



# COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012



California Independent System Operator's (CAISO) Headquarters\*  
\*This building received LEED certification for its design.



CALIFORNIA INFRASTRUCTURE  
AND ECONOMIC  
DEVELOPMENT BANK (I-BANK)  
(A COMPONENT UNIT OF THE  
STATE OF CALIFORNIA)



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2012**



**Fiscal Unit**

**California Infrastructure and Economic Development Bank**



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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# INTRODUCTORY SECTION



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## California Infrastructure and Economic Development Bank

September 28, 2012

To the Board of Directors:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the California Infrastructure and Economic Development Bank (I-Bank) for the fiscal year ended June 30, 2012. This report includes the financial activities of the I-Bank and the California Infrastructure and Economic Development Bank Fund (CIEDB Fund) and the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund). The continuing disclosure agreements related to the I-Bank's revenue bonds that provided funding for the Infrastructure State Revolving Fund (ISRF) Program (ISRF Program Bonds) require annual audited financial statements and this CAFR fulfills that requirement.

The financial impact of the Great Recession that started in 2008 has lasted longer than many of us hoped and getting back to a "new normal" has been arduous. In spite of the depressed economy, I am pleased to report that the net position of the I-Bank grew by just over \$3 million in fiscal year 2011-2012. To sustain the growth of the I-Bank, I have directed staff this past fiscal year to undertake an intensive marketing campaign for the Infrastructure State Revolving Fund (ISRF) Program, a program that provides low-cost financing for local governments for a wide variety of public infrastructure, and our efforts along with the recovering economy have resulted in renewed activity in this program. The staff and I are also exploring some new programs aimed at increasing financial participation by the private sector in economic and public development projects, some of which target the Governor's vital drive to create a more sustainable and green energy economy for California.

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

Macias Gini & O'Connell LLP has issued an unqualified ("clean") opinion on the I-Bank's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.



## California Infrastructure and Economic Development Bank

### **Profile of the I-Bank**

The I-Bank was created in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank operates pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act contained in the California Government Code section 63000 *et seq.* The I-Bank is a component unit of the State of California located within the Business, Transportation and Housing Agency and is governed by a five-member Board of Directors. Under the Governor's reorganization plan effective July 1, 2013, the I-Bank will merge with the Governor's Office of Business and Economic Development (GO-Biz).

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

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

### **Economic Condition**

The State and the nation are in the midst of a slow, but steady economic recovery. Comparing 2007, the last complete pre-recession year, to 2011, I agree with the California Department of Finance economists that jobs have rebounded, especially in the travel, tourism, real estate and financial activities sectors, that durable goods manufacturing has proved resilient, that technology services have showed sustained growth, that our housing markets are still weak, but the biggest losses appear to be over, that recent trade growth has turned positive, and that California's total gross domestic product output has grown since 2009, which was the largest single-year decline since 1987.

While activity in all I-Bank programs remained depressed during the fiscal year because of the continued slow statewide economic recovery, I am pleased to report that the staff continue to effectively administer our current programs, and in particular, I am proud to report that both Moody's Investors Service and Standard & Poor's publically acknowledged our staff's solid, strong, pro-active management of the Infrastructure State Revolving Fund Program bonds and loans in their respective annual bond rating updates.



## California Infrastructure and Economic Development Bank

### Long-term Financial Planning

The staff and I continue to assess our current programs for impacts to the I-Bank's mission and self-sustaining financial viability. We are also working closely with GO-Biz to develop strategic initiatives and programs that will contribute to the Governor's clean energy and jobs goals. The staff and I are also focusing our efforts on maximizing the use of non-State resources by leveraging funding from the public capital markets, from private sources such as pension funds and from the Federal government.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the I-Bank for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

I would like to sincerