effect of these transactions was a gain of $41 million, and is shown in the Public Buildings Construction Fund's Statement of Revenues, Expenses, and Changes in Fund Net Position.

During the 2015-16 fiscal year, the SPWB issued $618 million in lease revenue refunding bonds. The bond proceeds were used to refund $731 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by $137 million and resulted in an economic gain of $117 million. These lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

During the 2015-16 fiscal year, the San Francisco State Building Authority issued $103 million in lease revenue refunding bonds to advance refund $132 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by $15 million and resulted in an economic gain of $15 million.

During the 2015-16 fiscal year, the Oakland State Building Authority issued $59 million in lease revenue refunding bonds to advance refund $74 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by $11 million and resulted in an economic gain of $10 million.

2. Current Year – Business-type Activities

In August 2015 and April 2016, the CSU issued a total of $2.4 billion in systemwide revenue refunding bonds to refund certain outstanding systemwide revenue bonds. A portion of the proceeds was deposited into an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the financial statements. This refunding decreased debt service payments by $210 million over the life of the bonds and resulted in an economic gain of $154 million for the refunded bonds.

3. Outstanding Balances

In current and prior years, the primary government defeased certain bonds by placing the proceeds of new bonds in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2016, the outstanding balances of defeased revenue bonds were $233 million for governmental activities and $2.3 billion for business-type activities.

NOTE 17: SERVICE CONCESSION ARRANGEMENTS

The State entered into various service concessions arrangements with independent third parties to develop, equip, operate, and maintain nonexclusive concessions at park grounds in exchange for fixed installment payments, for a fixed period of time. These third parties are compensated by user fees. These existing facilities are reported as capital assets by the State, the present value of installment payments are reported as receivables, and a corresponding deferred inflow of resources is reported in the government-wide Statement of Net Position. The State reserves the right to provide or modify the types of goods and services provided by the operator to ensure that the public receives fair pricing, proper service, and appropriate quality. The State is not obligated by the debts of the operator in the event of a default, nor does the State guarantee minimum revenue to the operator. The amount of the primary government's service concession arrangements can be found in Note 21, Deferred Outflows and Deferred Inflows of Resources.

The University of California, a discretely presented component unit, has entered into service concession arrangements with third parties for student housing and certain other faculty and student services. Payments received or to be received by the University from service concession arrangements are reported as deferred inflows of resources. Additional information on the University's service concession arrangements can be found in the University's separately issued financial statements on its website at www.ucop.edu.

NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Short-term interfund receivables and payables result from the time lag between the dates on which goods and services are delivered and the dates on which payments between entities are made. In addition, interfund borrowing, mainly from nonmajor governmental funds and fiduciary funds, is used to meet temporary imbalances of receipts and disbursements in the General Fund.

Table 40 shows the amounts due from and due to other funds.

Table 40

Schedule of Due From Other Funds and Due To Other Funds
June 30, 2016
(amounts in thousands)

	Due To				
Due From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Nonmajor Governmental Funds**	**Electric Power Fund**
Governmental funds					
General Fund	$ —	$ —	$ —	$ 574,836	$ —
Federal Fund	113,110	920,411	339,175	90,647	—
Transportation Fund	13,920	—	—	48,757	—
Environmental and Natural Resources Fund	10,841	16,547	—	1,758	—
Nonmajor governmental funds	1,109,148	18,138	13,926	15,009	—
Total governmental funds	**1,247,019**	**955,096**	**353,101**	**731,007**	**—**
Enterprise funds					
Water Resources Fund	—	—	—	—	—
State Lottery Fund	952	—	—	383,781	—
Unemployment Programs Fund	217,160	—	—	—	—
Nonmajor enterprise funds	1,292	—	195	343	—
Total enterprise funds	**219,404**	**—**	**195**	**384,124**	**—**
Internal service funds	4,113	5,938	8,873	25,282	4,000
Total due from other funds	**$ 1,470,536**	**$ 961,034**	**$ 362,169**	**$ 1,140,413**	**$ 4,000**

Water Resources Fund	State Lottery Fund	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due to Other Funds
				Due To			
$ —	$ —	$ —	$ 254	$ —	$ 305,722	$ 2,942,362	$ 3,823,174
—	—	3,183	—	81	39,876	13,189,735	14,696,218
—	—	—	—	—	23,437	50,310	136,424
—	—	—	—	—	13,027	—	42,173
—	—	—	231	57	46,979	3,215,829	4,419,317
—	**—**	**3,183**	**485**	**138**	**429,041**	**19,398,236**	**23,117,306**
—	—	—	—	—	39,370	—	39,370
—	—	—	—	—	—	—	384,733
—	—	—	—	—	—	—	217,160
—	—	—	—	—	317	8	2,155
—	**—**	**—**	**—**	**—**	**39,687**	**8**	**643,418**
1,265	1,394	4,484	338	1,440	46,420	2,534	**106,081**
$ 1,265	**$ 1,394**	**$ 7,667**	**$ 823**	**$ 1,578**	**$ 515,148**	**$ 19,400,778**	**$ 23,866,805**

Interfund receivables and payables are the result of interfund loans that are not expected to be repaid within one year. In addition to the temporary interfund cash-flow borrowing shown in Table 40, annual enacted budgets provide for long-term loans from many of the State's special funds—mainly the Transportation Fund, Environmental and Natural Resources Fund, and nonmajor governmental funds—to the General Fund. The $2.4 billion in Transportation Fund loans payable from the General Fund also includes $849 million in deferred Proposition 42 transfers for traffic congestion relief and other direct loans from the Traffic Congestion Relief Program.

Table 41 shows the primary government's interfund receivables and payables.

Table 41

Schedule of Interfund Receivables and Payables
June 30, 2016
(amounts in thousands)

	Interfund Payables		
Interfund Receivables	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**
Governmental funds			
General Fund	$ —	$ 2,413,168	$ 454,800
Transportation Fund	—	—	—
Environmental and Natural Resources Fund	4,790	10,000	—
Nonmajor governmental funds	22,527	1,448	—
Total governmental funds	**27,317**	**2,424,616**	**454,800**
Internal service funds	41,717	**—**	**—**
Total primary government	**$ 69,034**	**$ 2,424,616**	**$ 454,800**

Interfund Payables					
Nonmajor Governmental Funds	**Water Resources Fund**	**Unemployment Programs Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total**
$ 791,160	$ —	$ 308,233	$ 1,600	$ 14,207	$ 3,983,168
10,000	—	—	—	864	10,864
—	—	—	—	—	14,790
—	—	—	—	—	23,975
801,160	**—**	**308,233**	**1,600**	**15,071**	**4,032,797**
86	92,011	**—**	**—**	10,292	**144,106**
$ 801,246	**$ 92,011**	**$ 308,233**	**$ 1,600**	**$ 25,363**	**$ 4,176,903**

The amounts shown as due from primary government and due to component units represent short-term receivables and payables between the primary government and component units resulting from the time lag between the dates on which goods and services are provided and received and the dates on which payments between entities are made.

Table 42 shows the amounts due from the primary government and due to component units.

Table 42

Schedule of Due from Primary Government and Due to Component Units
June 30, 2016
(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	$ 137,882
Nonmajor governmental funds	32,321
Total governmental funds	**170,203**
Total primary government	**$ 170,203**

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was $2.3 billion to nonmajor governmental funds, mainly for support of trial courts, local governments, and health care related programs. The General Fund also transferred $2.8 billion to the California State University, an enterprise fund. The Transportation Fund transferred $1.1 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred $500 million to the General Fund for administration of the Unemployment Insurance Program.

Table 43 shows interfund transfers of the primary government.

Table 43

Schedule of Interfund Transfers
June 30, 2016
(amounts in thousands)

	Transferred To		
Transferred From	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	$ —	$ —	$ 853
Federal Fund	500,156	—	168,572
Transportation Fund	72,868	—	40,409
Environmental and Natural Resources Fund	1,067	—	—
Nonmajor governmental funds	35,636	10,021	26,107
Total governmental funds	**609,727**	**10,021**	**235,941**
Internal service funds	16,448	—	—
Total primary government	**$ 626,175**	**$ 10,021**	**$ 235,941**

Transferred To			
Nonmajor Governmental Funds	**California State University Fund**	**Internal Service Funds**	**Total**
$ 2,265,715	$ 2,800,101	$ —	$ 5,066,669
18,857	—	—	687,585
1,148,605	—	—	1,261,882
13,031	—	—	14,098
28,144	—	—	99,908
3,474,352	**2,800,101**	**—**	**7,130,142**
38,634	—	1,459	**56,541**
$ 3,512,986	**$ 2,800,101**	**$ 1,459**	**$ 7,186,683**

NOTE 19: FUND BALANCES, NET POSITION DEFICITS, AND ENDOWMENTS

A. Fund Balances

Table 44 shows the composition of the governmental fund balances.

Table 44

Schedule of Fund Balances by Function
June 30, 2016
(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Nonmajor Governmental Funds
Nonspendable					
Long-term interfund receivables	$ 69,034	$ —	$ —	$ —	$ —
Long-term loans receivable	6,905	—	—	—	—
Other	—	—	—	—	11,188
Total nonspendable	**75,939**	**—**	**—**	**—**	**11,188**
Restricted					
General government	6,360	27,906	7,220	5,603	3,551,089
Education	457,181	432	457	—	350,216
Health and human services	153,726	257	—	1,685,994	2,490,843
Natural resources and environmental protection	5,578	10,808	—	4,406,860	145,852
Business, consumer services, and housing	1,644	208,431	216,772	42,423	3,461,533
Transportation	—	—	8,262,661	—	9,161
Corrections and rehabilitation	—	—	—	—	648
Budget stabilization	3,420,422	—	—	—	—
Total restricted	**4,044,911**	**247,834**	**8,487,110**	**6,140,880**	**10,009,342**
Committed					
General government	12,193	—	—	18,212	385,512
Education	3,745	—	—	—	46,454
Health and human services	4,057	—	1,251	—	350,900
Natural resources and environmental protection	2,024	—	4	3,930,112	686,605
Business, consumer services, and housing	—	—	50,552	38,927	131,973
Transportation	—	—	—	—	3,818
Corrections and rehabilitation	46,083	—	—	—	8,158
Total committed	**68,102**	**—**	**51,807**	**3,987,251**	**1,613,420**
Assigned – general government	—	—	—	—	14,622
Unassigned	(3,827,224)	—	—	(1,037)	—
Total fund balances	**$ 361,728**	**$ 247,834**	**$ 8,538,917**	**$ 10,127,094**	**$ 11,648,572**

B. Net Position Deficits

Table 45 shows the net position deficit balances.

Table 45

Schedule of Net Position Deficits
June 30, 2016
(amounts in thousands)

	Internal Service Funds	Enterprise Funds
Architecture Revolving Fund	$ 22,877	$ —
Service Revolving Fund	642,247	—
Technology Services Revolving Fund	202,472	—
Water Resources Revolving Fund	5,301	—
Other Internal Service Programs Fund	55,604	—
California State University Fund	—	2,576,689
Total net position deficits	**$ 928,501**	**$ 2,576,689**

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2016, the value of restricted endowments and gifts totaled $14.6 billion, and unrestricted endowments and gifts totaled $3.0 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to $2.1 billion at June 30, 2016. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of $1.1 billion and $9 million, respectively.

NOTE 20: RISK MANAGEMENT

The primary government has elected, with a few exceptions, to be self-insured against loss or liability. The primary government generally does not maintain reserves. Losses are covered by appropriations from each fund responsible for payment in the year in which the payment occurs. The State is permissively self-insured and, barring any extraordinary catastrophic event, the potential amount of loss faced by the State is not considered material in relation to the primary government's financial position. Generally, the exceptions are when a bond resolution or a contract requires the primary government to purchase commercial insurance for coverage against property loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, no insurance settlement in the last three years has exceeded insurance coverage. All claim payments are on a "pay-as-you-go" basis, with workers' compensation benefits for self-insured agencies initially being paid by the State Compensation Insurance Fund.

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be $3.9 billion as of June 30, 2016. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately $5.6 billion is discounted to $3.9 billion using a 3.5% interest rate. Of the total discounted liability, $409 million is a current liability, of which $276 million is included in the General Fund, $130 million in the special revenue funds, and $3 million in the internal service funds. The remaining $3.5 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

The University of California, a discretely presented component unit, is self-insured or insured through a wholly-owned captive insurance company. Additional disclosures for the University's risk management and self-insurance claims liability is included in its separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

Table 46 shows the changes in the self-insurance claims liability for the primary government.

Table 46

Schedule of Changes in Self-Insurance Claims
Year Ended June 30
(amounts in thousands)

	2016	2015
Unpaid claims, beginning	$ 3,843,167	$ 3,703,970
Incurred claims	540,310	566,194
Claim payments	(443,757)	(426,997)
Unpaid claims, ending	**$ 3,939,720 ***	**$ 3,843,167**

* Includes $3,282 for business-type activities.

NOTE 21: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $1.9 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 47 shows the detail of the deferred outflows of resources and deferred inflows of resources reported in the government-wide Statement of Net Position. For descriptions of the deferred outflows and deferred inflows of resources transactions, see Note 1.L.

Table 47

Schedule of Deferred Outflows and Deferred Inflows of Resources
June 30, 2016
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Deferred outflows of resources:				
Loss on refunding of debt	$ 808,177	$ 390,176	$ 1,198,353	$ 397,863
Decrease in fair value of hedging derivatives	—	—	—	179,564
Net pension liability	6,917,408	938,106	7,855,514	5,080,144
Total deferred outflows of resources	**7,725,585**	**1,328,282**	**9,053,867**	**5,657,571**
Deferred inflows of resources:				
Gain on refunding of debt	194,700	—	194,700	773
Service concession arrangements	64,321	—	64,321	71,139
Net pension liability	4,990,302	162,346	5,152,648	1,210,490
Other deferred inflows	—	922,505	922,505	499,155
Total deferred inflows of resources	**$ 5,249,323**	**$ 1,084,851**	**$ 6,334,174**	**$ 1,781,557**

NOTE 22: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2016, the CalHFA had $592 million of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2016, these component units had approximately $4.3 billion of debt outstanding, which is not debt of the State.

NOTE 23: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2016; those in progress as of June 30, 2016, and settled or decided against the primary government as of March 22, 2017; and those having a high probability of resulting in a decision against the primary government as of March 22, 2017, and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

In addition, the primary government is involved in certain other legal proceedings that, if decided against the primary government, may impair its revenue sources or require it to make significant expenditures. Because of the prospective nature of these proceedings, no provision for the potential liability has been made in the financial statements.

Following are the more significant lawsuits pending against the primary government:

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA–Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs allege class action and declaratory relief, and seek attorney fees based on alleged violations to the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified amount of refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. The trial court has denied class certification and the plaintiffs have appealed. Briefing of the appeal was completed on December 17, 2014, and the parties are waiting for notice of oral argument.

In a previously settled case, *Northwest Energetic Services, LLC v. Franchise Tax Board*, the Court of Appeal found the fee unconstitutional only as applied to the plaintiff. The primary government has already begun to pay refunds to LLCs, with the same facts as Northwest, that have no income earned inside California. In another previously settled case, *Ventas Finance I, LLC v. Franchise Tax Board*, the Court of Appeal also ruled that the fee is unconstitutional as applied to the plaintiff, but it awarded only a partial refund because Ventas received income from both inside and outside of California. *Bakersfield Mall, LLC v. Franchise Tax Board* raised the same constitutional issues as Northwest and Ventas, but initially pertained to LLCs that conduct business solely within California. Bakersfield Mall, LLC later amended its complaint to reflect the fact that not all of its income is derived within the state, making it similar to the Ventas case. This plaintiff also intended to bring a class action suit for refund on behalf of all similarly situated LLCs and to declare the LLC fee unconstitutional. However, the Court of Appeal ruled that Bakersfield Mall, LLC did not follow mandatory class action claim procedures. *CA-Centerside II, LLC v. Franchise Tax Board* raised the same constitutional issues as the Bakersfield case, and alleges that the LLC fee is unconstitutional regarding any activities, whether in-state or out-of-state. Actual and expected future claims for refunds from LLCs are estimated to be as high as $1.2 billion.

The primary government is a defendant in another case, *Abercrombie & Fitch Co. & Subsidiaries v. Franchise Tax Board*, regarding constitutionality of Revenue and Taxation Code section 25101.15. If the plaintiff were to prevail and obtain the remedy it seeks, the estimated loss to the plaintiff and all similarly situated taxpayers is approximately $5.0 billion in refunds and $1.5 billion in lost annual revenues going forward. The case went to trial and on September 13, 2016, the court granted the State's motion for judgement, which was entered for the State on October 31, 2016. A Notice of Appeal was filed December 7, 2016.

A writ petition, *Bekkerman et al v. California Board of Equalization*, has been filed against the primary government challenging the validity of a Board of Equalization (the Board) sales tax regulation (Cal. Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone be based on the full "unbundled" price of the phone, rather than any discounted price that is contingent on a service plan commitment. A companion class action has been filed. One plaintiff has removed the class action to federal court. The primary government has filed a motion to remand that is fully briefed and pending before the District Court. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring the Board to refund up to $1.0 billion in sales tax collections. The superior court will hold a hearing on the merits of the writ on June 2, 2017.

The primary government is a defendant in several matters collectively known as the Suction Dredge Mining Cases. Mining interests have challenged the State's regulation of suction dredge gold mining, alleging federal preemption and takings claims. One of these matters, *The New 49'ERS, Inc. et al. v. California Department of Fish and Game (The New 49'ERS)*, is also pled as a class action. If the plaintiffs in *The New 49'ERS* succeed in certifying a class of miners, and that class ultimately prevails in their claim that the state moratorium on suction dredge mining resulted in a constitutional taking of their federal mining rights, the State could face a judgment in excess of $5 billion.

The primary government was a defendant in the following cases: *Anthem Blue Cross v. David Maxwell-Jolly, et al.*; *Molina Family Health Plan v. DHCS*; *and Health Net of California v. DHCS* regarding application of budget reduction factors to managed-care capitated rates. These cases have been settled on a contingent basis based on the plans' profitability. The estimated combined total potential loss is more than $400 million based on three separate settlement agreements that were entered into in 2013 and 2014. The primary government is involved in similar disputes with LA Care and other local initiatives regarding application of budget reduction factors to managed-care capitation rates; these disputes are still pending in administrative hearings. The combined total potential loss is more than $200 million.

B. Federal Audit Exceptions

The primary government receives substantial funding from the federal government in the form of grants and other federal assistance. The primary government, the University of California, California Housing Finance Agency (CalHFA), and certain nonmajor discretely presented component units are entitled to these resources only if they comply with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; they may spend these resources only for eligible purposes. If audits disclose exceptions, the primary government, the University, CalHFA, and certain nonmajor discretely presented component units may incur a liability to the federal government.

NOTE 24: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2016, but prior to the date of the auditor's report.

A. Debt Issuances

In August 2016, October 2016 and March 2017, the primary government issued $2.7 billion, $1.6 billion, and $2.8 billion, respectively, in general obligation bonds to finance or refinance capital facilities or other voter-approved costs for public purposes, including: stem cell research; housing and emergency shelter; high-speed rail; K-12 public school facilities; K-12 public education facilities; public higher education facilities; library construction and renovation; safe drinking water; clean air and transportation improvement; earthquake safety and public building rehabilitation; new prison construction; passenger rail and clean air; safe, clean, and reliable water supply; safe drinking water, clean water, watershed and flood protection; safe neighborhood parks, clean water, clean air, and coastal protection; seismic retrofit; water conservation; children's hospitals; highway safety, traffic reduction, air quality and port security; safe drinking water, water quality and supply, flood control, river and coastal protection; veterans' housing; water quality, supply, and infrastructure improvement; clean water, clean air, safe neighborhood and coastal protection; disaster preparedness and flood protection; public safety; correctional facilities; water security, clean drinking water, coastal and beach protection.

In August 2016, the University of California, a major component unit, issued a total of $1.0 billion in revenue bonds to finance and refinance certain facilities and projects of their medical centers.

In September 2016, the primary government issued $100 million in general obligation bonds for public purposes, including highway safety, traffic reduction, air quality and port security. The primary government also remarketed $100 million in mandatory tender bonds originally issued to finance capital facilities or other voter-approved costs for public purposes..

In September 2016 and October 2016, the Department of Water Resources issued a combined $995 million in revenue bonds. The $567 million in power supply revenue bonds were issued to refund outstanding power supply bonds and to pay related issuance costs. The $428 million in water system revenue bonds were issued to fund construction of certain water system projects, to refund or redeem certain outstanding water system revenue bonds and commercial paper notes, to fund deposits to a debt service reserve account, to fund capitalized interest, and to pay related issuance costs.

In October 2016, the State Public Works Board issued $705 million in lease revenue bonds to refund outstanding lease revenue bonds, to finance and refinance certain design and construction cost on various projects for the benefit of the Department of Correction and Rehabilitation, to reimburse interim loans, and to pay related issuance costs.

In October 2016, the primary government issued $167 million in veterans home purchase revenue bonds to refund certain outstanding home purchase revenue bonds, to make deposits into funds, accounts or subaccounts as provided in the resolution, to finance new and refinance existing contracts of purchase, and to pay related issuance costs.

In November 2016, two of the State's building authorities issued $22 million in lease revenue bonds to refund outstanding bonds for two state office buildings, to fund a debt service reserve account, and to pay related issuance costs.

Subsequent to June 30, 2016, the California State University issued $199 million in bond anticipation notes to fund capital projects at various campuses. In September 2016, the university deposited cash and certain investment securities in an irrevocable escrow with the State Treasurer as security for the partial refunding of certain outstanding Systemwide Revenue Bonds maturities. In February 2017, the university issued $1.2 billion in revenue bonds to finance and refinance the acquisition, construction, improvement, and renovation of certain university facilities, to refund certain outstanding Systemwide Revenue Bond maturities, to fund capitalized interest, and to pay related issuance costs.

B. Other

In the November 8, 2016 general election:

- Voters passed Proposition 51 authorizing the State to sell $9.0 billion in general obligation bonds for education facilities—$7.0 billion for K-12 public school facilities and $2.0 billion for community college facilities. The bonds will be issued over a five-year period and will increase the General Fund's debt service expenditures by approximately $500 million per year for 35 years.

- Voters passed Proposition 55 authorizing the State to extend through 2030 the income tax rates established by Proposition 30 that were scheduled to end in 2018. Proposition 55 guarantees revenues for K-12 public schools and community colleges, health care services for low-income Californians, budget reserves, and outstanding debt paydowns. After satisfying these constitutional requirements, remaining revenues, if any, would be available for any budget purpose.

- Voters passed Proposition 56 authorizing the State to increase its excise tax on cigarettes by $2 per pack and by a similar amount for other tobacco products such as cigars, chewing tobacco, and electronic cigarettes effective April 1, 2017. Revenue from these higher taxes will be used for many purposes, but primarily to increase spending on health care services for low-income Californians.

- Voters passed Proposition 64 legalizing the use, growth, and possession of marijuana for adults 21 years and older for nonmedical purposes, with certain restrictions. The State will regulate nonmedical marijuana businesses and tax the growing and selling of medical and nonmedical marijuana. Most of the revenue from these taxes will support youth programs, environmental protection, and law enforcement.

In August 2016, Fitch Ratings raised the State's general obligation rating to "AA-" from "A+", stating that the upgrade reflected a combination of positive credit developments for the State, including Fitch's revised criteria for U.S. state and local governments. In addition, Fitch stated, "California is fundamentally better positioned to withstand a future economic downturn than has been the case in prior recessions due to numerous institutional improvements."

California's demand for unemployment insurance benefits requires the State to continue borrowing from the U.S. Department of Labor during the 2016-17 fiscal year. As of June 30, 2016, the State had $3.1 billion in outstanding loans with the U.S. Department of Labor that were used to cover deficits in the Unemployment Programs Fund. As of March 22, 2017, the State had an outstanding loan balance of $3.0 billion and estimates that these loans will be fully repaid in 2018.

In December 2016, the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.5% to 7.0% over the next three years. The Board approved separate timelines for implementing the new rate for the State, school districts, and public agencies. The new discount rate for the State would take effect July 1, 2017, and the new discount rate for school districts and public agencies would take effect July 1, 2018. CalPERS' decrease in the discount rate will potentially increase the State's unfunded pension liability and will likely result in higher employer contributions in the future.

In February 2017, the California State Teacher's Retirement System (CalSTRS) Board of Administration voted to adopt a new set of actuarial assumptions that reflect members' increasing life expectancies and current economic trends. The board voted to decrease the discount rate over a two-year period from 7.50% to 7.25% for the June 30, 2016 actuarial valuation to be presented at the April 2017 board meeting, and a decrease from 7.25% to 7.00% for the June 30, 2017 actuarial valuation to be presented at the April/May 2018 board meeting. CalSTRS' decrease in the discount rate will potentially increase the State's share of CalSTRS' unfunded liability and will likely result in a higher non-employer contribution required from the State.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Two Fiscal Years [1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE MISCELLANEOUS [2]

	2014 [3]	2015 [3]
Total pension liability		
Service cost	$ 1,477,762	$ 1,576,695
Interest on total pension liability	6,670,928	6,970,837
Differences between expected and actual experience	—	693,639
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net change in total pension liability	3,304,059	4,142,949
Total pension liability – beginning	**88,885,115**	**92,189,174**
Total pension liability – ending (a)	**$ 92,189,174**	**$ 96,332,123**
Plan fiduciary net position		
Contributions – employer	2,156,312	2,608,785
Contributions – employee	766,896	771,046
Net investment income	10,370,838	1,505,042
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Plan to plan resource movement	—	(354)
Administrative expense	(86,473)	(76,678)
Net change in plan fiduciary net position	8,362,942	(290,381)
Plan fiduciary net position – beginning	**60,017,620**	**68,380,562**
Plan fiduciary net position – ending (b)	**$ 68,380,562**	**$ 68,090,181**
State's net pension liability – ending (a) – (b)	**$ 23,808,612**	**$ 28,241,942**
Plan fiduciary net position as a percentage of the total pension liability	74.17%	70.68%
Covered-employee payroll	$ 10,019,739	$ 10,640,884
State's net pension liability as a percentage of covered-employee payroll	237.62%	265.41%

(continued)

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

[3] The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]

(amounts in thousands)

	2014 [3]	2015 [3]
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE INDUSTRIAL [2]		
Total pension liability		
Service cost	$ 92,324	$ 100,006
Interest on total pension liability	241,278	257,527
Differences between expected and actual experience	—	26,976
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net change in total pension liability	186,625	227,480
Total pension liability – beginning	**3,181,282**	**3,367,907**
Total pension liability – ending (a)	**$ 3,367,907**	**$ 3,595,387**
Plan fiduciary net position		
Contributions – employer	88,516	107,238
Contributions – employee	44,459	49,482
Net investment income	423,076	62,385
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Plan to plan resource movement	—	30
Administrative expense	(3,583)	(3,252)
Net change in plan fiduciary net position	405,491	58,854
Plan fiduciary net position – beginning	**2,420,958**	**2,826,449**
Plan fiduciary net position – ending (b)	**$ 2,826,449**	**$ 2,885,303**
State's net pension liability – ending (a) – (b)	**$ 541,458**	**$ 710,084**
Plan fiduciary net position as a percentage of the total pension liability	83.92%	80.25%
Covered-employee payroll	$ 532,490	$ 577,711
State's net pension liability as a percentage of covered-employee payroll	101.68%	122.91%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE SAFETY [2]

	2014 [3]	2015 [3]
Total pension liability		
Service cost	$ 402,902	$ 422,634
Interest on total pension liability	663,219	734,333
Differences between expected and actual experience	—	(4,150)
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net change in total pension liability	636,768	683,542
Total pension liability – beginning	**8,682,750**	**9,626,597** *
Total pension liability – ending (a)	**$ 9,319,518**	**$ 10,310,139**
Plan fiduciary net position		
Contributions – employer	339,232	393,925
Contributions – employee	196,148	215,482
Net investment income	1,162,050	175,677
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Plan to plan resource movement	—	499
Administrative expense	(9,945)	(9,200)
Net change in plan fiduciary net position	1,258,132	307,108
Plan fiduciary net position – beginning	**6,583,260**	**7,841,392**
Plan fiduciary net position – ending (b)	**$ 7,841,392**	**$ 8,148,500**
State's net pension liability – ending (a) – (b)	**$ 1,478,126**	**$ 2,161,639**
Plan fiduciary net position as a percentage of the total pension liability	84.14%	79.03%
Covered-employee payroll	$ 1,901,235	$ 2,003,777
State's net pension liability as a percentage of covered-employee payroll	77.75%	107.88%

(continued)

* Restated

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE PEACE OFFICERS AND FIREFIGHTERS [2]

	2014 [3]	2015 [3]
Total pension liability		
Service cost	$ 816,836	$ 838,628
Interest on total pension liability	2,622,406	2,759,982
Differences between expected and actual experience	—	288,526
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net change in total pension liability	1,870,504	2,189,460
Total pension liability – beginning	**34,655,771**	**36,219,196** *
Total pension liability – ending (a)	**$ 36,526,275**	**$ 38,408,656**
Plan fiduciary net position		
Contributions – employer	959,741	1,146,192
Contributions – employee	331,956	366,419
Net investment income	3,964,754	584,142
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Plan to plan resource movement	—	194
Administrative expense	(33,334)	(30,069)
Net change in plan fiduciary net position	3,654,379	369,202
Plan fiduciary net position – beginning	**22,713,610**	**26,367,989**
Plan fiduciary net position – ending (b)	**$ 26,367,989**	**$ 26,737,191**
State's net pension liability – ending (a) – (b)	**$ 10,158,286**	**$ 11,671,465**
Plan fiduciary net position as a percentage of the total pension liability	72.19%	69.61%
Covered-employee payroll	$ 3,030,525	$ 3,115,287
State's net pension liability as a percentage of covered-employee payroll	335.20%	374.65%

(continued)

* Restated

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

CALIFORNIA HIGHWAY PATROL

	2014 [3]	2015 [3]
Total pension liability		
Service cost	$ 191,730	$ 198,665
Interest on total pension liability	724,474	764,348
Differences between expected and actual experience	—	75,593
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net change in total pension liability	455,213	551,545
Total pension liability – beginning	**9,604,872**	**10,060,085**
Total pension liability – ending (a)	**$ 10,060,085**	**$ 10,611,630**
Plan fiduciary net position		
Contributions – employer	277,702	351,197
Contributions – employee	83,161	85,791
Net investment income	1,005,007	146,782
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Plan to plan resource movement	—	(214)
Administrative expense	(8,417)	(7,600)
Net change in plan fiduciary net position	896,462	88,895
Plan fiduciary net position – beginning	**5,759,985**	**6,656,447**
Plan fiduciary net position – ending (b)	**$ 6,656,447**	**$ 6,745,342**
State's net pension liability – ending (a) – (b)	**$ 3,403,638**	**$ 3,866,288**
Plan fiduciary net position as a percentage of the total pension liability	66.17%	63.57%
Covered-employee payroll	$ 765,283	$ 809,610
State's net pension liability as a percentage of covered-employee payroll	444.76%	477.55%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]

(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014 [3]	2015 [3]
JUDGES'		
Total pension liability		
Service cost	$ 27,581	$ 27,841
Interest on total pension liability	140,256	133,181
Differences between expected and actual experience	—	57,568
Changes of assumptions	—	158,646
Benefit payments, including refunds of employee contributions	(193,935)	(201,868)
Net change in total pension liability	(26,098)	175,368
Total pension liability – beginning	**3,383,310**	**3,357,212**
Total pension liability – ending (a)	**$ 3,357,212**	**$ 3,532,580**
Plan fiduciary net position		
Contributions – employer	191,148	180,910
Contributions – employee	7,248	3,877
Net investment income	59	88
Other miscellaneous income	—	2,198
Benefit payments, including refunds of employee contributions	(193,935)	(201,867)
Administrative expense	(1,141)	(1,227)
Net change in plan fiduciary net position	3,379	(16,021)
Plan fiduciary net position – beginning	**53,820**	**57,199**
Plan fiduciary net position – ending (b)	**$ 57,199**	**$ 41,178**
State's net pension liability – ending (a) – (b)	**$ 3,300,013**	**$ 3,491,402**
Plan fiduciary net position as a percentage of the total pension liability	1.70%	1.17%
Covered-employee payroll	$ 163,574	$ 28,770
State's net pension liability as a percentage of covered-employee payroll	2017.44%	12135.56%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]

(amounts in thousands)

SINGLE-EMPLOYER PLANS

JUDGES' II

	2014 [3]	2015 [3]
Total pension liability		
Service cost	$ 78,670	$ 79,641
Interest	61,044	69,128
Differences between expected and actual experience	—	(17,319)
Changes of assumptions	—	(16,619)
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)
Net change in total pension liability	130,764	100,790
Total pension liability – beginning	**837,198**	**967,962**
Total pension liability – ending (a)	**$ 967,962**	**$ 1,068,752**
Plan fiduciary net position		
Contributions – employer	57,027	65,629
Contributions – employee	20,413	22,242
Net investment income	150,168	(2,402)
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)
Administrative expense	(785)	(1,127)
Net change in plan fiduciary net position	217,873	70,301
Plan fiduciary net position – beginning	**795,967**	**1,013,840**
Plan fiduciary net position – ending (b)	**$ 1,013,840**	**$ 1,084,141**
State's net pension liability/(asset) – ending (a) – (b)	**$ (45,878)**	**$ (15,389)**
Plan fiduciary net position as a percentage of the total pension liability	104.74%	101.44%
Covered-employee payroll	$ 40,476	$ 180,230
State's net pension liability/(asset) as a percentage of covered-employee payroll	-113.35%	-8.54%

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Two Fiscal Years [1]

(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014 [3]	2015 [3]
LEGISLATORS'		
Total pension liability		
Service cost	$ 732	$ 769
Interest on total pension liability	6,465	6,268
Differences between expected and actual experience	—	(4,246)
Changes of assumptions	—	(2,654)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Net change in total pension liability	(285)	(8,950)
Total pension liability – beginning	**115,806**	**115,521**
Total pension liability – ending (a)	**$ 115,521**	**$ 106,571**
Plan fiduciary net position		
Contributions – employer	565	590
Contributions – employee	113	105
Net investment income	15,372	(94)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Administrative expense	(362)	(399)
Net change in plan fiduciary net position	8,206	(8,885)
Plan fiduciary net position – beginning	**122,148**	**130,354**
Plan fiduciary net position – ending (b)	**$ 130,354**	**$ 121,469**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,833)**	**$ (14,898)**
Plan fiduciary net position as a percentage of the total pension liability	112.84%	113.98%
Covered-employee payroll	$ 1,471	$ 1,397
State's net pension liability as a percentage of covered-employee payroll	-1008.36%	-1066.43%

(concluded)

Schedule of State Pension Contributions

For the Past Two Fiscal Years [1]

(amounts in thousands)

	2015	2016
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE MISCELLANEOUS [2]		
Actuarially determined contribution	$ 2,421,157	$ 2,718,895
Contributions in relation to the actuarially determined contribution	(2,583,400)	(2,814,126)
Contribution deficiency (excess)	$ (162,243)	$ (95,231)
Covered-employee payroll	$ 10,655,117	$ 11,197,607
Contributions as a percentage of covered-employee payroll	24.25%	25.13%
STATE INDUSTRIAL [2]		
Actuarially determined contribution	$ 92,024	$ 103,293
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)
Contribution deficiency (excess)	$ (12,745)	$ (13,301)
Covered-employee payroll	$ 577,713	$ 625,220
Contributions as a percentage of covered-employee payroll	18.14%	18.65%
STATE SAFETY [2]		
Actuarially determined contribution	$ 341,509	$ 368,444
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)
Contribution deficiency (excess)	$ (45,999)	$ (36,151)
Covered-employee payroll	$ 2,003,716	$ 2,100,289
Contributions as a percentage of covered-employee payroll	19.34%	19.26%
STATE PEACE OFFICERS AND FIREFIGHTERS [2]		
Actuarially determined contribution	$ 1,086,102	$ 1,197,160
Contributions in relation to the actuarially determined contribution	(1,148,597)	— (1,263,436)
Contribution deficiency (excess)	$ (62,495)	$ (66,276)
Covered-employee payroll	$ 3,115,364	$ 3,241,763
Contributions as a percentage of covered-employee payroll	36.87%	38.97%

(continued)

[1] This schedule will be built prospectively until it contains ten years of data.

[2] This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

Schedule of State Pension Contributions (continued)

For the Past Two Fiscal Years [1]
(amounts in thousands)

	2015	2016
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
CALIFORNIA HIGHWAY PATROL		
Actuarially determined contribution	$ 323,393	$ 363,634
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)
Contribution deficiency (excess)	$ (28,746)	$ (13,900)
Covered-employee payroll	$ 809,610	$ 808,032
Contributions as a percentage of covered-employee payroll	43.49%	46.72%
SINGLE-EMPLOYER PLANS		
JUDGES'		
Actuarially determined contribution	$ 1,884,555	$ 463,073
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)
Contribution deficiency (excess)	$ 1,880,957	$ 459,821
Covered-employee payroll	$ 167,542	$ 29,771
Contributions as a percentage of covered-employee payroll	2.15%	10.92%
JUDGES' II		
Actuarially determined contribution	$ 63,193	$ 58,362
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)
Contribution deficiency (excess)	$ 3,211	$ (2,114)
Covered-employee payroll	$ 41,458	$ 186,505
Contributions as a percentage of covered-employee payroll	144.68%	32.43%
LEGISLATORS'		
Actuarially determined contribution	$ 260	$ 141
Contributions in relation to the actuarially determined contribution	(544)	(549)
Contribution deficiency (excess)	$ (284)	$ (408)
Covered-employee payroll	$ 1,397	$ 1,298
Contributions as a percentage of covered-employee payroll	38.94%	42.3%

(continued)

Schedule of State Pension Contributions (continued)

For the Past Two Fiscal Years [1]

(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Public Employees' Retirement Fund (PERF) and Single-Employer Plans

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered-employee payroll:	Pensionable earnings provided by the employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2013.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2013 Actuarial Valuation Report.
Asset valuation method	Actuarial value of assets; for details see each plan's June 30, 2013 Actuarial Valuation Report.
Inflation	2.75%
Salary increases	PERF – varies by entry age and service Judges' – 3.00% Judges' II – varies by entry age and service Legislators' – varies by entry age and service
Payroll growth	3.00%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation: PERF – 7.50%, which is used for contribution purposes Judges' – 4.25% Judges' II – 7.00% Legislators' – 5.75%
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Mortality rates are based on the 2014 CalPERS Experience Study adopted by the CalPERS Board and post-retirement mortality rates include 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

Schedule of the State's Proportionate Share of Net Pension Liability – CalSTRS

For the Past Two Fiscal Years [1]

(amounts in thousands)

	2014 [2]	2015 [2]
State's proportion of CalSTRS' net pension liability	37.65%	34.59%
State's proportionate share of CalSTRS' net pension liability	$ 22,001,531	$ 23,289,391
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

[1] This schedule will be built prospectively until it contains ten years of data.

[2] The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of the State's Contributions – CalSTRS

For the Past Two Fiscal Years [1]

(amounts in thousands)

	2015	2016
Statutorily required contribution	$ 1,486,004	$ 1,935,288
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288
Annual contribution deficiency/(excess)	$ —	$ —

[1] This schedule will be built prospectively until it contains ten years of data.

Notes to Required Supplementary Information for the most recent fiscal year presented:

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954 and 22955, as well as California Public Resources Code section 6217.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2014.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 32 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	3.00%
Payroll growth	3.75%
Investment rate of return	For calculating the actuarially determined contribution: 7.50%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.60%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	4.50%
Post-retirement benefit increases (COLAs)	2.00% simple

Schedule of Funding Progress

(amounts in millions)

Other Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
State substantive plan						
June 30, 2014	$ 41	$ 71,814	$ 71,773	0.0 %	$ 19,250	372.8 %
June 30, 2015	86	74,189	74,103	0.1	20,180	367.2
June 30, 2016	148	76,681	76,533	0.2	20,160	379.6
Trial Courts [1]						
July 1, 2011	$ 17	$ 1,385	$ 1,368	1.2 %	$ 922	148.4 %
July 1, 2013	30	1,421	1,391	2.1	931	149.4
July 1, 2015	88	1,494	1,406	5.9	1,014	138.7

[1] The trial courts reporting is based on 52 individual biennial actuarial valuations as of July 1, 2015.

Note: The University of California provides OPEB benefits through its Retirement Health Plan to its eligible retirees and their families. As the University is the employer providing these benefits, the State will not be reporting these benefits in Note 11 or the Required Supplementary Information. Information regarding the University and references to its financial statements can be found in Note 1, Section A.3., Discretely Presented Component Units.

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state roadways and bridges). Under the modified approach, the State does not report depreciation expense for roads and bridges but capitalizes all costs that add to the capacity and efficiency of State-owned roads and bridges. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2016, are in the following categories and amounts: state highway infrastructure (completed highway projects) totaling $73.5 billion, land purchased for highway projects totaling $14.3 billion, and infrastructure construction-in-progress (uncompleted highway projects) totaling $11.0 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2016, there were no donations of infrastructure land, and relinquishments are $40 million of state highway infrastructure (completed highway projects) and $8 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The State uses the Bridge Health Index (BHI)—a numerical rating scale from 0 to 100 that uses element-level inspection data—to determine the aggregate condition of its bridges. The inspection data is based on the American Association of State Highway and Transportation Officials' "Guide Manual for Bridge Element Inspection."

The BHI represents the remaining asset value of the bridge. A new bridge that has 100% of its asset value has a BHI of 100. As a bridge deteriorates, it loses asset value, as represented by a decline in its BHI. When a bridge is repaired, it will regain some (or all) of its asset value and its BHI will increase.

The following table shows the State's established condition baseline and actual BHI for fiscal years 2013-14 through 2015-16:

Fiscal Year Ended June 30	Established BHI Baseline [1]	Actual BHI
2014	80.0	95.6
2015	80.0	95.7
2016	80.0	94.5

[1] The actual statewide BHI should not be lower than the minimum BHI established by the State.

The following table provides details on the State's actual BHI as of June 30, 2016:

BHI Range [1]	Bridge Count	Percent	Network BHI
Greater than 99.50	4,739	36.53 %	99.9
90.0 < = HI < = 99.50	5,784	44.59	97.0
80.0 < = HI < 90.0	862	6.65	85.8
70.0 < = HI < 80.0	980	7.55	73.9
0.0 < HI < 70.0	367	2.83	58.9
Does not carry traffic	240	1.85	97.3
Total	**12,972**	**100.00 %**	

[1] Effective FY 2015-16, the BHI Range is being displayed instead of the BHI Description for the analysis of State Bridges - Statewide as requested by the Office of Structure Maintenance and Invesigations.

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway's pavement condition by the following descriptions:

1. Excellent/good condition – few potholes or cracks
2. Fair condition – moderate number of potholes or cracks
3. Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered "distressed lane miles" if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State's established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date [1]	Established Condition Baseline Distressed Lane Miles (maximum) [2]	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
December 2011	18,000	12,333	24.9 %
December 2013	18,000	7,820	15.7
December 2015	18,000	7,889	15.9

[1] Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

[2] The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

The following table provides details on the State's actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	26,484	—
Fair	15,272	—
Poor	7,889	7,889
Total	**49,645**	**7,889**

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State's scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

The State's budgeted and actual preservation cost information for the most recent and four previous fiscal years is shown in the following table:

Fiscal Year Ended June 30	Estimated Budgeted Preservation Costs (in millions)[1]	Actual Preservation Costs (in millions)[1]
2012	$ 3,362	$ 3,184
2013	2,621	2,533
2014	2,510	2,353
2015	3,340	2,686
2016	3,975	1,909

[1] In fiscal year 2014-15, the methodology for identifying the preservation budgeted and actual costs was adjusted to include additional costs not previously reported.

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2016

(amounts in thousands)

	General			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ 10,304,000	$ 10,309,000	$ 10,024,833	$ (284,167)
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	84,000	87,000	85,344	(1,656)
Insurance gross premiums tax	2,493,000	2,486,000	2,561,932	75,932
Vehicle license fees	839	839	23,559	22,720
Motor vehicle fuel tax	—	—	—	—
Personal income tax	81,354,000	79,962,000	79,427,730	(534,270)
Retail sales and use taxes	25,246,000	25,028,000	24,782,415	(245,585)
Other major taxes and licenses	366,000	370,000	369,769	(231)
Other revenues	1,619,161	1,732,161	1,837,251	105,090
Total revenues	**121,467,000**	**119,975,000**	**119,112,833**	**(862,167)**
EXPENDITURES				
Business, consumer services, and housing	36,217	36,931	36,774	(157)
Transportation	83,423	83,423	83,423	—
Natural resources and environmental protection	1,717,223	2,043,758	1,854,968	(188,790)
Health and human services	31,939,104	32,259,043	31,436,819	(822,224)
Corrections and rehabilitation	9,919,638	10,130,414	9,947,947	(182,467)
Education	60,007,610	60,765,227	60,509,876	(255,351)
General government:				
Tax relief	431,657	431,657	413,953	(17,704)
Debt service	5,495,445	5,495,446	4,874,617	(620,829)
Other general government	5,589,125	5,672,413	5,201,493	(470,920)
Total expenditures	**115,219,442**	**116,918,312**	**114,359,870**	**(2,558,442)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	460,146	—
Transfers to other funds	—	—	(3,614,440)	—
Other additions (deductions)	—	—	(1,778,426)	—
Total other financing sources (uses)	**—**	**—**	**(4,932,720)**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(179,757)	—
Fund balances – beginning	**—**	**—**	**6,459,790**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 6,280,033**	**$ —**

Federal				Transportation			
Budgeted Amounts		**Actual**	**Variance With**	**Budgeted Amounts**		**Actual**	**Variance With**
Original	**Final**	**Amounts**	**Final Budget**	**Original**	**Final**	**Amounts**	**Final Budget**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
80,431,240	80,431,240	80,431,240	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	4,909,791	4,958,537	5,003,318	44,781
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	4,154,218	4,138,032	4,161,638	23,606
39	39	39	—	436,916	415,833	447,238	31,405
80,431,279	**80,431,279**	**80,431,279**	**—**	**9,500,925**	**9,512,402**	**9,612,194**	**99,792**
63,715	63,715	63,715	—	110,082	110,082	101,613	(8,469)
5,327,977	5,327,977	5,327,977	—	8,744,420	9,354,009	8,006,473	(1,347,536)
463,526	463,526	463,526	—	402,811	403,189	376,719	(26,470)
65,071,720	65,071,720	65,071,720	—	3,546	3,546	2,838	(708)
48,357	48,357	48,357	—	—	—	—	—
6,918,928	6,918,928	6,918,928	—	2,550	2,550	2,297	(253)
—	—	—	—	—	—	—	—
—	—	—	—	1,175	1,175	188	(987)
1,061,272	1,061,272	1,061,272	—	913,714	913,543	904,218	(9,325)
78,955,495	**78,955,495**	**78,955,495**	**—**	**10,178,298**	**10,788,094**	**9,394,346**	**(1,393,748)**
—	—	5,548,078	—	—	—	15,538,760	—
—	—	(6,992,514)	—	—	—	(15,863,508)	—
—	—	(32,036)	—	—	—	(324,857)	—
—	**—**	**(1,476,472)**	**—**	**—**	**—**	**(649,605)**	**—**
—	—	(688)	—	—	—	(431,757)	—
—	**—**	**7,032**	**—**	**—**	**—**	**15,603,396**	**—**
$ —	**$ —**	**$ 6,344**	**$ —**	**$ —**	**$ —**	**$ 15,171,639**	**$ —**

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2016

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	171,601	171,601	171,601	—
Other revenues	5,436,934	5,436,934	5,436,934	—
Total revenues	**5,608,535**	**5,608,535**	**5,608,535**	**—**
EXPENDITURES				
Business, consumer services, and housing	81,084	81,084	72,585	(8,499)
Transportation	70,673	72,506	69,337	(3,169)
Natural resources and environmental protection	4,973,544	4,875,648	4,357,661	(517,987)
Health and human services	59,220	59,220	53,887	(5,333)
Corrections and rehabilitation	—	—	—	—
Education	814	814	404	(410)
General government:				
Tax relief	—	—	—	—
Debt service	—	—	—	—
Other general government	52,768	54,964	48,709	(6,255)
Total expenditures	**5,238,103**	**5,144,236**	**4,602,583**	**(541,653)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	632,771	—
Transfers to other funds	—	—	(394,357)	—
Other additions (deductions)	—	—	121,255	—
Total other financing sources (uses)	**—**	**—**	**359,669**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	1,365,621	—
Fund balances – beginning	**—**	**—**	**19,149,003**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 20,514,624**	**$ —**

(concluded)

Reconciliation of Budgetary Basis Fund Balances of the General Fund and the Major Special Revenue Funds to GAAP Basis Fund Balances

June 30, 2016
(amounts in thousands)

		Major Special Revenue Funds		
	General	**Federal**	**Transportation**	**Environmental and Natural Resources**
Budgetary fund balance reclassified into				
GAAP statement fund structure	**$ 6,280,033**	**$ 6,344**	**$ 15,171,639**	**$ 20,514,624**
Basis difference:				
Interfund receivables	66,034	—	2,424,616	454,800
Loans receivable	43,283	240,613	—	1,424,076
Interfund payables	(3,983,168)	—	(10,864)	(14,790)
Escheat property	(949,685)	—	—	—
Bonds authorized but unissued	—	—	(11,068,265)	(12,111,532)
Tax revenues	(997,000)	—	—	—
Fund classification changes	4,037,384	2,053	—	—
Other	—	—	2,486,799	(52,875)
Timing difference:				
Liabilities budgeted in subsequent years	(4,135,153)	(1,176)	(465,008)	(87,209)
GAAP fund balance – ending	**$ 361,728**	**$ 247,834**	**$ 8,538,917**	**$ 10,127,094**

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State's budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs' expenditures on a budgetary basis, adjustments for encumbrances are made under "other general government," except for Environmental and Natural Resources where adjustments for encumbrances are made under each program's expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Comprehensive Annual Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with Government Accounting

Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Comprehensive Annual Financial Report Supplement is available by emailing the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary With GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

The beginning fund balance for the General Fund on the budgetary basis is restated for prior-year revenue adjustments and prior-year expenditure adjustments. A prior-year revenue adjustment occurs when the actual amount received in the current year differs from the amount of revenue accrued in the prior year. A prior-year expenditure adjustment results when the actual amount paid in the current year differs from the prior-year accrual for appropriations for which the ability to encumber funds has lapsed in previous periods. The beginning fund balance on a GAAP basis is not affected by these adjustments.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of $66 million in the General Fund, $2.4 billion in the Transportation Fund, and $455 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of $43 million in the General Fund, $241 million in the Federal Fund, and $1.4 billion in the Environmental and Natural Resources Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of $4.0 billion in the General Fund, $11 million in the Transportation Fund, and $15 million in the Environmental and Natural Resources Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused an $950 million decrease in the General Fund.

Bonds Authorized but Unissued: In the year that general obligation bonds are authorized by the voters, the full amount authorized is recognized as revenue on a budgetary basis. In accordance with GAAP, only the amount of bonds issued each year is reported as an other financing source. The adjustments related to bonds authorized but unissued caused decreases of $11.1 billion in the Transportation Fund and $12.1 billion in the Environmental and Natural Resources Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008. However, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused a decrease of $997 million in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of $4.0 billion in the General Fund and $2 million in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund, respectively, for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary in order to present the financial statements in accordance with GAAP. The other adjustments caused an increase of $2.5 billion in the Transportation Fund and a decrease of $53 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of $4.1 billion in the General Fund, $1 million in the Federal Fund, $465 million in the Transportation Fund, and $87 million in the Environmental and Natural Resources Fund. The large decrease in the General Fund primarily consists of $1.9 billion for medical assistance, $1.1 billion for June 2016 payroll that was deferred to July 2016, $627 million for pension contributions, and $285 million for workers' compensation claims.

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Combining Financial Statements and Schedules – Nonmajor and Other Funds

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Nonmajor Governmental Funds

Nonmajor governmental funds account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

Special revenue funds account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted, committed, or assigned to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette and Tobacco Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Health Care Related Programs Fund** accounts for fees, taxes, bond proceeds, transfers from other state funds, and other revenues used for the Medi-Cal program, medical research, and other health and human services programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

Other special revenue programs funds account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

Debt service funds account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **Economic Recovery Bond Sinking Fund** accounts for General Fund transfers, proceeds from the sale of surplus property, and the 0.25% sales and use tax revenue collected for the payment of principal, interest, and other related costs of the Economic Recovery Bonds. In August 2015, the outstanding Economic Recovery Bonds were defeased and all excess revenue remaining in this fund was transferred to the Financing for Local Governments and the Public Fund.

(continued)

(continued)

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

Building authorities are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

Other capital projects funds account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette and Tobacco Tax
ASSETS			
Cash and pooled investments	$ 1,335,354	$ 1,153,682	$ 465,288
Investments	—	—	—
Receivables (net)	80,970	18,280	240,551
Due from other funds	50,617	487,035	54,449
Due from other governments	10,332	551	—
Interfund receivables	203,186	180,660	—
Loans receivable	108,693	2,543,668	—
Other assets	15	—	—
Total assets	**$ 1,789,167**	**$ 4,383,876**	**$ 760,288**
LIABILITIES			
Accounts payable	$ 60,940	$ 245,319	$ 10,797
Due to other funds	21,798	9,238	7,440
Due to component units	—	—	31,345
Due to other governments	380	242,326	10,059
Interfund payables	20,505	—	—
Revenues received in advance	39,953	2,825	—
Deposits	—	—	—
Other liabilities	35,008	977	—
Total liabilities	**178,584**	**500,685**	**59,641**
DEFERRED INFLOWS OF RESOURCES	—	—	176,527
Total liabilities and deferred inflows of resources	**178,584**	**500,685**	**236,168**
FUND BALANCES			
Nonspendable	—	—	—
Restricted	853,096	3,608,751	524,120
Committed	757,487	274,440	—
Assigned	—	—	—
Total fund balances	**1,610,583**	**3,883,191**	**524,120**
Total liabilites, deferred inflows of resources, and fund balances	**$ 1,789,167**	**$ 4,383,876**	**$ 760,288**

Special Revenue					
Local Revenue and Public Safety	**Health Care Related Programs**	**Trial Courts**	**Golden State Tobacco Securitization Corporation**	**Other Special Revenue Programs**	**Total Nonmajor Special Revenue**
$ 3,610,114	$ 1,525,586	$ 1,387,472	$ 396,620	$ 2,057,402	$ 11,931,518
—	—	287,432	151,596	—	439,028
45,813	2,610,752	260,359	200,639	233,595	3,690,959
41,649	81,247	1,552	—	395,376	1,111,925
—	802,485	29,429	—	63,117	905,914
—	—	90,000	—	327,400	801,246
—	32,156	—	—	65,670	2,750,187
—	—	11,145	—	—	11,160
$ 3,697,576	**$ 5,052,226**	**$ 2,067,389**	**$ 748,855**	**$ 3,142,560**	**$ 21,641,937**
$ 15,792	$ 82,655	$ 241,309	$ 23	$ 189,557	$ 846,392
24,159	4,267,574	24,460	—	60,991	4,415,660
—	—	—	—	976	32,321
3,429,959	12,160	127,581	—	374,405	4,196,870
—	—	—	—	3,470	23,975
—	15,465	12,003	—	42,933	113,179
—	—	440,499	—	20,593	461,092
—	34	87,576	—	22,049	145,644
3,469,910	**4,377,888**	**933,428**	**23**	**714,974**	**10,235,133**
—	—	—	—	5,957	182,484
3,469,910	**4,377,888**	**933,428**	**23**	**720,931**	**10,417,617**
—	—	11,188	—	—	11,188
170,190	552,932	994,351	748,832	2,155,380	9,607,652
57,476	121,406	113,800	—	266,249	1,590,858
—	—	14,622	—	—	14,622
227,666	**674,338**	**1,133,961**	**748,832**	**2,421,629**	**11,224,320**
$ 3,697,576	**$ 5,052,226**	**$ 2,067,389**	**$ 748,855**	**$ 3,142,560**	**$ 21,641,937**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2016
(amounts in thousands)

	Debt Service		
	Economic Recovery Bond Sinking	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	$ —	$ —	$ —
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	—	—	—
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	$ —	$ —	$ —
LIABILITIES			
Accounts payable	$ —	$ —	$ —
Due to other funds	—	—	—
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	—	—	—
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	—	—	—
FUND BALANCES			
Nonspendable	—	—	—
Restricted	—	—	—
Committed	—	—	—
Assigned	—	—	—
Total fund balances	—	—	—
Total liabilites, deferred inflows of resources, and fund balances	$ —	$ —	$ —

Capital Projects						
Higher Education Construction	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
$ 176,432	$ 52,817	$ 29,875	$ 25,425	$ 112,614	$ 397,163	$ 12,328,681
—	—	—	—	—	—	439,028
—	—	—	—	42	42	3,691,001
252	81	107	19,397	8,651	28,488	1,140,413
—	—	3,891	—	—	3,891	909,805
—	—	—	—	—	—	801,246
—	—	—	—	—	—	2,750,187
—	—	—	—	—	—	11,160
$ 176,684	**$ 52,898**	**$ 33,873**	**$ 44,822**	**$ 121,307**	**$ 429,584**	**$ 22,071,521**
$ 91	$ 21	$ —	$ —	$ 1,482	$ 1,594	$ 847,986
394	—	962	—	2,301	3,657	4,419,317
—	—	—	—	—	—	32,321
—	—	—	—	—	—	4,196,870
—	—	—	—	—	—	23,975
—	—	—	—	—	—	113,179
—	—	—	—	—	—	461,092
—	—	—	81	—	81	145,725
485	**21**	**962**	**81**	**3,783**	**5,332**	**10,240,465**
—	—	—	—	—	—	182,484
485	**21**	**962**	**81**	**3,783**	**5,332**	**10,422,949**
—	—	—	—	—	—	11,188
176,199	52,877	32,911	44,741	94,962	401,690	10,009,342
—	—	—	—	22,562	22,562	1,613,420
—	—	—	—	—	—	14,622
176,199	**52,877**	**32,911**	**44,741**	**117,524**	**424,252**	**11,648,572**
$ 176,684	**$ 52,898**	**$ 33,873**	**$ 44,822**	**$ 121,307**	**$ 429,584**	**$ 22,071,521**

(concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2016
(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette and Tobacco Tax
REVENUES			
Personal income taxes	$ —	$ 1,423,508	$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	38,883	61,775	—
Insurance taxes	—	—	—
Other taxes	35,783	650,739	746,428
Intergovernmental	—	—	—
Licenses and permits	417,677	18,057	188
Charges for services	42,061	2,679	—
Fees	1,042,567	619	24
Penalties	52,548	9,674	—
Investment and interest	36,139	4,307	1,805
Escheat	13	—	—
Other	16,880	52,087	156
Total revenues	**1,682,551**	**2,223,445**	**748,601**
EXPENDITURES			
Current:			
General government	595,436	654,344	17,883
Education	20,573	266,841	39,652
Health and human services	399,834	1,505,731	457,157
Natural resources and environmental protection	53,977	100,166	9,166
Business, consumer services, and housing	565,003	277,710	—
Transportation	8,264	—	—
Corrections and rehabilitation	—	125,097	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	—	128,480	—
Interest and fiscal charges	—	104	—
Total expenditures	**1,643,087**	**3,058,473**	**523,858**
Excess (deficiency) of revenues over (under) expenditures	39,464	(835,028)	224,743
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	375,860	—
Refunding debt issued	—	1,115	—
Payment to refund long-term debt	—	(1,280)	—
Premium on bonds issued	—	9,888	—
Transfers in	3,700	874,645	—
Transfers out	(16,572)	(19,508)	(15,984)
Total other financing sources (uses)	**(12,872)**	**1,240,720**	**(15,984)**
Net change in fund balances	26,592	405,692	208,759
Fund balances – beginning	**1,583,991**	**3,477,499**	**315,361**
Fund balances – ending	**$ 1,610,583**	**$ 3,883,191**	**$ 524,120**

* Restated

Special Revenue					
Local Revenue and Public Safety	**Health Care Related Programs**	**Trial Courts**	**Golden State Tobacco Securitization Corporation**	**Other Special Revenue Programs**	**Total Nonmajor Special Revenue**
$ —	$ —	$ —	$ —	$ —	$ 1,423,508
13,834,322	—	—	—	—	13,834,322
—	—	—	—	—	100,658
—	1,634,781	—	—	—	1,634,781
—	—	—	—	377	1,433,327
—	2,154,318	819,283	—	—	2,973,601
2,422,408	—	—	—	11,241	2,869,571
—	91	60,072	—	163,998	268,901
—	4,863,375	537,691	—	1,541,504	7,985,780
—	7,099	415,434	—	235,263	720,018
4,355	5,768	5,226	3,740	8,462	69,802
—	—	434	—	—	447
—	289,696	155,032	361,560	367,152	1,242,563
16,261,085	**8,955,128**	**1,993,172**	**365,300**	**2,327,997**	**34,557,279**
5,148,048	209	3,214,364	586	1,171,838	10,802,708
—	193,538	—	—	5,866	526,470
9,598,400	9,007,895	—	—	705,217	21,674,234
—	237	—	—	53,020	216,566
—	—	103	—	24,730	867,546
—	—	—	—	1,140	9,404
1,331,696	—	—	—	22,549	1,479,342
—	—	—	—	—	—
—	166,265	—	70,535	—	365,280
—	158	—	299,935	—	300,197
16,078,144	**9,368,302**	**3,214,467**	**371,056**	**1,984,360**	**36,241,747**
182,941	(413,174)	(1,221,295)	(5,756)	343,637	(1,684,468)
—	373,265	—	—	—	749,125
—	—	—	—	—	1,115
—	—	—	—	—	(1,280)
—	158	—	—	—	10,046
2,626	142,309	1,242,688	—	26,563	2,292,531
—	—	—	—	(44,382)	(96,446)
2,626	**515,732**	**1,242,688**	**—**	**(17,819)**	**2,955,091**
185,567	102,558	21,393	(5,756)	325,818	1,270,623
42,099	**571,780** *	**1,112,568**	**754,588**	**2,095,811**	**9,953,697**
$ 227,666	**$ 674,338**	**$ 1,133,961**	**$ 748,832**	**$ 2,421,629**	**$ 11,224,320**

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2016
(amounts in thousands)

	Debt Service		
	Economic Recovery Bond Sinking	**Transportation Debt Service**	**Total Nonmajor Debt Service**
REVENUES			
Personal income taxes	$ —	$ —	$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	—	—	—
Insurance taxes	—	—	—
Other taxes	—	—	—
Intergovernmental	—	—	—
Licenses and permits	—	—	—
Charges for services	—	—	—
Fees	—	—	—
Penalties	—	—	—
Investment and interest	144	—	144
Escheat	—	—	—
Other	335	—	335
Total revenues	**479**	**—**	**479**
EXPENDITURES			
Current:			
General government	—	—	—
Education	—	—	—
Health and human services	—	—	—
Natural resources and environmental protection	—	—	—
Business, consumer services, and housing	—	—	—
Transportation	—	—	—
Corrections and rehabilitation	—	—	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	929,735	355,985	1,285,720
Interest and fiscal charges	67,527	755,268	822,795
Total expenditures	**997,262**	**1,111,253**	**2,108,515**
Excess (deficiency) of revenues over (under) expenditures	(996,783)	(1,111,253)	(2,108,036)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	—	—
Transfers in	—	1,111,253	1,111,253
Transfers out	(2,619)	—	(2,619)
Total other financing sources (uses)	**(2,619)**	**1,111,253**	**1,108,634**
Net change in fund balances	(999,402)	—	(999,402)
Fund balances – beginning	**999,402**	**—**	**999,402**
Fund balances – ending	**$ —**	**$ —**	**$ —**

* Restated

Capital Projects						
Higher Education Construction	**Hospital Construction**	**Local Government Construction**	**Building Authorities**	**Other Capital Projects**	**Total Nonmajor Capital Projects**	**Total Nonmajor Governmental**
$ —	$ —	$ —	$ —	$ —	$ —	$ 1,423,508
—	—	—	—	—	—	13,834,322
—	—	—	—	—	—	100,658
—	—	—	—	—	—	1,634,781
—	—	—	—	—	—	1,433,327
—	—	—	—	—	—	2,973,601
—	—	—	—	1,069	1,069	2,870,640
—	—	—	—	55	55	268,956
—	—	—	—	—	—	7,985,780
—	—	—	—	—	—	720,018
872	296	2,835	45	67	4,115	74,061
—	—	—	—	—	—	447
—	—	—	—	14,259	14,259	1,257,157
872	**296**	**2,835**	**45**	**15,450**	**19,498**	**34,577,256**
—	38,410	—	—	—	38,410	10,841,118
—	—	350,521	—	—	350,521	876,991
—	—	—	—	—	—	21,674,234
—	—	—	—	4,148	4,148	220,714
—	—	—	—	—	—	867,546
—	—	—	—	—	—	9,404
—	—	—	—	—	—	1,479,342
49,575	442	6,657	—	49,756	106,430	106,430
181,055	12,550	1,106,375	19,815	2,435	1,322,230	2,973,230
9,133	913	38,689	14,502	6	63,243	1,186,235
239,763	**52,315**	**1,502,242**	**34,317**	**56,345**	**1,884,982**	**40,235,244**
(238,891)	(52,019)	(1,499,407)	(34,272)	(40,895)	(1,865,484)	(5,657,988)
6,880	11,450	405,455	—	4,085	427,870	1,176,995
775,315	67,210	3,115,845	162,500	450	4,121,320	4,122,435
(698,729)	(76,847)	(2,568,330)	(205,980)	(482)	(3,550,368)	(3,551,648)
107,527	11,825	450,559	19,992	338	590,241	600,287
—	—	—	48,677	60,525	109,202	3,512,986
—	—	(843)	—	—	(843)	(99,908)
190,993	**13,638**	**1,402,686**	**25,189**	**64,916**	**1,697,422**	**5,761,147**
(47,898)	(38,381)	(96,721)	(9,083)	24,021	(168,062)	103,159
224,097	**91,258**	**129,632**	**53,824** *	**93,503**	**592,314**	**11,545,413**
$ 176,199	**$ 52,877**	**$ 32,911**	**$ 44,741**	**$ 117,524**	**$ 424,252**	**$ 11,648,572**

(concluded)

Budgetary Comparison Schedule

Budgetary Basis

Nonmajor Governmental Funds[1]

Year Ended June 30, 2016

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	$ 480,212	$ 480,212	$ —
Vehicle license fees	1,883,513	1,883,513	—
Personal income tax	1,423,508	1,423,508	—
Retail sales and use taxes	13,834,408	13,834,408	—
Other major taxes and licenses	1,647,881	1,647,881	—
Other revenues	10,622,509	10,622,509	—
Total revenues	**29,892,031**	**29,892,031**	**—**
EXPENDITURES			
Business, consumer services, and housing	775,209	712,354	(62,855)
Transportation	1,060,705	1,060,309	(396)
Natural resources and environmental protection	248,110	223,730	(24,380)
Health and human services	21,712,662	21,485,725	(226,937)
Corrections and rehabilitation	32,917	23,894	(9,023)
Education	548,033	540,683	(7,350)
General government:			
Tax relief	798,776	798,776	—
Other general government	9,201,732	8,719,209	(482,523)
Total expenditures	**34,378,144**	**33,564,680**	**(813,464)**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	25,869,653	—
Transfers to other funds	—	(23,110,739)	—
Other additions and deductions	—	726,878	—
Total other financing sources (uses)	**—**	**3,485,792**	**—**
Excess of revenues and other sources over expenditures and other uses	—	(186,857)	—
Fund balances – beginning	**—**	**11,997,297**	**—**
Fund balances – ending	**$ —**	**$ 11,810,440**	**$ —**

[1] On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, and Environmental and Natural Resources Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Comprehensive Annual Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the California Technology Agency.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2016
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	$ —	$ 398,815
Restricted assets:		
Cash and pooled investments	1,358,022	—
Net investment in direct financing leases	453,875	—
Receivables (net)	—	30
Due from other funds	219,094	18,727
Due from other governments	—	—
Prepaid items	—	46,133
Inventories	—	—
Total current assets	2,030,991	463,705
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	204,388	—
Net investment in direct financing leases	7,267,038	—
Interfund receivables	—	—
Long-term prepaid charges	1,373	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	317
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(317)
Construction/development in progress	893,929	—
Total noncurrent assets	8,366,728	—
Total assets	**10,397,719**	**463,705**
DEFERRED OUTFLOWS OF RESOURCES	49,488	6,017
Total assets and deferred outflows of resources	**$ 10,447,207**	**$ 469,722**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 123,856	$ 215,906	$ 47,841	$ 63,129	$ 11,208	$ 394,785	$ 1,255,540
—	—	—	—	—	—	1,358,022
—	—	—	—	—	—	453,875
1,073	1,148	20	7,143	27,173	54,693	91,280
43,551	600	—	39,711	63,766	129,699	515,148
1,048	184	—	619	—	10,980	12,831
125,125	351	6,496	1,054	9,354	953	189,466
8,275	39,150	—	28,845	838	—	77,108
302,928	257,339	54,357	140,501	112,339	591,110	3,953,270
—	—	—	—	—	—	204,388
—	—	—	—	—	—	7,267,038
—	—	—	—	—	25,363	25,363
—	—	—	—	—	—	1,373
—	—	—	—	—	2,082	2,082
154,318	174,451	2,646	222,473	38,235	11,273	603,713
10,237	3,672	1,913	47,265	2,449	113	65,649
(107,185)	(127,234)	(1,781)	(199,245)	(40,684)	(7,844)	(484,290)
—	1,838	217,530	2,753	—	97	1,116,147
57,370	52,727	220,308	73,246	—	31,084	8,801,463
360,298	**310,066**	**274,665**	**213,747**	**112,339**	**622,194**	**12,754,733**
56,361	13,896	4,778	23,228	—	38,075	191,843
$ 416,659	**$ 323,962**	**$ 279,443**	**$ 236,975**	**$ 112,339**	**$ 660,269**	**$ 12,946,576**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2016
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	$ 79,742	$ 12,524
Due to other funds	16,176	5,567
Due to other governments	59,536	—
Revenues received in advance	—	443,780
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	109,738	—
Current portion of long-term obligations	544,004	—
Other liabilities	33,497	76
Total current liabilities	842,693	461,947
Noncurrent liabilities:		
Interfund payables	—	494
Compensated absences payable	—	8,625
Workers' compensation benefits payable	—	1,236
Revenue bonds payable	9,473,620	—
Net other postemployment benefits obligation	—	16,643
Net pension liability	—	3,576
Other noncurrent liabilities	—	—
Total noncurrent liabilities	9,473,620	30,574
Total liabilities	**10,316,313**	**492,521**
DEFERRED INFLOWS OF RESOURCES	—	78
Total liabilities and deferred inflows of resources	**10,316,313**	**492,599**
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	130,894	—
Total expendable	130,894	—
Unrestricted	—	(22,877)
Total net position (deficits)	**130,894**	**(22,877)**
Total liabilites and net position	**$ 10,447,207**	**$ 469,722**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 56,228	$ 10,499	$ 36,714	$ 16,006	$ 15,801	$ 204,272	$ 431,786
37,706	2,255	2,686	642	1,437	39,612	106,081
—	—	49	23	5	405	60,018
30,504	270	—	—	88	—	474,642
1,147	—	—	—	—	—	1,147
1,595	—	—	6,086	1,098	—	8,779
—	—	—	—	—	—	109,738
—	2,727	910	—	—	—	547,641
—	1,750	—	—	492	2,876	38,691
127,180	17,501	40,359	22,757	18,921	247,165	1,778,523
8,246	—	37,650	2,583	95,047	86	144,106
67,824	9,859	4,521	43,563	—	26,042	160,434
22,553	17,358	—	1,049	—	—	42,196
—	—	—	—	—	—	9,473,620
294,491	62,649	—	97,134	—	125,864	596,781
527,152	39,717	31,909	249,761	—	309,986	1,162,101
—	—	—	17,146	3,672	—	20,818
920,266	129,583	74,080	411,236	98,719	461,978	11,600,056
1,047,446	**147,084**	**114,439**	**433,993**	**117,640**	**709,143**	**13,378,579**
11,460	1,080	697	5,454	—	6,730	25,499
1,058,906	**148,164**	**115,136**	**439,447**	**117,640**	**715,873**	**13,404,078**
57,370	52,727	220,308	47,261	—	5,721	383,387
—	—	—	—	—	—	130,894
—	—	—	—	—	—	130,894
(699,617)	123,071	(56,001)	(249,733)	(5,301)	(61,325)	(971,783)
(642,247)	**175,798**	**164,307**	**(202,472)**	**(5,301)**	**(55,604)**	**(457,502)**
$ 416,659	**$ 323,962**	**$ 279,443**	**$ 236,975**	**$ 112,339**	**$ 660,269**	**$ 12,946,576**

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year Ended June 30, 2016

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	$ —	$ 182,332
Investment and interest	8,991	—
Rent	404,816	—
Total operating revenues	**413,807**	**182,332**
OPERATING EXPENSES		
Personal services	—	29,478
Supplies	—	—
Services and charges	6,455	147,270
Depreciation	—	—
Interest expense	452,796	—
Amortization of long-term prepaid charges	3,608	—
Total operating expenses	**462,859**	**176,748**
Operating income (loss)	(49,052)	5,584
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	—	—
Interest expense and fiscal charges	—	—
Other	(2,270)	—
Total nonoperating revenues (expenses)	**(2,270)**	**—**
Income (loss) before transfers	(51,322)	5,584
Capital contributions	—	—
Gain on early extinguishment of debt	40,516	—
Transfers in	—	—
Transfers out	—	—
Change in net position	(10,806)	5,584
Total net position (deficit) – beginning	**141,700**	**(28,461)**
Total net position (deficit) – ending	**$ 130,894**	**$ (22,877)**

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ 635,612	$ 253,821	$ 103,715	$ 357,013	$ 447,041	$ 916,505	$ 2,896,039
—	—	—	267	—	—	9,258
—	—	—	—	—	—	404,816
635,612	**253,821**	**103,715**	**357,280**	**447,041**	**916,505**	**3,310,113**
252,161	81,269	22,691	211,054	—	278,477	875,130
—	4,601	—	—	5,389	232	10,222
298,592	164,456	16,851	179,592	440,607	710,404	1,964,227
10,962	6,813	262	26,950	5,734	137	50,858
—	—	—	256	—	—	453,052
—	—	—	—	—	—	3,608
561,715	**257,139**	**39,804**	**417,852**	**451,730**	**989,250**	**3,357,097**
73,897	(3,318)	63,911	(60,572)	(4,689)	(72,745)	(46,984)
—	445	—	—	—	413	858
—	(18)	—	—	—	—	(18)
—	134	—	(2,943)	—	—	(5,079)
—	**561**	**—**	**(2,943)**	**—**	**413**	**(4,239)**
73,897	(2,757)	63,911	(63,515)	(4,689)	(72,332)	(51,223)
—	375	—	—	—	—	375
—	—	—	—	—	—	40,516
—	—	—	—	—	1,459	1,459
(38,634)	—	—	—	—	(17,907)	(56,541)
35,263	(2,382)	63,911	(63,515)	(4,689)	(88,780)	(65,414)
(677,510)	**178,180**	**100,396**	**(138,957)**	**(612)**	**33,176** *	**(392,088)**
$ (642,247)	**$ 175,798**	**$ 164,307**	**$ (202,472)**	**$ (5,301)**	**$ (55,604)**	**$ (457,502)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2016
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 25,043	$ —
Receipts from interfund services provided	869,339	334,330
Payments to suppliers	(491)	(189,129)
Payments to employees	—	(29,873)
Claims paid to other than employees	—	—
Other receipts (payments)	(522,848)	2
Net cash provided by (used in) operating activities	**371,043**	**115,330**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	—	—
Changes in interfund payables and loans payable	—	(1,037)
Interest paid	—	—
Transfers in	—	—
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	**—**	**(1,037)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,168,785)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	958,237	—
Retirement of revenue bonds	(1,243,020)	—
Net cash used in capital and related financing activities	**(1,453,568)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	—	—
Net cash provided by (used in) investing activities	**—**	**—**
Net increase (decrease) in cash and pooled investments	(1,082,525)	114,293
Cash and pooled investments – beginning	**2,644,935**	**284,522**
Cash and pooled investments – ending	**$ 1,562,410**	**$ 398,815**

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
$ —	$ 6,567	$ —	$ —	$ —	$ —	$ 31,610
596,098	247,994	103,268	355,615	440,410	798,657	3,745,711
(292,853)	(168,112)	—	(169,801)	(6,190)	(687,220)	(1,513,796)
(233,940)	(72,216)	(17,421)	(151,722)	—	(202,779)	(707,951)
—	—	—	—	(440,607)	—	(440,607)
1,893	833	49	(6,791)	4,673	1,288	(520,901)
71,198	**15,066**	**85,896**	**27,301**	**(1,714)**	**(90,054)**	**594,066**
—	—	—	—	—	(11,408)	(11,408)
4,632	—	—	948	(82)	—	4,461
—	(18)	—	—	—	—	(18)
—	—	—	—	—	1,459	1,459
(38,634)	—	—	—	—	(17,907)	(56,541)
(34,002)	**(18)**	**—**	**948**	**(82)**	**(27,856)**	**(62,047)**
(23,661)	(13,825)	(86,692)	(29,017)	(5,734)	(198)	(1,327,912)
146	837	2,199	7,587	—	598	11,367
—	—	—	—	—	—	958,237
—	—	—	—	—	—	(1,243,020)
(23,515)	**(12,988)**	**(84,493)**	**(21,430)**	**(5,734)**	**400**	**(1,601,328)**
—	445	—	—	—	413	858
—	**445**	**—**	**—**	**—**	**413**	**858**
13,681	2,505	1,403	6,819	(7,530)	(117,097)	(1,068,451)
110,175	**213,401**	**46,438**	**56,310**	**18,738**	**511,882**	**3,886,401**
$ 123,856	**$ 215,906**	**$ 47,841**	**$ 63,129**	**$ 11,208**	**$ 394,785**	**$ 2,817,950**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2016
(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (49,052)	$ 5,584
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(76,985)	—
Amortization of long-term prepaid charges	297	—
Other	10,173	—
Change in account balances:		
Receivables	—	470
Due from other funds	12,541	25,756
Due from other governments	—	—
Prepaid items	—	(46,133)
Inventories	—	—
Net investment in direct financing leases	477,029	—
Deferred outflow of resources	3,311	(4,581)
Accounts payable	284	4,274
Due to other funds	—	3,150
Due to component units	—	—
Due to other governments	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(12,981)	—
Revenues received in advance	(637)	122,622
Other current liabilities	7,063	2
Benefits payables	—	—
Compensated absences payable	—	1,814
Other noncurrent liabilities	—	2,850
Deferred inflow of resources	—	(478)
Total adjustments	420,095	109,746
Net cash provided by (used in) operating activities	**$ 371,043**	**$ 115,330**

	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
	$ 73,897	$ (3,318)	$ 63,911	$ (60,572)	$ (4,689)	$ (72,745)	$ (46,984)
	10,962	6,813	262	26,950	5,734	137	50,858
	—	—	—	—	—	—	(76,985)
	—	—	—	256	—	—	553
	—	—	—	—	—	—	10,173
	(111)	272	(11)	14	(19,529)	(51,038)	(69,933)
	(11,995)	(2,677)	6,094	(1,010)	11,058	17,497	57,264
	(43)	12	—	168	—	551	688
	(35,573)	149	(14)	6,958	840	125	(73,648)
	(1,406)	774	—	2,147	66	—	1,581
	—	—	—	—	—	—	477,029
	(20,742)	(7,183)	(1,859)	(6,272)	—	(14,125)	(51,451)
	42,718	22	14,153	686	(1,707)	23,291	83,721
	(32,385)	3,329	(3,818)	871	1,812	(84,307)	(111,348)
	—	—	—	—	—	(132)	(132)
	—	—	49	17	(12)	109	163
	462	—	—	—	—	—	462
	1,490	—	—	(7,795)	1,098	—	(5,207)
	—	—	—	—	—	—	(12,981)
	4,977	(184)	—	(1,540)	28	—	125,266
	(16)	821	—	—	(85)	760	8,545
	—	—	—	—	—	12,207	12,207
	(2,175)	(304)	2,636	(2,524)	—	429	(124)
	117,247	24,386	8,432	95,684	3,672	109,076	361,347
	(76,109)	(7,846)	(3,939)	(26,737)	—	(31,889)	(146,998)
	(2,699)	18,384	21,985	87,873	2,975	(17,309)	641,050
	$ 71,198	**$ 15,066**	**$ 85,896**	**$ 27,301**	**$ (1,714)**	**$ (90,054)**	**$ 594,066**

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2016
(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 521,615	$ 248,996	$ 238,883	$ 1,009,494
Restricted assets:				
Cash and pooled investments	237,524	—	—	237,524
Due from other governments	156,108	—	—	156,108
Receivables (net)	—	31,444	2,161	33,605
Due from other funds	882	323	373	1,578
Due from other governments	141,307	—	318	141,625
Inventories	—	—	2,431	2,431
Total current assets	1,057,436	280,763	244,166	1,582,365
Noncurrent assets:				
Restricted assets:				
Loans receivable	1,411,250	—	—	1,411,250
Investments	—	17,157	—	17,157
Interfund receivables	—	—	1,600	1,600
Loans receivable	2,021,885	815,047	114,497	2,951,429
Capital assets:				
Land	—	443	829	1,272
Buildings and other depreciable property	—	16,260	2,575	18,835
Intangible assets – amortizable	—	—	1,587	1,587
Less: accumulated depreciation/amortization	—	(16,062)	(1,623)	(17,685)
Construction/development in progress	—	—	214	214
Other noncurrent assets	—	6,396	—	6,396
Total noncurrent assets	3,433,135	839,241	119,679	4,392,055
Total assets	**4,490,571**	**1,120,004**	**363,845**	**5,974,420**
DEFERRED OUTFLOWS OF RESOURCES	40	3,313	5,095	8,448
Total assets and deferred outflows of resources	**$ 4,490,611**	**$ 1,123,317**	**$ 368,940**	**$ 5,982,868**

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ 617	$ 47	$ 1,704	$ 2,368
Due to other funds	41	347	1,767	2,155
Due to other governments	—	—	4	4
Revenues received in advance	5	—	33	38
Interest payable	4,329	14,453	—	18,782
Current portion of long-term obligations	22,947	11,265	9,892	44,104
Other current liabilities	—	—	14	14
Total current liabilities	27,939	26,112	13,414	67,465
Noncurrent liabilities:				
Compensated absences payable	—	—	10,604	10,604
Workers' compensation benefits payable	—	—	1,022	1,022
General obligation bonds payable	—	648,059	—	648,059
Revenue bonds payable	507,846	295,765	—	803,611
Net other postemployment benefits obligation	—	4,143	9,251	13,394
Net pension liability	1,108	14,581	20,750	36,439
Other noncurrent liabilities	—	726	48,095	48,821
Total noncurrent liabilities	508,954	963,274	89,722	1,561,950
Total liabilities	**536,893**	**989,386**	**103,136**	**1,629,415**
DEFERRED INFLOWS OF RESOURCES	142	160	526	828
Total liabilities and deferred inflows of resources	**537,035**	**989,546**	**103,662**	**1,630,243**
NET POSITION				
Net investment in capital assets	—	641	3,587	4,228
Restricted – expendable:				
Debt service	66,876	—	—	66,876
Security for revenue bonds	1,567,358	—	—	1,567,358
Other purposes	—	133,130	192,898	326,028
Total expendable	1,634,234	133,130	192,898	1,960,262
Unrestricted	2,319,342	—	68,793	2,388,135
Total net position	**3,953,576**	**133,771**	**265,278**	**4,352,625**
Total liabilities and net position	**$ 4,490,611**	**$ 1,123,317**	**$ 368,940**	**$ 5,982,868**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Enterprise Funds

Year Ended June 30, 2016

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
OPERATING REVENUES				
Services and sales	$ 11,211	$ 2,390	$ 80,216	$ 93,817
Investment and interest	57,638	49,379	187	107,204
Rent	—	—	209	209
Other	—	1,659	647	2,306
Total operating revenues	**68,849**	**53,428**	**81,259**	**203,536**
OPERATING EXPENSES				
Personal services	—	8,194	36,113	44,307
Supplies	—	—	35,672	35,672
Services and charges	7,392	13,911	12,213	33,516
Depreciation	—	94	190	284
Interest expense	—	33,428	—	33,428
Other	321	—	—	321
Total operating expenses	**7,713**	**55,627**	**84,188**	**147,528**
Operating income (loss)	61,136	(2,199)	(2,929)	56,008
NONOPERATING REVENUES (EXPENSES)				
Investment and interest income	1,396	—	770	2,166
Interest expense and fiscal charges	(2,199)	—	—	(2,199)
Other	(1,902)	189	—	(1,713)
Total nonoperating revenues (expenses)	**(2,705)**	**189**	**770**	**(1,746)**
Income (loss) before capital contributions and transfers	58,431	(2,010)	(2,159)	54,262
Capital contributions	66,914	—	—	66,914
Transfers out	—	—	—	—
Change in net position	125,345	(2,010)	(2,159)	121,176
Total net position – beginning	**3,828,231**	**135,781**	**267,437**	**4,231,449**
Total net position – ending	**$ 3,953,576**	**$ 133,771**	**$ 265,278**	**$ 4,352,625**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2016

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/employers	$ 50,459	$ 204,666	$ 79,159	$ 334,284
Receipts from interfund services provided	—	—	2,507	2,507
Payments to suppliers	(7,978)	(9,299)	(49,387)	(66,664)
Payments to employees	76	(8,196)	(22,928)	(31,048)
Payments for interfund services used	(22)	—	(715)	(737)
Other receipts (payments)	(140,922)	(217,907)	(12,982)	(371,811)
Net cash provided by (used in) operating activities	**(98,387)**	**(30,736)**	**(4,346)**	**(133,469)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from general obligation bonds	—	547,565	—	547,565
Retirement of general obligation bonds	—	(354,415)	—	(354,415)
Proceeds from revenue bonds	501,961	—	—	501,961
Retirement of revenue bonds	(13,000)	(64,085)	—	(77,085)
Interest paid	(2,608)	—	—	(2,608)
Grants received	67,889	—	—	67,889
Net cash provided by (used in) noncapital financing activities	**554,242**	**129,065**	**—**	**683,307**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	—	—	(516)	(516)
Net cash provided by (used in) capital and related financing activities	**—**	**—**	**(516)**	**(516)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	—	(1,100)	—	(1,100)
Proceeds from maturity and sale of investments	—	1,912	—	1,912
Earnings on investments	838	—	770	1,608
Net cash provided by (used in) investing activities	**838**	**812**	**770**	**2,420**
Net increase (decrease) in cash and pooled investments	456,693	99,141	(4,092)	551,742
Cash and pooled investments – beginning	**302,446**	**149,855**	**242,975**	**695,276**
Cash and pooled investments – ending	**$ 759,139**	**$ 248,996**	**$ 238,883**	**$ 1,247,018**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2016

(amounts in thousands)

	State Water Pollution Control Revolving	Housing Loan	Other Enterprise Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 61,136	$ (2,199)	$ (2,929)	$ 56,008
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	—	94	190	284
Provisions and allowances	—	(2,161)	—	(2,161)
Amortization of premiums and discounts	—	1,136	—	1,136
Other	(13,708)	—	—	(13,708)
Change in account balances:				
Receivables	—	305	(1,894)	(1,589)
Due from other funds	(22)	—	(279)	(301)
Due from other governments	(4,210)	—	248	(3,962)
Prepaid items	—	—	(383)	(383)
Inventories	—	—	853	853
Other current assets	—	(1,285)	—	(1,285)
Loans receivable	(141,392)	(27,615)	1,995	(167,012)
Deferred outflow of resources	(75)	(2,259)	(4,213)	(6,547)
Accounts payable	—	283	(1,972)	(1,689)
Due to other funds	(114)	147	76	109
Due to other governments	—	—	(33)	(33)
Interest payable	—	2,622	—	2,622
Revenues received in advance	(2)	—	3	1
Other current liabilities	—	—	337	337
Benefits payables	—	—	590	590
Compensated absences payable	—	—	1,993	1,993
Other noncurrent liabilities	—	1,488	1,799	3,287
Deferred inflows of resources	—	(1,292)	(727)	(2,019)
Total adjustments	(159,523)	(28,537)	(1,417)	(189,477)
Net cash provided by (used in) operating activities	**$ (98,387)**	**$ (30,736)**	**$ (4,346)**	**$ (133,469)**
				(concluded)
Noncash investing, capital, and financing activities				
Miscellaneous noncash activities	$ —	$ 6,619	$ —	$ 6,619

Private Purpose Trust Funds

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

The **Scholarshare Program Trust Fund** accounts for money received from participants to fund their beneficiaries' higher-education expenses at certain postsecondary educational institutions.

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

Other private purpose trust funds account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2016
(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	$ 2	$ 77,157	$ 26,815	$ 103,974
Investments, at fair value:				
Equity securities	3,323,022	—	—	3,323,022
Debt securities	2,227,087	—	—	2,227,087
Real estate	235,924	—	—	235,924
Other	962,251	—	—	962,251
Total investments	6,748,284	—	—	6,748,284
Receivables (net)	11,953	2	1	11,956
Due from other funds	—	10,999	37	11,036
Other assets	—	176,181	—	176,181
Total assets	**6,760,239**	**264,339**	**26,853**	**7,051,431**
LIABILITIES				
Accounts payable	12,234	14,062	19,869	46,165
Deposits	—	176,181	—	176,181
Other liabilities	—	4	5,577	5,581
Total liabilities	**12,234**	**190,247**	**25,446**	**227,927**
NET POSITION				
Held in trust for individuals, organizations, or other governments	**$ 6,748,005**	**$ 74,092**	**$ 1,407**	**$ 6,823,504**

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2016

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	$ (191,108)	$ —	$ —	$ (191,108)
Interest, dividends, and other investment income	288,592	—	—	288,592
Less: investment expense	(3,933)	—	—	(3,933)
Net investment income	93,551	—	—	93,551
Receipts from depositors	3,152,700	321,301	9,699	3,483,700
Total additions	**3,246,251**	**321,301**	**9,699**	**3,577,251**
DEDUCTIONS				
Administrative expenses	—	—	7	7
Payments to and for depositors	2,927,818	320,045	9,540	3,257,403
Total deductions	**2,927,818**	**320,045**	**9,547**	**3,257,410**
Change in net position	318,433	1,256	152	319,841
Net position – beginning	**6,429,572**	**72,836**	**1,255**	**6,503,663**
Net position – ending	**$ 6,748,005**	**$ 74,092**	**$ 1,407**	**$ 6,823,504**

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Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

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The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Annuitants' Health Care Coverage Fund, Teachers' Health Benefits Fund, State Peace Officers' and Firefighters' Defined Contribution Plan Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2016
(amounts in thousands)

	Defined Benefit	
	Public Employees' Retirement	State Teachers' Retirement
ASSETS		
Cash and pooled investments	$ 2,818,148	$ 289,739
Investments, at fair value:		
Short-term	19,970,763	5,717,784
Equity securities	141,565,010	99,824,467
Debt securities	81,359,745	34,034,433
Real estate	31,225,522	26,732,928
Securities lending collateral	12,714,487	17,524,290
Other	26,153,355	23,582,474
Total investments	312,988,882	207,416,376
Receivables (net)	17,488,315	1,836,363
Due from other funds	627,255	—
Due from other governments	—	6,999
Loans receivable	—	2,131,694
Other assets	701,741	230,890
Total assets	**334,624,341**	**211,912,061**
DEFERRED OUTFLOWS OF RESOURCES	—	22,756
Total assets and deferred outflows of resources	**334,624,341**	**211,934,817**
LIABILITIES		
Accounts payable	13,293	1,479,643
Due to other governments	—	560
Benefits payable	1,682,747	1,188,518
Securities lending obligations	12,664,098	17,530,264
Loans payable	—	2,129,694
Other liabilities	21,560,201	477,106
Total liabilities	**35,920,339**	**22,805,785**
DEFERRED INFLOWS OF RESOURCES	—	15,545
Total liabilities and deferred inflows of resources	**35,920,339**	**22,821,330**
NET POSITION		
Held in Trust for:		
Pension and other postemployment benefits	298,704,002	189,113,487
Deferred compensation participants	—	—
Individuals, organizations, or other governments	—	—
Total net position	**$ 298,704,002**	**$ 189,113,487**

Pension Plans				Other Pension and Other Employee Benefit Trust	
Judges' Retirement	**Judges' Retirement II**	**Legislators' Retirement**	**Deferred Compensation**		**Total**
$ 2,823	$ 10,769	$ 868	$ 18,982	$ 90,199	$ 3,231,528
35,041	74,736	7,702	2,592,864	386,262	28,785,152
—	654,415	37,105	7,043,042	3,116,446	252,240,485
—	473,035	79,362	1,537,365	1,898,947	119,382,887
—	—	—	—	—	57,958,450
—	53,795	3,514	—	47,810	30,343,896
—	—	—	2,018,006	—	51,753,835
35,041	1,255,981	127,683	13,191,277	5,449,465	540,464,705
2,575	115,305	12,838	23,488	394,387	19,873,271
22	13	—	155	30	627,475
—	—	—	8	—	7,007
—	—	—	2,321	—	2,134,015
—	—	—	—	—	932,631
40,461	**1,382,068**	**141,389**	**13,236,231**	**5,934,081**	**567,270,632**
—	—	—	81	42	22,879
40,461	**1,382,068**	**141,389**	**13,236,312**	**5,934,123**	**567,293,511**
111	125	54	3,978	636	1,497,840
52	—	—	3	—	615
—	—	589	1,843	53,280	2,926,977
—	53,828	3,517	—	47,839	30,299,546
—	—	—	—	—	2,129,694
504	155,162	18,179	2,640	574,290	22,788,082
667	**209,115**	**22,339**	**8,464**	**676,045**	**59,642,754**
—	—	—	156	22	15,723
667	**209,115**	**22,339**	**8,620**	**676,067**	**59,658,477**
39,794	1,172,953	119,050	—	124,354	489,273,640
—	—	—	13,227,692	—	13,227,692
—	—	—	—	5,133,702	5,133,702
$ 39,794	**$ 1,172,953**	**$ 119,050**	**$ 13,227,692**	**$ 5,258,056**	**$ 507,635,034**

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2016

(amounts in thousands)

	Defined Benefit	
	Public Employees' Retirement	State Teachers' Retirement
ADDITIONS		
Contributions:		
Employer	$ 10,892,489	$ 3,391,140
Plan member	4,015,754	2,957,477
Non-employer	—	1,939,902
Total contributions	14,908,243	8,288,519
Investment income:		
Net appreciation (depreciation) in fair value of investments	736,827	(2,138,824)
Interest, dividends, and other investment income	1,677,128	4,760,676
Less: investment expense	(878,613)	(316,894)
Net investment income (loss)	1,535,342	2,304,958
Other	13,100	41,519
Total additions	**16,456,685**	**10,634,996**
DEDUCTIONS		
Distributions to beneficiaries	20,093,933	13,064,557
Refunds of contributions	238,821	84,001
Administrative expense	184,447	195,287
Payments to and for depositors	—	—
Total deductions	**20,517,201**	**13,343,845**
Change in net position	(4,060,516)	(2,708,849)
Net position – beginning	**302,764,518**	**191,822,336**
Net position – ending	**$ 298,704,002**	**$ 189,113,487**

Pension Plans				Other Pension and Other Employee	
Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Deferred Compensation	Benefit Trust	Total
$ 192,287	$ 65,839	$ 549	$ 1,363	$ 1,810,222	$ 16,353,889
3,559	24,598	97	1,416,432	37,112	8,455,029
—	—	—	—	—	1,939,902
195,846	90,437	646	1,417,795	1,847,334	26,748,820
—	20,595	4,562	(602,957)	78,580	(1,901,217)
195	825	46	12,561	324	6,451,755
(1)	(612)	(63)	(462)	(1,705)	(1,198,350)
194	20,808	4,545	(590,858)	77,199	3,352,188
2,568	2	—	18,895	6,506	82,590
198,608	**111,247**	**5,191**	**845,832**	**1,931,039**	**30,183,598**
199,271	21,549	7,028	33,841	1,294,324	34,714,503
78	155	379	5,231	—	328,665
642	732	203	17,565	4,395	403,271
—	—	—	569,161	16,130	585,291
199,991	**22,436**	**7,610**	**625,798**	**1,314,849**	**36,031,730**
(1,383)	88,811	(2,419)	220,034	616,190	(5,848,132)
41,177	**1,084,142**	**121,469**	**13,007,658**	**4,641,866**	**513,483,166**
$ 39,794	**$ 1,172,953**	**$ 119,050**	**$ 13,227,692**	**$ 5,258,056**	**$ 507,635,034**

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Agency Funds

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Following are brief descriptions of agency funds.

The **Receipting and Disbursing Fund** accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from many state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The **Deposit Fund** accounts for various deposits, such as those from condemnation and litigation proceedings.

Other agency activity funds account for other assets held by the State, which acts as an agent for individuals, private organizations, and other governments.

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

(amounts in thousands)

	Receipting and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	$ 2,729,053	$ 3,062,415	$ 24,250	$ 5,815,718
Receivables (net)	3,665,883	162,694	1,452	3,830,029
Due from other funds	18,757,825	3,665	777	18,762,267
Due from other governments	34,625	281	—	34,906
Loans receivable	—	—	7,935	7,935
Other assets	55	15	—	70
Total assets	**$ 25,187,441**	**$ 3,229,070**	**$ 34,414**	**$ 28,450,925**
LIABILITIES				
Accounts payable	$ 16,985,632	$ 128,859	$ 3,472	$ 17,117,963
Due to other governments	8,172,020	4,087	6,529	8,182,636
Tax overpayments	646	—	—	646
Revenues received in advance	—	680	—	680
Deposits	29,009	1,239,867	10,353	1,279,229
Other liabilities	134	1,855,577	14,060	1,869,771
Total liabilities	**$ 25,187,441**	**$ 3,229,070**	**$ 34,414**	**$ 28,450,925**

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2016

(amounts in thousands)

Receipting and Disbursing Fund

	Balance July 1, 2015 *	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and pooled investments	$ 2,204,168	$ 190,945,714	$ 190,420,829	$ 2,729,053
Receivables (net)	1,749,662	5,604,941	3,688,720	3,665,883
Due from other funds	16,367,074	21,910,799	19,520,048	18,757,825
Due from other governments	33,852	7,886	7,113	34,625
Prepaid items	26,001	—	26,001	—
Other assets	55	—	—	55
Total assets	**$ 20,380,812**	**$ 218,469,340**	**$ 213,662,711**	**$ 25,187,441**
LIABILITIES				
Accounts payable	$ 14,726,634	$ 44,621,984	$ 42,362,986	$ 16,985,632
Due to other governments	5,617,817	38,015,882	35,461,679	8,172,020
Tax overpayments	1,100	117,847	118,301	646
Revenues received in advance	2	—	2	—
Deposits	35,184	—	6,175	29,009
Other liabilities	75	59	—	134
Total liabilities	**$ 20,380,812**	**$ 82,755,772**	**$ 77,949,143**	**$ 25,187,441**

* Restated for reclassification of a fund to the Health Care Related Programs Fund, a nonmajor special revenue fund.

Deposit Fund

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and pooled investments	$ 2,580,812	$ 16,894,117	$ 16,412,514	$ 3,062,415
Receivables (net)	115,601	336,591	289,498	162,694
Due from other funds	3,699	79,211	79,245	3,665
Due from other governments	4	290	13	281
Prepaid items	491	—	491	—
Other assets	34	15	34	15
Total assets	**$ 2,700,641**	**$ 17,310,224**	**$ 16,781,795**	**$ 3,229,070**
LIABILITIES				
Accounts payable	$ 105,739	$ 472,157	$ 449,037	$ 128,859
Due to other governments	4,069	1,331	1,313	4,087
Revenues received in advance	697	—	17	680
Deposits	1,106,164	475,435	341,732	1,239,867
Other liabilities	1,483,972	15,964,527	15,592,922	1,855,577
Total liabilities	**$ 2,700,641**	**$ 16,913,450**	**$ 16,385,021**	**$ 3,229,070**

Other Agency Activity Funds

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and pooled investments	$ 24,603	$ 455	$ 808	$ 24,250
Receivables (net)	1,511	524	583	1,452
Due from other funds	773	1,098	1,094	777
Loans receivable	6,459	1,476	—	7,935
Total assets	**$ 33,346**	**$ 3,553**	**$ 2,485**	**$ 34,414**
LIABILITIES				
Accounts payable	$ 2,808	$ 765	$ 101	$ 3,472
Due to other governments	6,656	283	410	6,529
Deposits	9,855	498	—	10,353
Other liabilities	14,027	65	32	14,060
Total liabilities	**$ 33,346**	**$ 1,611**	**$ 543**	**$ 34,414**

Total Agency Funds

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and pooled investments	$ 4,809,583	$ 207,840,286	$ 206,834,151	$ 5,815,718
Receivables (net)	1,866,774	5,942,056	3,978,801	3,830,029
Due from other funds	16,371,546	21,991,108	19,600,387	18,762,267
Due from other governments	33,856	8,176	7,126	34,906
Prepaid items	26,492	—	26,492	—
Loans receivable	6,459	1,476	—	7,935
Other assets	89	15	34	70
Total assets	**$ 23,114,799**	**$ 235,783,117**	**$ 230,446,991**	**$ 28,450,925**
LIABILITIES				
Accounts payable	$ 14,835,181	$ 45,094,906	$ 42,812,124	$ 17,117,963
Due to other governments	5,628,542	38,017,496	35,463,402	8,182,636
Tax overpayments	1,100	117,847	118,301	646
Revenues received in advance	699	—	19	680
Deposits	1,151,203	475,933	347,907	1,279,229
Other liabilities	1,498,074	15,964,651	15,592,954	1,869,771
Total liabilities	**$ 23,114,799**	**$ 99,670,833**	**$ 94,334,707**	**$ 28,450,925**

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include: the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

California State University Auxiliary organizations provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2015.

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include: the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2016

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	$ 5,516	$ 409,495
Investments	—	476,891
Restricted assets:		
Cash and pooled investments	396,706	—
Investments	—	—
Receivables (net)	18,909	272,013
Prepaid items	—	—
Other current assets	—	39,244
Total current assets	421,131	1,197,643
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	25,588
Investments	12,761	—
Investments	—	1,771,550
Receivables (net)	—	226,867
Loans receivable	293,504	—
Capital assets:		
Land	—	126,305
Collections – nondepreciable	—	10,300
Buildings and other depreciable property	—	1,207,873
Intangible assets – amortizable	—	9,336
Less: accumulated depreciation/amortization	—	(563,725)
Construction/development in progress	—	20,684
Intangible assets – nonamortizable	—	5,098
Other noncurrent assets	—	36,345
Total noncurrent assets	306,265	2,876,221
Total assets	**727,396**	**4,073,864**
DEFERRED OUTFLOWS OF RESOURCES	4,943	19,721
Total assets and deferred outflows of resources	**$ 732,339**	**$ 4,093,585**

District Agricultural Associations	Other Component Units	Total
$ 109,683	$ 521,155	$ 1,045,849
622	—	477,513
5,837	4,198	406,741
3,190	—	3,190
5,534	24,305	320,761
936	116	1,052
527	—	39,771
126,329	549,774	2,294,877
—	—	25,588
3,297	—	16,058
—	69,582	1,841,132
—	14,068	240,935
—	2,547	296,051
22,232	5,089	153,626
—	—	10,300
726,479	136,574	2,070,926
—	1,051	10,387
(450,281)	(56,189)	(1,070,195)
4,209	1,919	26,812
—	—	5,098
—	8,354	44,699
305,936	182,995	3,671,417
432,265	**732,769**	**5,966,294**
10,361	10,645	45,670
$ 442,626	**$ 743,414**	**$ 6,011,964**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2016
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,881	$ 86,503
Revenues received in advance	—	65,349
Deposits	—	—
Contracts and notes payable	—	8,400
Interest payable	2,134	—
Current portion of long-term obligations	11,570	75,429
Other current liabilities	36,038	84,794
Total current liabilities	54,623	320,475
Noncurrent liabilities:		
Compensated absences payable	268	5,629
Workers' compensation benefits payable	—	44,257
Commercial paper and other borrowings	—	700
Capital lease obligations	—	348,342
Revenue bonds payable	361,018	43,436
Net other postemployment benefits obligation	1,375	100,764
Net pension liability	5,671	62,432
Other noncurrent liabilities	27,417	399,476
Total noncurrent liabilities	395,749	1,005,036
Total liabilities	**450,372**	**1,325,511**
DEFERRED INFLOWS OF RESOURCES	123	16,263
Total liabilities and deferred inflows of resources	**450,495**	**1,341,774**
NET POSITION		
Net investment in capital assets	—	227,166
Restricted:		
Nonexpendable – endowments	—	1,057,270
Expendable:		
Endowments and gifts	—	—
Education	—	893,104
Statute	280,326	—
Other purposes	1,618	—
Total expendable	281,944	893,104
Unrestricted	(100)	574,271
Total net position	**281,844**	**2,751,811**
Total liabilities, deferred inflows of resources, and net position	**$ 732,339**	**$ 4,093,585**

District Agricultural Associations	Other Component Units	Total
$ 7,266	$ 447,094	$ 545,744
2,564	581	68,494
1,570	363	1,933
93	99	8,592
749	—	2,883
3,148	1,455	91,602
3,147	78,056	202,035
18,537	527,648	921,283
9,554	372	15,823
346	—	44,603
—	—	700
—	—	348,342
46,449	20,474	471,377
7,762	650	110,551
80,485	32,086	180,674
9,631	19,221	455,745
154,227	72,803	1,627,815
172,764	**600,451**	**2,549,098**
16,457	5,756	38,599
189,221	**606,207**	**2,587,697**
246,934	67,320	541,420
—	22,159	1,079,429
—	18,321	18,321
—	9,242	902,346
—	—	280,326
16,318	10,495	28,431
16,318	38,058	1,229,424
(9,847)	9,670	573,994
253,405	**137,207**	**3,424,267**
$ 442,626	**$ 743,414**	**$ 6,011,964**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2016
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	$ 3,707	$ 369,673
Scholarships and fellowships	—	55,386
Supplies	—	—
Services and charges	33,588	1,106,056
Depreciation	—	51,560
Interest expense and fiscal charges	7,422	23,694
Other	—	71,560
Total operating expenses	**44,717**	**1,677,929**
PROGRAM REVENUES		
Charges for services	1,769	736,244
Operating grants and contributions	28,470	598,192
Capital grants and contributions	—	28,540
Total program revenues	**30,239**	**1,362,976**
Net revenues (expenses)	(14,478)	(314,953)
GENERAL REVENUES		
Investment and interest income (loss)	10,956	(21,487)
Other	1,072	433,439
Total general revenues	**12,028**	**411,952**
Change in net position	(2,450)	96,999
Net position – beginning	**284,294**	**2,654,812**
Net position – ending	**$ 281,844**	**$ 2,751,811**

* Restated

District Agricultural Associations	Other Component Units	Total
$ 105,553	$ 37,154	$ 516,087
—	3,565	58,951
—	9,949	9,949
109,074	14,196	1,262,914
17,826	3,057	72,443
1,971	991	34,078
486	6,658	78,704
234,910	**75,570**	**2,033,126**
238,550	63,009	1,039,572
—	13,912	640,574
266	424	29,230
238,816	**77,345**	**1,709,376**
3,906	1,775	(323,750)
60	(683)	(11,154)
3,217	9,112	446,840
3,277	**8,429**	**435,686**
7,183	10,204	111,936
246,222 *	**127,003**	**3,312,331**
$ 253,405	**$ 137,207**	**$ 3,424,267**

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Statistical Section

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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. This section includes the following financial trend schedules.

Schedule of Net Position by Component

Schedule of Changes in Net Position

Schedule of Fund Balances – Governmental Funds

Schedule of Changes in Fund Balances – Governmental Funds

Sources: The information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	$ 81,352,744	$ 84,255,048	$ 83,285,184	$ 84,085,632
Restricted – Expendable	10,543,602	10,148,648	8,391,814	14,987,867
Unrestricted [1]	(56,519,478)	(69,346,950)	(86,302,434)	(103,272,097)
Total governmental activities net position (deficit)	**$ 35,376,868**	**$ 25,056,746**	**$ 5,374,564**	**$ (4,198,598)**
Business-type activities				
Net investment in capital assets	$ 208,268	$ 49,510	$ (130,634)	$ 89,334
Restricted – Nonexpendable	—	—	—	—
Restricted – Expendable	8,574,932	6,853,621	3,855,051	3,404,682
Unrestricted	2,430,492	3,009,297	717,740	(4,250,609)
Total business-type activities net position (deficit)	**$ 11,213,692**	**$ 9,912,428**	**$ 4,442,157**	**$ (756,593)**
Primary government				
Net investment in capital assets	$ 81,561,012	$ 84,304,558	$ 83,154,550	$ 84,174,966
Restricted – Nonexpendable	—	—	—	—
Restricted – Expendable	19,118,534	17,002,269	12,246,865	18,392,549
Unrestricted	(54,088,986)	(66,337,653)	(85,584,694)	(107,522,706)
Total primary government net position (deficit)	**$ 46,590,560**	**$ 34,969,174**	**$ 9,816,721**	**$ (4,955,191)**

[1] Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities.

[2] In fiscal year 2011, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $1.2 billion beginning net position of the California State University Fund from a governmental fund to an enterprise fund.

[3] In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

[4] In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

2011 [2]	2012	2013	2014 [3]	2015 [4]	2016
$ 85,460,957	$ 80,768,527	$ 84,931,030	$ 94,001,659	$ 100,694,652	$ 104,596,917
27,865,821	24,871,510	24,315,913	24,950,740	26,632,502	29,060,971
(123,783,314)	(123,897,753)	(117,383,903)	(116,948,128)	(169,744,967)	(168,542,861)
$ (10,456,536)	**$ (18,257,716)**	**$ (8,136,960)**	**$ 2,004,271**	**$ (42,417,813)**	**$ (34,884,973)**
$ 1,382,957	$ 1,561,258	$ 1,718,648	$ 2,065,550	$ 2,278,252	$ 2,520,621
21,812	21,584	20,627	16,219	13,448	8,653
3,615,945	4,571,036	5,151,915	4,897,314	4,523,496	5,750,634
(4,214,494)	(3,346,849)	(2,824,738)	(1,661,692)	(5,360,817)	(3,707,406)
$ 806,220	**$ 2,807,029**	**$ 4,066,452**	**$ 5,317,391**	**$ 1,454,379**	**$ 4,572,502**
$ 86,843,914	$ 82,329,785	$ 86,649,678	$ 96,067,209	$ 102,972,904	$ 107,117,538
21,812	21,584	20,627	16,219	13,448	8,653
31,481,766	29,442,546	29,467,828	29,848,054	31,155,998	34,811,605
(127,997,808)	(127,244,602)	(120,208,641)	(118,609,820)	(175,105,784)	(172,250,267)
$ (9,650,316)	**$ (15,450,687)**	**$ (4,070,508)**	**$ 7,321,662**	**$ (40,963,434)**	**$ (30,312,471)**

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2007	2008	2009	2010
Governmental activities				
Expenses				
General government [1]	$ 14,261,590	$ 13,187,080	$ 13,895,948	$ 12,454,969
Education	61,542,105	65,130,420	65,643,486	61,764,385
Health and human services	69,979,980	74,309,784	79,077,015	80,799,454
Natural resources and environmental protection	5,316,769	6,333,252	5,626,359	6,019,104
Business, consumer services, and housing	1,214,740	1,129,063	1,518,402	979,962
Transportation	9,763,200	13,068,043	11,980,315	14,155,767
Corrections and rehabilitation	8,945,325	10,504,182	10,835,203	10,310,229
Interest on long-term debt	2,596,316	4,184,631	3,801,283	4,146,259
Total expenses	**173,620,025**	**187,846,455**	**192,378,011**	**190,630,129**
Program revenues				
Charges for services:				
General government [1]	4,495,166	4,404,126	4,781,126	4,918,132
Education	2,689,906	3,343,205	3,483,072	4,231,692
Health and human services	4,751,011	5,191,548	4,256,069	3,769,794
Natural resources and environmental protection	2,110,593	2,648,952	2,578,738	2,597,712
Business, consumer services, and housing	704,512	692,348	658,486	654,034
Transportation	4,040,268	3,987,958	4,210,461	5,420,261
Corrections and rehabilitation	30,821	27,702	21,592	18,097
Operating grants/contributions	43,440,102	45,849,413	57,828,622	75,469,783
Capital grants/contributions	1,164,526	1,207,101	1,142,691	962,388
Total program revenues	**63,426,905**	**67,352,353**	**78,960,857**	**98,041,893**
Total governmental activities net program expenses	**(110,193,120)**	**(120,494,102)**	**(113,417,154)**	**(92,588,236)**
General revenues and other changes in net position				
General revenues:				
Personal income taxes	53,272,229	55,355,266	45,709,344	43,866,857
Sales and use taxes	35,427,013	34,856,824	31,244,979	33,784,106
Corporation taxes	11,211,267	11,207,468	10,741,140	9,472,611
Motor vehicle excise taxes [2]	—	—	—	—
Insurance taxes	2,165,567	2,190,870	2,063,555	2,235,251
Other taxes [2]	5,939,890	5,594,970	5,264,685	5,234,531
Investment and interest	730,066	639,059	175,584	114,933
Escheat	334,002	282,287	315,642	149,996
Special item [3]	—	—	—	—
Transfers	29,855	54,994	21,015	(13,441,875)
Total general revenues and other changes in net position	**109,109,889**	**110,181,738**	**95,535,944**	**81,416,410**
Total governmental activities change in net position	**$ (1,083,231)**	**$ (10,312,364)**	**$ (17,881,210)**	**$ (11,171,826)**

[1] Tax relief program expenses and revenues reported separately prior to fiscal year 2009 are now included with "general government."

[2] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[3] In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund.

[4] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[5] In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

2011 [4]	2012	2013	2014 [5]	2015	2016
$ 13,520,557	$ 14,411,737	$ 15,390,100	$ 14,292,179	$ 15,804,281	$ 16,686,037
56,486,944	51,288,647	50,586,387	54,719,677	59,521,018	65,467,497
92,475,364	89,939,730	94,069,749	105,037,102	122,063,805	127,543,288
5,853,278	5,950,635	5,670,922	5,854,685	6,419,591	6,988,442
1,405,019	1,241,269	1,475,486	589,715	903,782	814,676
11,119,644	13,719,927	12,836,192	13,427,229	12,897,591	12,120,820
10,295,564	10,343,574	10,081,736	11,234,705	11,483,573	11,875,294
4,377,064	4,365,181	4,349,632	4,699,265	4,880,625	4,231,581
195,533,434	**191,260,700**	**194,460,204**	**209,854,557**	**233,974,266**	**245,727,635**
5,057,082	6,841,334	6,196,586	5,994,608	6,502,363	6,525,736
110,423	81,212	64,480	67,165	53,498	66,298
8,471,261	4,940,650	8,761,781	7,961,897	8,259,696	10,630,859
2,797,264	2,866,232	3,269,315	3,403,524	4,546,413	4,823,861
660,196	724,222	682,503	586,055	626,960	823,189
4,010,433	4,342,668	4,082,616	4,247,258	4,382,901	4,532,300
14,981	16,757	45,153	13,645	18,557	19,411
67,849,215	58,777,006	60,943,536	69,861,130	84,896,237	86,628,827
1,272,326	2,193,189	1,669,021	1,515,890	1,319,430	1,480,351
90,243,181	**80,783,270**	**85,714,991**	**93,651,172**	**110,606,055**	**115,530,832**
(105,290,253)	**(110,477,430)**	**(108,745,213)**	**(116,203,385)**	**(123,368,211)**	**(130,196,803)**
51,719,107	54,368,347	67,502,738	68,793,292	78,098,865	80,303,076
33,521,221	31,216,438	33,839,065	36,477,724	38,224,080	39,121,061
9,384,416	8,629,935	7,289,910	9,102,128	10,720,647	9,213,173
—	5,263,435	5,219,605	5,777,167	5,393,994	5,028,589
2,311,880	2,408,473	2,295,579	3,359,043	3,926,319	4,203,885
7,768,010	2,368,748	2,498,248	2,302,231	2,235,498	2,158,874
62,946	72,237	57,285	80,969	58,016	131,615
229,146	372,215	551,580	487,937	400,807	304,960
—	—	—	(54,537)	—	40,516
(3,251,598)	(2,031,032)	(1,997,759)	(2,296,010)	(2,554,970)	(2,800,101)
101,745,128	**102,668,796**	**117,256,251**	**124,029,944**	**136,503,256**	**137,705,648**
$ (3,545,125)	**$ (7,808,634)**	**$ 8,511,038**	**$ 7,826,559**	**$ 13,135,045**	**$ 7,508,845**

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2007	2008	2009	2010
Business-type activities				
Expenses				
Electric Power	$ 5,865,000	$ 5,362,000	$ 4,560,000	$ 3,908,000
Water Resources	951,590	1,009,214	914,837	1,069,662
Public Buildings Construction [5]	334,777	371,904	420,465	494,332
State Lottery	3,470,615	3,173,060	3,069,365	3,166,447
Unemployment Programs	9,136,218	10,622,582	19,609,068	29,614,598
California State University [4]	—	—	—	—
High Technology Education	22,704	16,916	15,590	15,025
State University Dormitory Building Maintenance and Equipment	844,798	699,018	486,349	856,106
State Water Pollution Control Revolving	12,702	13,056	12,261	16,893
Housing Loan	127,206	132,101	130,777	122,114
Other enterprise programs	141,859	122,921	147,441	130,329
Total expenses	**20,907,469**	**21,522,772**	**29,366,153**	**39,393,506**
Program revenues				
Charges for services:				
Electric Power	5,865,000	5,362,000	4,560,000	3,908,000
Water Resources	951,590	1,009,214	914,837	1,069,662
Public Buildings Construction [5]	396,895	384,816	366,151	430,069
State Lottery	3,461,699	3,242,828	3,051,320	3,145,259
Unemployment Programs	9,017,969	8,829,018	14,273,975	11,255,098
California State University [4]	—	—	—	—
High Technology Education	22,966	20,600	15,975	13,015
State University Dormitory Building Maintenance and Equipment	554,851	640,208	811,454	599,571
State Water Pollution Control Revolving	78,564	71,404	59,923	56,121
Housing Loan	130,293	130,139	109,636	85,321
Other enterprise programs	134,018	137,476	124,952	98,957
Operating grants/contributions	—	—	—	—
Capital grants/contributions	182,989	189,064	71,882	91,808
Total program revenues	**20,796,834**	**20,016,767**	**24,360,105**	**20,752,881**
Total business-type activities net program revenues (expenses)	**(110,635)**	**(1,506,005)**	**(5,006,048)**	**(18,640,625)**
Other changes in net position				
Special item [3]	—	—	—	—
Transfers	(29,855)	(54,994)	(21,015)	13,441,875
Total business-type activities change in net position	**(140,490)**	**(1,560,999)**	**(5,027,063)**	**(5,198,750)**
Total primary government change in net position	**$ (1,223,721)**	**$ (11,873,363)**	**$ (22,908,273)**	**$ (16,370,576)**

2011	2012	2013	2014	2015	2016
$ 2,317,000	$ 915,000	$ 488,000	$ 835,000	$ 799,000	$ 728,000
1,115,793	1,047,574	1,127,195	983,048	1,019,378	1,086,650
390,173	403,853	410,404	—	—	—
3,507,524	4,431,709	4,499,451	5,078,935	5,560,299	6,315,957
25,619,138	21,111,658	17,599,219	13,673,403	11,390,227	11,458,966
5,851,355	6,181,397	6,196,541	6,544,936	6,847,789	7,199,277
9,590	7,778	6,568	847	—	—
—	—	—	—	—	—
10,953	8,780	3,698	5,072	9,082	11,814
104,667	89,570	70,356	57,206	58,280	55,627
118,006	78,601	58,578	79,641	77,475	84,188
39,044,199	**34,275,920**	**30,460,010**	**27,258,088**	**25,761,530**	**26,940,479**
2,317,000	915,000	488,000	835,000	799,000	728,000
1,115,793	1,047,574	1,127,195	983,048	1,019,378	1,086,650
456,467	428,260	616,041	—	—	—
3,484,689	4,484,291	4,445,921	5,077,976	5,553,418	6,367,902
24,678,783	21,947,781	18,597,962	15,167,258	13,402,902	13,866,028
2,505,545	2,915,123	2,891,432	3,014,030	3,113,988	3,172,154
10,498	8,452	5,585	424	—	—
—	—	—	—	—	—
55,957	57,540	60,173	62,985	65,959	70,245
89,224	84,830	66,050	65,247	57,742	53,617
105,676	74,693	80,540	77,671	78,625	82,029
1,216,808	1,249,995	1,323,345	1,491,559	1,666,292	1,764,962
86,272	106,057	142,304	80,903	107,746	66,914
36,122,712	**33,319,596**	**29,844,548**	**26,856,101**	**25,865,050**	**27,258,501**
(2,921,487)	**(956,324)**	**(615,462)**	**(401,987)**	**103,520**	**318,022**
—	—	—	(26,913)	—	—
3,251,598	2,031,032	1,997,759	2,296,010	2,554,970	2,800,101
330,111	**1,074,708**	**1,382,297**	**1,867,110**	**2,658,490**	**3,118,123**
$ (3,215,014)	**$ (6,733,926)**	**$ 9,893,335**	**$ 9,693,669**	**$ 15,793,535**	**$ 10,626,968**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2007	2008	2009	2010
General Fund				
Reserved	$ 2,596,537	$ 2,113,149	$ 2,260,504	$ 1,320,782
Unreserved	(4,504,075)	(6,282,018)	(18,344,400)	(20,929,640)
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Unassigned	—	—	—	—
Total General Fund	**$ (1,907,538)**	**$ (4,168,869)**	**$ (16,083,896)**	**$ (19,608,858)**
All other governmental funds				
Reserved	$ 21,955,300	$ 19,512,083	$ 27,465,566	$ 41,087,578
Unreserved, reported in:				
Special revenue funds	(914,843)	(1,817,290)	(3,539,254)	(8,554,611)
Capital projects funds	(1,128,608)	(837,349)	686,113	838,879
Nonspendable	—	—	—	—
Restricted	—	—	—	—
Committed	—	—	—	—
Assigned	—	—	—	—
Unassigned	—	—	—	—
Total all other governmental funds	**$ 19,911,849**	**$ 16,857,444**	**$ 24,612,425**	**$ 33,371,846**

Note: In fiscal year 2011, the State implemented GASB Statement No. 54, which significantly changed the fund balance classifications. Fiscal year 2011 and subsequent fund balance classifications are not comparable to prior years' classifications.

[1] In fiscal year 2011, the California State University Fund, which consisted of $1.2 billion beginning fund balance, was reclassified from a governmental fund to an enterprise fund.

	2011 [1]	2012	2013	2014	2015	2016
	$ —	$ —	$ —	$ —	$ —	$ —
	—	—	—	—	—	—
	148,019	7,614	140,107	128,609	53,431	75,939
	156,496	80,849	178,643	394,246	2,266,635	4,044,911
	29,850	19,600	22,879	125,120	102,793	68,102
	(20,273,606)	(23,069,351)	(14,596,085)	(8,092,571)	(4,651,491)	(3,827,224)
	$ (19,939,241)	**$ (22,961,288)**	**$ (14,254,456)**	**$ (7,444,596)**	**$ (2,228,632)**	**$ 361,728**
	$ —	$ —	$ —	$ —	$ —	$ —
	—	—	—	—	—	—
	—	—	—	—	—	—
	39,448	—	15,022	27,260	5,620	11,188
	27,709,325	24,790,661	24,137,270	24,269,093	24,224,167	24,885,166
	2,701,702	2,109,089	2,318,035	2,914,747	4,090,563	5,652,478
	268,888	3	209,171	18,857	16,767	14,622
	(21,847)	(103,177)	(176,066)	(20,145)	(6,456)	(1,037)
	$ 30,697,516	**$ 26,796,576**	**$ 26,503,432**	**$ 27,209,812**	**$ 28,330,661**	**$ 30,562,417**

Schedule of Changes in Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2007	2008	2009	2010
Revenues				
Personal income taxes	$ 53,289,524	$ 55,197,062	$ 45,482,726	$ 43,884,798
Sales and use taxes	35,451,311	34,764,651	31,425,308	33,696,412
Corporation taxes	11,210,267	11,201,468	10,738,140	9,467,611
Motor vehicle excise taxes [1]	—	—	—	—
Insurance taxes	2,165,567	2,190,870	2,063,555	2,235,251
Other taxes [1]	5,800,027	5,675,894	5,245,416	5,235,801
Intergovernmental	46,442,519	48,969,006	61,053,091	79,183,291
Licenses and permits	5,266,142	5,326,854	5,805,369	6,900,747
Charges for services	911,387	1,025,569	986,773	974,181
Fees and penalties	6,093,948	6,800,633	6,204,288	7,291,894
Investment and interest	1,555,202	1,591,025	1,108,058	281,881
Escheat	334,002	282,287	315,642	149,996
Other	3,732,591	4,265,010	3,933,035	3,555,282
Total revenues	**172,252,487**	**177,290,329**	**174,361,401**	**192,857,145**
Expenditures				
General government [2]	14,062,920	12,745,860	13,075,901	12,036,503
Education	61,103,008	64,367,612	63,857,066	59,229,726
Health and human services	70,157,806	74,102,708	78,731,136	80,321,470
Natural resources and environmental protection	5,191,078	6,123,609	5,209,684	5,456,904
Business, consumer services, and housing	1,214,752	1,239,397	1,266,068	1,088,494
Transportation	11,485,069	14,747,506	13,803,518	14,083,790
Corrections and rehabilitation	9,030,299	9,972,507	9,883,593	9,553,992
Capital outlay	1,345,021	1,724,074	1,432,376	1,691,674
Debt service:				
Bond and commercial paper retirement	5,691,791	8,970,533	5,131,600	3,259,203
Interest and fiscal charges	2,881,849	3,394,433	3,584,358	4,022,922
Total expenditures	**182,163,593**	**197,388,239**	**195,975,300**	**190,744,678**
Excess (deficiency) of revenues over (under) expenditures	(9,911,106)	(20,097,910)	(21,613,899)	2,112,467
Other financing sources (uses)				
General obligation bonds and commercial paper issued	9,040,500	14,193,760	16,764,085	12,039,472
Revenue bonds issued	—	—	97,635	—
Refunding/remarketing debt issued	9,098,376	1,798,685	—	4,176,050
Payment to refund/remarket long-term debt	(7,840,621)	(1,844,006)	—	(4,221,604)
Premium on bonds issued [3]	—	295,439	126,107	267,980
Proceeds from loans	—	—	—	1,996,737
Capital leases [4]	178,936	268,686	364,813	811,816
Transfers in	9,311,462	11,414,132	6,776,476	6,548,447
Transfers out	(9,242,771)	(11,336,764)	(6,689,658)	(19,952,766)
Total other financing sources	**10,545,882**	**14,789,932**	**17,439,458**	**1,666,132**
Total change in fund balance	**$ 634,776**	**$ (5,307,978)**	**$ (4,174,441)**	**$ 3,778,599**
Debt service as a percentage of noncapital expenditures	4.7%	6.3%	4.5%	3.9%

[1] Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.

[2] Tax relief program expenditures reported separately prior to fiscal year 2009 are now included with general government.

[3] Prior to fiscal year 2008, premiums on bonds issued were netted against debt service interest and fiscal charges.

[4] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

2011 [4]	2012	2013	2014	2015	2016
$ 51,691,153	$ 54,442,733	$ 67,424,576	$ 68,771,667	$ 78,245,616	$ 79,934,285
33,488,805	31,205,183	33,869,961	36,409,311	38,389,972	39,136,040
9,433,416	8,609,935	7,261,910	9,242,454	10,780,647	9,214,173
—	5,263,435	5,219,605	5,777,167	5,393,994	5,028,589
2,311,881	2,408,473	2,295,579	3,359,043	3,926,319	4,203,885
7,829,662	2,306,717	2,425,184	2,297,025	2,312,875	2,185,690
69,160,916	62,235,671	64,418,808	73,000,600	87,740,667	91,069,753
6,767,437	6,600,001	6,659,078	6,957,117	7,270,994	7,612,551
1,008,647	728,980	741,201	769,302	849,895	870,142
10,262,387	8,315,452	10,673,104	9,757,476	10,510,727	11,882,699
212,116	175,898	135,928	137,754	119,690	232,285
229,146	372,215	551,580	488,945	406,899	305,394
2,941,484	2,542,505	3,227,347	2,903,335	3,975,144	4,049,789
195,337,050	**185,207,198**	**204,903,861**	**219,871,196**	**249,923,439**	**255,725,275**
12,997,651	13,484,305	15,748,069	14,778,214	16,202,395	16,715,892
55,547,139	50,362,337	49,692,763	53,309,436	62,952,621	65,213,542
91,941,309	89,473,391	94,621,630	104,781,494	122,259,036	127,201,314
5,254,757	5,358,575	5,318,332	5,508,860	6,006,446	6,278,363
1,183,536	1,219,499	1,259,392	621,037	670,774	1,130,213
13,181,390	15,684,611	15,008,671	15,721,532	15,137,217	14,814,829
9,253,791	9,805,846	9,681,086	10,395,234	11,182,926	11,450,980
1,128,011	1,296,413	1,222,342	1,909,010	1,019,335	1,492,442
3,118,906	4,435,992	5,189,150	7,002,941	8,482,380	6,929,866
4,355,110	4,453,643	4,363,260	4,321,040	4,473,799	4,057,907
197,961,600	**195,574,612**	**202,104,695**	**218,348,798**	**248,386,929**	**255,285,348**
(2,624,550)	(10,367,414)	2,799,166	1,522,398	1,536,510	439,927
4,525,000	4,165,515	4,038,095	5,082,305	4,343,165	4,074,980
—	—	—	—	—	—
—	4,300,555	4,634,365	2,077,330	5,086,100	5,220,320
—	(4,508,834)	(3,174,613)	(328,024)	(3,865,093)	(4,378,328)
32,607	667,931	964,211	505,026	1,116,811	1,037,920
35,538	—	—	—	—	—
204,631	528,804	710,440	1,486,204	625,282	1,148,774
8,705,229	5,523,644	2,957,762	4,041,250	5,344,134	4,385,123
(11,902,800)	(7,499,131)	(4,898,754)	(6,304,047)	(7,934,754)	(7,130,142)
1,600,205	**3,178,484**	**5,231,506**	**6,560,044**	**4,715,645**	**4,358,647**
$ (1,024,345)	**$ (7,188,930)**	**$ 8,030,672**	**$ 8,082,442**	$ **6,252,155**	**$ 4,798,574**
3.8%	4.6%	4.8%	5.2%	5.2%	4.3%

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State's capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

Schedule of Revenue Base

Schedule of Revenue Payers by Industry/Income Level

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2006	2007	2008	2009
Personal Income by Industry				
(all items restated as footnoted) [1]				
Farm earnings	$ 10,502,902	$ 12,862,117	$ 10,766,257	$ 11,973,440
Forestry, fishing, and other natural resources	5,833,348	6,094,846	6,089,767	6,147,847
Mining	5,211,109	5,194,458	7,140,140	4,119,811
Construction and utilities	96,033,933	89,077,633	75,328,934	65,061,973
Manufacturing	122,827,189	125,304,412	123,299,811	113,518,283
Wholesale trade	54,764,594	58,385,776	57,972,229	52,454,196
Retail trade	81,580,803	80,873,164	73,042,916	68,818,022
Transportation and warehousing	31,793,178	33,337,952	32,451,085	30,688,997
Information, finance, and insurance	126,375,035	127,946,372	118,123,454	120,213,222
Real estate and rental and leasing	31,859,819	25,073,627	32,287,873	33,903,893
Services	395,786,577	416,568,707	436,006,483	419,074,508
Federal, civilian	20,978,437	21,578,358	22,347,584	23,426,267
Military	12,812,404	13,447,304	14,560,197	15,558,704
State and local government	164,416,341	176,638,739	185,038,204	184,143,378
Other [2]	364,143,953	391,468,081	422,075,503	411,546,787
Total personal income	**$ 1,524,919,622**	**$ 1,583,851,546**	**$ 1,616,530,437**	**$ 1,560,649,328**
Average effective rate [3]	5.1%	5.0%	5.7%	5.2%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

[1] 2006-2014 information updated.

[2] Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

[3] The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

2010	2011	2012	2013	2014	2015
$ 12,433,312	$ 14,373,226	$ 15,953,332	$ 18,381,388	$ 17,495,977	$ 17,605,974
6,566,707	6,854,997	7,638,250	8,068,569	8,522,241	9,203,366
4,514,175	5,106,115	6,001,577	6,428,622	6,651,227	5,608,197
62,660,496	61,873,357	66,556,171	73,683,266	78,847,459	87,898,106
115,688,797	120,111,759	124,899,276	126,311,618	133,530,187	139,691,173
53,682,251	57,472,618	60,035,740	62,295,590	65,623,042	68,608,235
70,039,926	73,130,362	77,231,735	79,105,234	82,313,799	86,231,777
31,303,667	34,174,605	35,593,342	37,370,800	39,795,961	43,261,714
130,736,844	135,518,145	143,425,308	154,787,569	159,689,475	175,851,729
36,358,312	45,843,400	52,588,792	50,457,768	48,428,630	49,896,044
430,851,698	458,596,036	496,398,719	500,793,929	538,770,068	579,603,097
25,978,417	26,293,383	26,445,830	26,044,538	26,690,415	27,752,861
16,264,215	16,059,376	15,919,310	15,351,742	15,063,581	14,701,712
185,265,970	189,759,590	189,141,123	194,484,812	204,595,848	215,902,598
434,789,463	482,266,610	520,738,657	508,391,069	551,905,830	581,852,890
$ 1,617,134,250	**$ 1,727,433,579**	**$ 1,838,567,162**	**$ 1,861,956,514**	**$ 1,977,923,740**	**$ 2,103,669,473**
4.7%	5.3%	5.0%	6.1%	5.6%	6.1%

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2006	2007	2008	2009 [1]
Taxable Sales by Industry [1]				
Retail				
Apparel	$ 19,829,416	$ 20,855,890	$ 22,120,094	
General merchandise	59,264,894	59,897,350	56,425,472	
Specialty	54,695,680	34,122,471	27,380,740	
Food	21,864,179	22,461,059	21,504,308	
Restaurant and bars	49,229,418	51,658,575	52,051,404	
Household	17,383,449	16,720,852	17,199,187	
Building materials	36,163,326	32,656,324	26,647,007	
Automotive	115,154,535	117,864,918	106,555,420	
Other	15,481,675	30,787,663	27,434,795	
Business and personal service	23,650,322	23,355,672	22,045,958	
All other	146,935,543	150,669,375	152,289,155	
Total taxable sales	**$ 559,652,437**	**$ 561,050,149**	**$ 531,653,540**	
Direct sales tax rate [2]	5.25%	5.25%	5.25%	
Taxable Sales by Industry (Using NAICS Codes) [1]				
Retail and Food Services				
Motor vehicle and parts dealers				$ 44,488,198
Furniture and home furnishings stores				8,481,020
Electronics and appliance stores				13,384,338
Building materials, garden equipment and supplies				23,978,313
Food and beverage				22,546,285
Health and personal care stores				9,244,958
Gasoline stations				39,077,835
Clothing and clothing accessories stores				25,641,272
Sporting goods, hobby, book and music stores				10,294,172
General merchandise stores				44,921,639
Miscellaneous store retailers				16,385,169
Nonstore retailers				2,849,864
Food services and drinking places				49,921,543
All other outlets				145,278,339
Total taxable sales				**$ 456,492,945**
Direct sales tax rate [2]				6.25% [3]

Source: California State Board of Equalization (BOE)

[1] Due to the BOE's conversion from business coding to North American Industry Classification System (NAICS) coding for the reporting of Taxable Sales by Industry, industry level data for 2009 and forward is not comparable to that reported for prior years. The NAICS conversion process for over one million permit holders was not completed until the end of 2008, so 2009 was the first year the BOE used the new format with NAICS codes.

[2] The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund and debt service fund. It does not include the 1% local tax rate that is allocated to cities and counties.

[3] Rate change was effective on April 1, 2009.

[4] Rate change was effective on January 1, 2013.

2010	2011	2012	2013	2014	2015
$ 47,355,568	$ 53,303,501	$ 61,547,848	$ 67,986,436	$ 73,232,242	$ 79,563,170
8,742,984	9,280,688	9,937,187	10,645,523	11,408,837	12,169,888
13,749,019	14,297,402	14,744,723	14,765,485	15,148,893	16,349,542
24,750,865	26,064,428	27,438,083	29,680,053	31,299,110	33,659,726
22,787,407	23,606,132	24,511,714	25,289,203	26,298,414	27,939,656
9,525,910	10,309,491	10,787,801	11,294,049	11,640,870	12,364,559
45,226,491	55,210,076	58,006,168	56,860,585	55,733,384	47,397,553
27,267,430	29,600,057	32,357,516	34,918,036	36,822,241	38,438,074
10,365,480	10,602,711	10,751,814	11,113,831	11,056,024	11,341,328
46,323,804	48,219,018	49,996,451	51,431,094	52,013,855	48,371,010
16,569,690	17,187,402	17,880,765	18,382,224	19,024,905	19,852,685
2,830,615	3,081,188	4,375,432	7,296,839	8,292,788	9,531,606
51,282,453	54,755,944	59,037,320	62,776,360	67,864,614	73,889,708
150,570,269	165,050,017	177,014,427	184,399,899	195,985,698	202,290,021
$ 477,347,985	**$ 520,568,055**	**$ 558,387,249**	**$ 586,839,617**	**$ 615,821,875**	$ **633,158,526**
6.25%	6.25%	6.25%	6.50% [4]	6.50%	6.50%

(concluded)

Schedule of Revenue Payers by Income Level/ Industry

For Calendar Years 2006 and 2014

Personal Income Tax Filers and Liability by Income Level [1]

	2006			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,154,344	63.6 %	$ 1,735,639	3.8 %
50,000 to 99,999	3,124,860	21.7	5,485,178	12.0
100,000 to 149,999	1,120,321	7.8	5,213,440	11.4
150,000 to 199,999	401,419	2.8	3,418,630	7.5
200,000 to 299,999	293,496	2.1	4,200,513	9.2
300,000 to 399,999	102,006	0.7	2,395,258	5.2
400,000 to 499,999	52,115	0.4	1,710,759	3.7
500,000 to 599,999	29,757	0.2	1,242,962	2.7
600,000 to 699,999	21,085	0.1	1,066,599	2.3
700,000 to 799,999	13,970	0.1	826,564	1.8
800,000 to 899,999	10,176	0.1	686,372	1.5
900,000 to 999,999	8,076	0.1	625,027	1.4
1,000,000 to 1,999,999	30,387	0.2	3,521,137	7.7
2,000,000 to 2,999,999	8,320	0.1	1,798,113	3.9
3,000,000 to 3,999,999	3,683	0.0	1,155,898	2.5
4,000,000 to 4,999,999	2,097	0.0	871,004	1.9
$ 5,000,000 and over	6,563	0.0	9,762,812	21.5
Total	**14,382,675**	**100.0 %**	**$ 45,715,905**	**100.0 %**

	2014			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,618,850	60.6 %	$ 1,426,734	2.2 %
50,000 to 99,999	3,344,856	21.1	5,754,882	8.8
100,000 to 149,999	1,344,009	8.5	6,527,053	10.0
150,000 to 199,999	636,172	4.0	5,566,060	8.5
200,000 to 299,999	473,588	3.0	6,834,617	10.4
300,000 to 399,999	170,913	1.1	4,015,091	6.1
400,000 to 499,999	81,703	0.5	2,706,437	4.1
500,000 to 599,999	46,780	0.3	1,985,825	3.0
600,000 to 699,999	28,648	0.2	1,497,823	2.3
700,000 to 799,999	19,264	0.1	1,219,536	1.9
800,000 to 899,999	14,760	0.1	1,090,658	1.7
900,000 to 999,999	10,783	0.1	914,837	1.4
1,000,000 to 1,999,999	41,086	0.3	5,517,828	8.4
2,000,000 to 2,999,999	10,160	0.1	2,673,193	4.1
3,000,000 to 3,999,999	4,489	0.0	1,749,934	2.7
4,000,000 to 4,999,999	2,531	0.0	1,296,972	2.0
$ 5,000,000 and over	7,429	0.0	14,681,417	22.4
Total	**15,856,021**	**100.0 %**	**$ 65,458,897**	**100.0 %**

Source: California Franchise Tax Board

[1] For California resident tax returns. Calendar year 2014 is the most recent year for which data is available.

[2] Amounts are in thousands.

For Calendar Years 2006 and 2015

Sales Tax Permits and Tax Liability by Industry

	2006 (Using Business Codes) [1]			
	Number of Permits [2]	Percent of Total	Tax Liability [3]	Percent of Total
Retail:				
Apparel	45,053	4.3 %	$ 1,041,044	3.5 %
General merchandise	17,897	1.7	3,111,407	10.4
Specialty	207,230	19.8	2,871,523	9.7
Food	24,975	2.4	1,147,869	3.7
Restaurant and bars	88,021	8.4	2,584,544	8.7
Household	34,168	3.3	912,631	3.1
Building materials	11,760	1.1	1,898,575	6.5
Automotive	37,649	3.6	6,045,613	21.1
Other	23,245	2.2	812,788	2.8
Business and personal service	103,343	9.9	1,241,642	4.2
All other	455,017	43.3	7,714,116	26.3
Total	**1,048,358**	**100.0 %**	**$ 29,381,752**	**100.0 %**

	2015 (Using NAICS Codes) [1]			
	Number of Permits [2]	Percent of Total	Tax Liability [3]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	36,153	3.2 %	$ 4,773,790	12.6 %
Furniture and home furnishings stores	21,267	1.9	730,193	1.9
Electronics and appliance stores	26,931	2.4	980,973	2.6
Building materials, garden equipment & supplies	18,774	1.7	2,019,584	5.3
Food and beverage	35,056	3.1	1,676,379	4.4
Health and personal care stores	35,149	3.1	741,874	2.0
Gasoline stations	9,917	0.9	2,843,853	7.5
Clothing and clothing accessories stores	106,337	9.7	2,306,284	6.1
Sporting goods, hobby, book & music stores	37,274	3.3	680,480	1.8
General merchandise stores	26,744	2.4	2,902,261	7.6
Miscellaneous store retailers	192,293	17.2	1,191,161	3.1
Nonstore retailers	50,043	4.5	571,896	1.5
Food services and drinking places	107,690	9.6	4,433,383	11.7
All other outlets	412,959	37.0	12,137,401	31.9
Total	**1,116,587**	**100.0 %**	**$ 37,989,512**	**100.0 %**

Source: California State Board of Equalization (BOE)

[1] Due to the BOE's conversion from business coding to North American Industry Classification System (NAICS) coding for the reporting of Taxable Sales by Industry, industry level data for 2009 and forward is not comparable to that reported for prior years. The NAICS conversion process for over one million permit holders was not completed until the end of 2008, so 2009 was the first year the BOE used the new format with NAICS codes.

[2] As of July 1.

[3] Calculated by multiplying the taxable sales by industry shown on pages 258 and 259 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2006-2015

Married Filing Jointly and Surviving Spouse				
	2006	2007	2008	2009
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $13,244	Up to $13,654	Up to $14,336	Up to $14,120
2.0	13,245 – 31,396	13,655 – 32,370	14,337 – 33,988	14,121 – 33,478
4.0	31,397 – 49,552	32,371 – 51,088	33,989 – 53,642	33,479 – 52,838
6.0	49,553 – 68,788	51,089 – 70,920	53,643 – 74,466	52,839 – 73,350
8.0	68,789 – 86,934	70,921 – 89,628	74,467 – 94,110	73,351 – 92,698
9.3	86,935 – 1,000,000	89,629 – 999,999	94,111 – 1,000,000	92,699 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Single and Married Filing Separately				
	2006	2007	2008	2009
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $6,622	Up to $6,827	Up to $7,168	Up to $7,060
2.0	6,623 – 15,698	6,828 – 16,185	7,169 – 16,994	7,061 – 16,739
4.0	15,699 – 24,776	16,186 – 25,544	16,995 – 26,821	16,740 – 26,419
6.0	24,777 – 34,394	25,545 – 35,460	26,822 – 37,233	26,420 – 36,675
8.0	34,395 – 43,467	35,461 – 44,814	37,234 – 47,055	36,676 – 46,349
9.3	43,468 – 1,000,000	44,815 – 1,000,000	47,056 – 1,000,000	46,350 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Head of Household				
	2006	2007	2008	2009
Tax Rate [1]	Income Level	Income Level	Income Level	Income Level
1.0	Up to $13,251	Up to $13,662	Up to $14,345	Up to $14,130
2.0	13,252 – 31,397	13,663 – 32,370	14,346 – 33,989	14,131 – 33,479
4.0	31,398 – 40,473	32,371 – 41,728	33,990 – 43,814	33,480 – 43,157
6.0	40,474 – 50,090	41,729 – 51,643	43,815 – 54,225	43,158 – 53,412
8.0	50,091 – 59,166	51,644 – 61,000	54,226 – 64,050	53,413 – 63,089
9.3	59,167 – 1,000,000	61,001 – 1,000,000	64,051 – 1,000,000	63,090 – 1,000,000
10.3	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over
11.3	—	—	—	—
12.3	—	—	—	—
13.3	—	—	—	—

Source: California Franchise Tax Board (FTB)

[1] FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2006	2007	2008	2009
Personal income tax revenue [1]	$ 50,798,418	$ 53,289,524	$ 55,197,062	$ 45,482,726
Adjusted gross income [2]	$ 990,695,484	$ 1,059,967,500	$ 972,420,100	$ 881,160,200
Average effective rate [3]	5.1%	5.0%	5.7%	5.2%

[1] Personal income tax revenue is reported on a fiscal year basis.

[2] Source: California Franchise Tax Board. Fiscal year 2015 information reflects returns processed as of November 2016.

[3] The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse					
2010	2011	2012	2013	2014	2015
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $14,248	Up to $14,632	Up to $14,910	Up to $15,164	Up to $15,498	Up to $15,700
14,249 – 33,780	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220
33,781 – 53,314	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744
53,315 – 74,010	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546
74,011 – 93,532	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060
93,533 –1,000,000	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688	103061 – 526,444
$1,000,001 and over	$1,000,001 and over	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624	526445 – 631,732
—	—	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000	631,733 – 1,000,000
—	—	$1,000,001 and over	1,000,001 – 1,017,000	1,000,001 – 1,039,374	1,000,001 – 1,052,886
—	—	—	$1,017,001 and over	$1,039,375 and over	$1,052,887 and over

Single and Married Filing Separately					
2010	2011	2012	2013	2014	2015
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $7,124	Up to $7,316	Up to $7,455	Up to $7,582	Up to $7,749	Up to $7,850
7,125 – 16,890	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610
16,891 – 26,657	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372
26,658 – 37,005	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773
37,006 – 46,766	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530
46,767 – 1,000,000	48,030 –1,000,000	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222
$1,000,001 and over	$1,000,001 and over	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866
—	—	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443
—	—	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000	526,444 – 1,000,000
—	—	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over

Head of Household					
2010	2011	2012	2013	2014	2015
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to $14,257	Up to $14,642	Up to $14,920	Up to $15,174	Up to $15,508	Up to $15,710
14,258 – 33,780	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221
33,781 – 43,545	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982
43,546 – 53,893	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359	47,367 – 58,621	47983 – 59,383
53,894 – 63,657	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142
63,658 – 1,000,000	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981
$1,000,001 and over	$1,000,001 and over	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578
—	—	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962
—	—	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000	715,963 – 1,000,000
—	—	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over	$1,000,001 and over

2010	2011	2012	2013	2014	2015
$ 43,884,798	$ 51,691,153	$ 54,442,733	$ 66,220,132	$ 67,584,256	$ 76,879,115
$ 939,888,500	$ 980,167,100	$ 1,087,823,400	$ 1,091,080,300	$ 1,216,002,700	$ 1,265,341,200
4.7%	5.3%	5.0%	6.1%	5.6%	6.1%

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2007	2008	2009	2010
Governmental activities				
General obligation bonds [1]	$ 50,269,442	$ 56,424,532	$ 68,653,507	$ 77,745,789
Revenue bonds [2]	8,009,784	7,811,832	7,767,855	7,611,939
Certificates of participation and commercial paper [3]	1,358,051	1,736,089	1,407,908	1,342,119
Capital lease obligations [4]	4,346,179	4,376,410	4,456,039	4,967,290
Total governmental activities	**63,983,456**	**70,348,863**	**82,285,309**	**91,667,137**
Business-type activities				
General obligation bonds [1]	1,954,220	1,907,243	1,702,377	1,477,663
Revenue bonds [2]	22,934,094	23,003,097	23,053,114	24,538,094
Commercial paper	179,782	67,204	51,307	64,518
Capital lease obligations	—	—	—	—
Total business-type activities	**25,068,096**	**24,977,544**	**24,806,798**	**26,080,275**
Total primary government	**$ 89,051,552**	**$ 95,326,407**	**$ 107,092,107**	**$ 117,747,412**
Debt as a percentage of personal income [5, 7]	5.8%	6.0%	6.6%	7.5%
Amount of debt per capita [6, 7]	$ 2,472	$ 2,630	$ 2,926	$ 3,186

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

[1] Prior to fiscal year 2008, net unamortized bond premiums and refunding gains/losses were not included. Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

[3] All certificates of participation were retired in fiscal year 2016.

[4] Prior to fiscal year 2014, governmental activities reported a capital lease obligtion to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

[5] Ratio calculated using personal income data shown on pages 276 and 277 for the prior calendar year.

[6] Amount calculated using population data shown on pages 276 and 277 for the prior calendar year.

[7] Some prior years were updated based on more current information.

2011	2012	2013	2014	2015	2016
$ 79,469,085	$ 81,060,111	$ 82,346,211	$ 83,276,347	$ 80,509,802	$ 79,043,295
7,511,092	7,421,198	7,735,053	18,917,443	18,409,971	17,210,499
1,335,340	46,098	538,593	598,094	493,770	771,215
4,882,233	5,176,341	5,319,487	260,088	274,760	370,182
93,197,750	**93,703,748**	**95,939,344**	**103,051,972**	**99,688,303**	**97,395,191**
1,218,639	1,118,634	887,053	674,394	650,133	794,369
23,290,315	24,790,918	25,558,129	12,991,827	12,670,619	13,928,374
139,974	67,325	77,560	204,647	237,186	47,416
791,489	817,687	909,871	1,250,274	1,210,409	389,385
25,440,417	**26,794,564**	**27,432,613**	**15,121,142**	**14,768,347**	**15,159,544**
$ 118,638,167	**$ 120,498,312**	**$ 123,371,957**	**$ 118,173,114**	**$ 114,456,650**	**$ 112,554,735**
7.3%	7.0%	6.7%	6.3%	5.8%	5.4%
$ 3,178	$ 3,196	$ 3,242	$ 3,076	$ 2,951	$ 2,875

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2007	2008	2009	2010
Net general bonded debt				
General obligation bonds [1]	$ 43,234,702	$ 47,828,805	$ 61,724,439	$ 71,284,447
Economic Recovery bonds	8,988,960	10,502,970	8,631,445	7,939,005
Less: restricted debt service fund	792,841	552,326	894	113,172
Net Economic Recovery bonds [2]	**8,196,119**	**9,950,644**	**8,630,551**	**7,825,833**
Net general bonded debt	**$ 51,430,821**	**$ 57,779,449**	**$ 70,354,990**	**$ 79,110,280**
Net general bonded debt as a percentage of personal income [3]	3.4%	3.6%	4.4%	5.1%
Amount of net general bonded debt per capita [4]	$ 1,428	$ 1,594	$ 1,922	$ 2,140

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

[1] Prior to fiscal year 2008, net unamortized bond premiums and refunding gains/losses were not included. Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

[2] In fiscal year 2016, the outstanding balance of the Economic Recovery bonds were defeased and the balance in the restricted debt service fund was transferrred out.

[3] Ratio calculated using personal income data shown on pages 276 and 277 for the prior calendar year.

[4] Amount calculated using population data shown on pages 276 and 277 for the prior calendar year.

2011	2012	2013	2014	2015	2016
$ 73,516,674	$ 75,791,795	$ 78,001,049	$ 79,368,794	$ 80,215,650	$ 79,837,664
7,171,050	6,386,950	5,232,215	4,581,745	944,285	—
143,777	330,297	278,425	318,171	818,321	—
7,027,273	**6,056,653**	**4,953,790**	**4,263,574**	**125,964**	—
$ 80,543,947	**$ 81,848,448**	**$ 82,954,839**	**$ 83,632,368**	**$ 80,341,614**	**$ 79,837,664**
5.1%	4.8%	4.6%	4.5%	4.1%	3.8%
$ 2,157	$ 2,171	$ 2,179	$ 2,176	$ 2,071	$ 2,040

Schedule of General Obligation Bonds Outstanding

June 30, 2016

(amounts in thousands)

Governmental activity		
California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection	$	2,014,645
California Library Construction and Renovation		248,510
California Park and Recreational Facilities		11,125
California Parklands		2,340
California Safe Drinking Water		50,760
California Stem Cell Research and Cures		1,237,730
California Wildlife, Coastal, and Park Land Conservation		103,865
Children's Hospital		1,295,415
Class Size Reduction Public Education Facilities		5,292,785
Clean Air and Transportation Improvement		707,065
Clean Water		8,835
Clean Water and Water Conservation		3,990
Clean Water and Water Reclamation		18,795
Community Parklands		2,455
County Correctional Facility Capital Expenditure		13,595
County Correctional Facility Capital Expenditure and Youth Facility		62,810
Disaster Preparedness and Flood Prevention		2,228,850
Earthquake Safety and Public Building Rehabilitation		62,785
Fish and Wildlife Habitat Enhancement		4,760
Higher Education Facilities		344,435
Highway Safety, Traffic Reduction, Air Quality, and Port Security		16,375,915
Housing Emergency Shelter		1,716,540
Housing and Homeless		1,330
Kindergarten-University Public Education Facilities		30,242,130
Lake Tahoe Acquisitions		100
New Prison Construction		26,935
Passenger Rail and Clean Air		33,980
Public Education Facilities		1,276,995
Safe, Clean, Reliable Water Supply		510,025
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,329,560
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		2,748,930
Safe Neighborhood Parks		1,379,620
Safe, Reliable High-Speed Passenger Train		758,975
School Building and Earthquake		13,300
School Facilities		957,705
Seismic Retrofit		1,094,480
State, Urban, and Coastal Park		3,555
Veterans' Homes		34,495
Veterans Housing and Homeless Prevention		1,725
Voting Modernization		11,755
Water Conservation		20,965
Water Conservation and Water Quality		25,095
Water Quality, Supply, & Infrastructure		20,500
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,641,595
Total governmental activity		**74,941,755**
Business-type activity		
California Water Resources Development		135,045
Veterans Farm and Home Building		657,215
Total business-type activity		**792,260**
Total outstanding general obligation bonds		**75,734,015**
Unamortized bond premiums/discounts		4,103,649
Total general obligation bonds payable	**$**	**79,837,664**

Source: California State Treasurer's Office

Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Housing Loans	2007	$ 130,128	$ 19,062	$ 111,066	$ 292,461	$ 33,959	$ 326,420	0.34
	2008	130,139	21,263	108,876	56,225	33,333	89,558	1.22
	2009	109,636	21,838	87,798	22,205	33,699	55,904	1.57
	2010	85,321	16,404	68,917	111,085	34,874	145,959	0.47
	2011	89,224	15,802	73,422	130,770	32,619	163,389	0.45
	2012	84,830	20,322	64,508	88,105	24,914	113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016	53,428	21,916	31,512	64,085	21,525	85,610	0.38
Water Resources	2007	$ 951,590	$ 694,060	$ 257,530	$ 70,860	$ 123,376	$ 194,236	1.33
	2008	989,275	773,362	215,913	100,945	114,213	215,158	1.00
	2009	914,837	694,598	220,239	80,347	130,219	210,566	1.04
	2010	1,042,843	837,459	205,384	97,360	124,296	221,656	0.93
	2011	1,096,196	880,540	215,656	108,870	117,668	226,538	0.95
	2012	1,045,812	852,404	193,408	116,150	121,804	237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
Water Pollution Control	2007	$ 78,564	$ 3,387	$ 75,177	$ 22,850	$ 9,178	$ 32,028	2.35
	2008	71,404	4,521	66,883	23,585	8,422	32,007	2.09
	2009	59,923	4,416	55,507	22,930	7,747	30,677	1.80
	2010	53,365	9,880	43,485	23,655	6,928	30,583	1.42
	2011	49,585	4,876	44,709	24,390	5,996	30,386	1.47
	2012	50,183	2,849	47,334	24,285	4,984	29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86

(continued)

Source: California State Controller's Office

[1] Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

[2] Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges. Prior to fiscal year 2012, bond issuance costs were amortized over the term of the bond. Beginning fiscal year 2012, bond issuance costs are operating expenses in the fiscal year incurred.

[3] Debt service requirements include principal and interest of revenue bonds.

[4] All revenue bonds have been redeemed.

[5] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[6] Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years
(amounts in thousands)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
Electric Power	2007	$ 5,865,000	$ 4,843,000	$ 1,022,000	$ 447,000	$ 448,000	$ 895,000	1.14
	2008	5,362,000	4,323,000	1,039,000	470,000	447,000	917,000	1.13
	2009	4,560,000	3,604,000	956,000	493,000	399,000	892,000	1.07
	2010	3,908,000	3,007,000	901,000	518,000	373,000	891,000	1.01
	2011	2,317,000	1,427,000	890,000	460,000	344,000	804,000	1.11
	2012	915,000	29,000	886,000	556,000	354,000	910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
Public Buildings Construction	2007	$ 396,895	$ 3,699	$ 393,196	$ 365,953	$ 324,246	$ 690,199	0.57
	2008	384,816	33,566	351,250	342,582	331,355	673,937	0.52
	2009	366,151	78,489	287,662	360,559	335,248	695,807	0.41
	2010	430,069	120,565	309,504	377,998	367,055	745,053	0.42
	2011	423,775	507	423,268	394,490	383,185	777,675	0.54
	2012	426,960	13,211	413,749	405,585	384,400	789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
High Technology Education [4]	2007	$ 22,966	$ 1,514	$ 21,452	$ 25,624	$ 21,062	$ 46,686	0.46
	2008	20,600	3,511	17,089	22,265	13,344	35,609	0.48
	2009	15,975	3,837	12,138	36,730	11,704	48,434	0.25
	2010	13,015	5,009	8,006	19,665	9,977	29,642	0.27
	2011	10,498	681	9,817	19,995	8,878	28,873	0.34
	2012	8,452	—	8,452	21,105	7,754	28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University [5]	2007	$ 554,851	$ 689,223	$ (134,372)	$ 99,598	$ 31,149	$ 130,747	(1.03)
	2008	640,209	511,895	128,314	105,229	115,928	221,157	0.58
	2009	811,454	261,628	549,826	43,572	129,238	172,810	3.18
	2010	599,572	577,765	21,807	47,815	151,988	199,803	0.11
	2011	3,722,414	5,455,059	(1,732,645)	56,344	172,231	228,575	(7.58)
	2012	4,165,118	5,770,880	(1,605,762)	138,535	174,914	313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)

	June 30	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements [3] Principal	Interest	Total	Coverage
CSU Channel Islands Financing Authority [4]	2007	7,397	8	7,389	—	6,951	6,951	1.06
	2008	245	13	232	—	556	556	0.42
Building Authorities	2007	$ 81,342	$ 68	$ 81,274	$ 45,437	$ 29,228	$ 74,665	1.09
	2008	79,077	68	79,009	47,475	27,260	74,735	1.06
	2009	78,733	68	78,665	48,594	25,028	73,622	1.07
	2010	76,535	—	76,535	50,948	34,058	85,006	0.90
	2011	63,168	—	63,168	51,957	20,071	72,028	0.88
	2012	57,386	—	57,386	36,473	22,889	59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
Golden State Tobacco Securitization Corporation	2007	$ 413,246	$ —	$ 413,246	$ 133,555	$ 276,965	$ 410,520	1.01
	2008	445,097	—	445,097	129,120	326,631	455,751	0.98
	2009	493,448	—	493,448	116,960	320,679	437,639	1.12
	2010	393,487	—	393,487	138,260	316,038	454,298	0.87
	2011	361,974	—	361,974	60,230	315,268	375,498	0.96
	2012	368,853	—	368,853	65,765	312,815	378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	—	414,992	133,900	292,173	426,073	0.97
	2016	365,300	—	365,300	70,535	299,935	370,470	0.99
Grant Anticipation Revenue Vehicles [6]	2007	$ 72,149	$ —	$ 72,149	$ 49,190	$ 22,959	$ 72,149	1.00
	2008	71,945	—	71,945	50,985	20,960	71,945	1.00
	2009	77,193	—	77,193	55,275	21,918	77,193	1.00
	2010	83,272	—	83,272	62,335	20,937	83,272	1.00
	2011	84,294	—	84,294	64,785	19,509	84,294	1.00
	2012	84,290	—	84,290	67,730	16,560	84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00

(concluded)

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Demographic and Economic Information

The ***demographic and economic*** schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2006	2007	2008	2009
Population (in thousands) [1]				
California	36,021	36,250	36,604	36,961
% Change	0.5%	0.6%	1.0%	1.0%
United States	298,380	301,231	304,094	306,772
% Change	1.0%	1.0%	1.0%	0.9%
Total personal income (in millions) [1]				
California	$ 1,524,920	$ 1,583,852	$ 1,616,530	$ 1,560,649
% Change	7.4%	3.9%	2.1%	-3.5%
United States	$ 11,381,350	$ 11,995,419	$ 12,492,705	$ 12,079,444
% Change	7.3%	5.4%	4.1%	-3.3%
Per capita personal income [2]				
California	$ 42,334	$ 43,692	$ 44,162	$ 42,224
% Change	6.8%	3.2%	1.1%	-4.4%
United States	$ 38,144	$ 39,821	$ 41,082	$ 39,376
% Change	6.2%	4.4%	3.2%	-4.2%
Labor force and employment (in thousands)				
California				
Civilian labor force	17,687	17,921	18,203	18,208
Employed	16,821	16,961	16,890	16,145
Unemployed	865	960	1,313	2,064
Unemployment rate	4.9%	5.4%	7.2%	11.3%
United States employment rate	4.6%	4.6%	5.8%	9.3%

Source: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, United States Department of Commerce; Labor Market Information Division, California Employment Development Department; Bureau of Labor Statistics, United States Department of Labor.

[1] Some prior years were updated based on more current infomation.

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

2010	2011	2012	2013	2014	2015
37,334	37,700	38,056	38,414	38,792	39,145
1.0%	1.0%	0.9%	0.9%	1.0%	0.9%
309,347	311,719	314,103	316,427	318,907	321,419
0.8%	0.8%	0.8%	0.7%	0.8%	0.8%
$ 1,617,134	$ 1,727,434	$ 1,838,567	$ 1,861,957	$ 1,977,924	$ 2,103,669
3.6%	6.8%	6.4%	1.3%	6.2%	6.4%
$ 12,459,613	$ 13,233,436	$ 13,904,485	$ 14,068,960	$ 14,801,624	$ 15,463,981
3.1%	6.2%	5.1%	1.2%	5.2%	4.5%
$ 43,315	$ 45,820	$ 48,312	$ 48,471	$ 50,988	$ 53,741
2.6%	5.8%	5.4%	0.3%	5.2%	5.4%
$ 40,277	$ 42,453	$ 44,267	$ 44,462	$ 46,414	$ 48,112
2.3%	5.4%	4.3%	0.4%	4.4%	3.7%
18,316	18,385	18,511	18,573	18,941	18,996
16,052	16,227	16,740	17,044	17,600	17,894
2,265	2,158	1,771	1,530	1,341	1,102
12.4%	11.7%	9.6%	8.2%	7.1%	5.8%
9.6%	8.9%	8.1%	7.4%	6.2%	5.3%

Schedule of Employment by Industry

For Calendar Years 2006 and 2015

	2006		2015	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Industry				
Services	6,153,800	39.1 %	7,325,700	44.3 %
Government				
Federal	248,600	1.6	244,300	1.5
Military	53,900	0.3	59,100	0.4
State and Local	2,203,600	14.0	2,214,600	13.4
Retail trade	1,680,100	10.6	1,663,100	10.1
Manufacturing	1,490,900	9.5	1,291,900	7.8
Information, finance, and insurance	1,105,000	7.0	1,008,900	6.0
Construction and utilities	990,000	6.3	785,300	4.7
Wholesale trade	700,300	4.4	721,200	4.4
Transportation and warehousing	439,800	2.8	496,100	3.0
Farming	375,200	2.4	423,300	2.6
Real estate	288,500	1.8	271,500	1.6
Natural resources and mining	25,100	0.2	29,100	0.2
Total	**15,754,800**	**100.0 %**	**16,534,100**	**100.0 %**

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The ***operating information*** schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

Fiscal Year	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
2007	21,035	134,974	49,533	19,677	15,530	41,314	53,321	335,384
2008	21,825	134,832	49,330	20,868	15,840	42,139	58,284	343,118
2009	22,347	135,720	50,996	21,985	16,350	42,254	60,957	350,609
2010	30,390	133,642	43,663	22,223	15,868	40,590	59,401	345,777
2011	32,535	138,017	48,638	23,611	17,043	44,844	67,272	371,960

Fiscal Year	General [1] Government	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, [1] Consumer Services, and Housing	Transportation[1]	Corrections and Rehabilitation	Total
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319
2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015[2]	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680

Source: Annual Governor’s Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

[1] Effective July 1, 2013, under the Governor’s 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees’ Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

[2] Some prior years were updated based on more current information.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2007	2008	2009	2010
General Government				
State Lottery				
Total revenue [1]	$ 3,318	$ 3,050	$ 2,955	$ 3,041
Allocation to Education Fund [1]	$ 1,177	$ 1,069	$ 1,028	$ 1,072
Judicial Council of California				
Supreme Court [2, 9]				
Cases filed	9,198	10,752	9,486	9,759
Cases disposed	9,324	10,593	9,689	9,537
Courts of Appeal				
Notices of appeal filed [3, 9]				
Civil	6,116	5,913	5,958	6,122
Criminal	6,508	6,681	6,819	6,857
Juvenile	2,880	2,900	2,858	2,759
Trial Courts				
Total civil cases [4, 9]				
Filings	1,462,820	1,582,092	1,729,648	1,647,817
Dispositions	1,286,736	1,280,184	1,537,243	1,530,502
Department of Food and Agriculture				
Milk production (million lbs.) [5, 9]	40,683	41,203	39,512	40,385
Farm land (thousand acres) [5, 9]	25,400	25,400	25,500	25,500
Education				
Public Colleges and Universities				
Fall enrollment [9]				
Community Colleges [9]	1,723,781	1,823,729	1,822,836	1,747,233
California State University	433,017	437,008	433,054	412,372
University of California [9]	220,034	226,040	231,853	234,464
K-12 Schools				
Fall enrollment				
Public	6,286,943	6,275,469	6,252,011	6,190,425
Private	583,794	564,734	536,393	531,111

Source: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; and Franchise Tax Board.

[1] Dollars in millions.
[2] Includes death penalty cases, habeas related to automatic appeals, petitions for review, original proceedings, and State Bar matters.
[3] Includes only one notice of appeal per case.
[4] Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.
[5] Data based on calendar year.
[6] Total nonfarm and farm.
[7] Data compiled from a 10% sample of California licensed drivers.
[8] A center-line mile is measured by the yellow dividing strip that runs down the middle of the road, regardless of the number of lanes on each side.
[9] Some prior years were updated based on more current information.
[10] The amount for fiscal year 2016 is projected.

N/A = Not available

2011	2012	2013	2014	2015	2016
$ 3,439	$ 4,371	$ 4,446	$ 5,035	$ 5,525	$ 6,276
$ 1,103	$ 1,300	$ 1,262	$ 1,328	$ 1,364	$ 1,563
10,328	9,232	8,027	7,913	7,868	N/A
10,200	9,724	8,493	7,775	7,560	N/A
6,258	6,505	6,052	5,983	6,062	N/A
6,877	6,387	6,004	6,373	7,113	N/A
2,106	2,830	2,713	2,857	3,036	N/A
1,574,569	1,454,810	1,355,345	1,264,123	1,142,937	N/A
1,599,388	1,432,231	1,321,710	1,215,974	1,115,831	N/A
41,462	41,801	41,256	42,339	40,898	N/A
25,600	25,600	25,500	25,500	25,500	N/A
1,655,074	1,582,303	1,582,456	1,578,785	1,588,554	N/A
426,534	436,560	446,530	460,200	474,571	N/A
236,691	238,617	244,126	252,263	257,438	270,112
6,217,002	6,220,993	6,226,989	6,236,672	6,235,520	6,226,737
515,143	497,019	516,119	511,286	503,295	500,543

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2007	2008	2009	2010
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births [5, 9, 10]	566,137	551,567	526,774	509,974
Department of Social Services				
Calfresh programs households (avg. per month)	823,335	892,992	1,067,358	1,340,857
Employment Development Department				
Number of employed [5, 6, 9]	15,691,100	15,142,000	14,326,300	14,476,400
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold [9]	3,003,783	2,857,236	2,838,776	2,410,008
Hunting licenses sold [9]	1,718,657	1,670,190	1,679,864	1,677,864
California Energy Commission				
Electrical energy generation				
plus net imports (gigawatt hours) [9]	304,909	307,450	298,449	291,184
Business Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax [5, 9]				
Number of tax returns filed	15,016,273	14,806,335	14,638,204	14,814,427
Taxable income [1]	$ 872,869	$ 799,490	$ 729,658	$ 794,758
Total tax liability [1]	$ 49,693	$ 41,676	$ 38,870	$ 44,472
Corporation Tax [5]				
Number of tax returns filed	709,937	722,358	727,675	738,224
Income reported for taxation [1]	$ 121,843	$ 67,921	$ 55,367	$ 96,965
Total tax liability [1]	$ 9,414	$ 9,106	$ 7,858	$ 8,604
Transportation				
Department of Motor Vehicles				
Motor vehicle registration [5]	32,047,124	31,920,649	31,799,398	31,987,821
License issued by age [5, 7]				
Under age 18	262,415	244,481	229,545	218,997
Between 18-80	22,804,927	22,922,361	22,910,011	23,001,119
Over age 80	562,518	552,150	560,491	579,397
California Highway Patrol				
Total number of DUI arrests [5, 9]	92,270	97,019	95,135	89,814
Department of Transportation				
Highway center-line miles – rural [5, 8]	10,830	10,811	10,808	10,785
Highway center-line miles – urban [5, 8]	4,439	4,393	4,384	4,375
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year	170,452	170,283	167,922	162,200
Division of Juvenile Justice [9]				
Institution population at June 30 each year	2,531	1,877	1,589	1,474

2011	2012	2013	2014	2015	2016
502,023	503,788	494,390	502,973	491,781	507,917
1,576,042	1,757,387	1,898,283	2,004,016	2,102,031	2,130,583
14,614,600	15,240,400	16,109,200	16,062,300	16,474,800	N/A
2,483,680	2,580,762	2,539,244	2,490,383	2,484,124	2,505,078
1,863,202	1,988,422	2,032,788	1,979,809	2,041,670	2,114,679
293,779	302,320	296,250	297,062	295,405	N/A
15,042,359	15,152,800	15,487,100	15,877,000	16,257,600	N/A
$ 838,347	$ 948,523	$ 949,655	$ 1,064,347	$ 1,107,474	N/A
$ 43,921	$ 58,652	$ 55,679	$ 66,583	$ 68,498	N/A
754,315	784,086	801,045	828,080	N/A	N/A
$ 93,456	$ 96,772	$ 101,913	$ 122,976	N/A	N/A
$ 7,808	$ 6,921	$ 7,166	$ 8,593	N/A	N/A
31,802,483	31,946,422	32,903,847	33,550,486	34,346,325	N/A
227,069	224,809	221,385	223,024	221,250	N/A
23,150,222	23,462,971	23,824,697	24,195,705	25,089,910	N/A
579,207	602,508	597,350	595,739	603,691	N/A
86,901	79,993	76,860	73,425	65,016	55,150
10,780	10,784	10,315	10,312	10,407	N/A
4,353	4,363	4,789	4,787	4,685	N/A
147,181	132,768	134,333	134,431	127,815	129,415
1,263	922	712	675	681	690

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2007	2008	2009	2010
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment [1]	915	818	803	746
Square footage of structures (in thousands)	453	453	466	466
Department of Justice				
Vehicles and mobile equipment	966	826	870	816
Department of Military				
Vehicles and mobile equipment	182	206	182	208
Square footage of structures (in thousands)	3,388	3,387	3,383	3,154
Department of Veterans Affairs				
Veterans homes	3	3	5	6
Vehicles and mobile equipment	248	251	120	113
Square footage of structures (in thousands)	1,598	1,598	1,683	1,600
Education				
California State University				
Vehicles and mobile equipment [1]	3,343	3,994	4,015	4,338
Campuses	23	23	23	23
Square footage of structures (in thousands)	62,198	63,971	66,686	69,049
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	829	839	701	569
Developmental centers	7	7	7	5
Square footage of structures (in thousands)	5,181	5,186	5,187	5,185
Department of State Hospitals [2]				
Vehicles and mobile equipment	629	638	658	665
State hospitals	5	5	5	5
Square footage of structures (in thousands)	6,359	6,364	6,348	6,331

Sources: California Department of General Services (DGS)

[1] For fiscal year 2008, DGS was not able to obtain complete data from the agency.
[2] In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.
[3] In fiscal year 2008, California Highway Patrol purchased numerous vehicles, and in their physical count also included motorcycles, which had not been reported for previous years.

2011	2012	2013	2014	2015	2016
809	804	792	747	747	752
466	466	455	455	455	455
677	531	527	520	520	484
249	233	211	211	211	217
3,530	3,511	3,623	4,019	3,977	3,965
6	6	8	8	8	8
132	143	267	285	285	235
2,086	2,086	2,488	2,543	2,541	2,541
4,415	4,415	4,466	4,619	4,619	4,558
23	23	23	23	23	23
71,287	73,785	73,866	73,316	73,988	75,292
818	789	632	424	571	640
5	5	4	4	3	3
5,294	5,294	5,279	5,308	4,699	3,664
709	718	699	886	752	678
5	5	7	7	7	8
6,331	6,336	6,457	6,460	6,445	6,445

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2007	2008	2009	2010
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	3,311	2,868	3,640	2,630
Square footage of structures (in thousands)	1,120	1,192	1,269	1,301
Department of Forestry and Fire				
Vehicles and mobile equipment	2,945	3,043	3,067	2,598
Square footage of structures (in thousands)	3,883	3,869	3,851	3,947
Department of Parks and Recreation				
Vehicles and mobile equipment	2,988	3,023	3,220	3,102
State Parks	276	279	278	278
Acres of state park land (in thousands)	1,235	1,248	1,331	1,365
Square footage of structures (in thousands)	6,350	6,350	6,350	6,350
State Lands Commission				
Vehicles and mobile equipment	51	49	57	47
Acres of land (in thousands)	4,492	4,491	4,491	4,491
Business Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	640	726	718	574
Department of General Services				
Vehicles and mobile equipment	7,330	7,558	6,736	5,761
Square footage of structures (in thousands)	18,084	18,084	18,084	18,394
Transportation				
California Highway Patrol				
Vehicles and mobile equipment [3]	4,655	5,228	5,914	5,422
Square footage of structures (in thousands)	1,110	1,118	1,118	1,135
Department of Motor Vehicles				
Vehicles and mobile equipment	458	434	417	366
Square footage of structures (in thousands)	1,866	1,848	1,855	1,855
Department of Transportation				
Vehicles and mobile equipment	11,130	11,098	13,346	11,302
Square footage of structures (in thousands)	6,618	6,229	6,434	6,444
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment [1]	6,657	7,908	7,778	5,787
Prisons and juvenile facilities	41	41	39	39
Square footage of structures (in thousands)	40,777	40,831	40,852	41,228

2011	2012	2013	2014	2015	2016
3,180	3,012	2,896	2,954	2,954	3,104
1,313	1,317	1,317	1,311	1,311	1,297
2,804	2,810	2,845	2,748	2,748	3,151
3,943	3,935	3,641	3,632	3,664	3,666
3,715	4,200	3,311	3,489	3,489	3,538
279	280	280	279	280	280
1,334	1,333	1,590	1,590	1,605	1,605
6,433	6,623	6,598	6,751	6,761	6,790
50	42	42	41	41	41
4,491	4,491	4,489	4,489	4,482	4,480
578	574	518	554	554	588
5,670	4,991	5,226	5,053	5,053	4,697
18,602	19,180	19,098	19,367	19,448	19,311
5,337	5,013	5,341	5,170	5,170	5,167
1,135	1,149	1,149	1,166	1,169	1,211
366	366	294	295	295	287
1,842	1,842	1,842	1,845	1,786	1,780
12,759	12,690	11,767	11,596	11,596	11,776
6,519	8,131	8,170	7,960	7,965	7,968
5,985	5,952	5,156	5,137	5,968	5,291
39	39	37	37	39	39
41,399	41,399	40,606	40,726	40,590	40,485

(concluded)

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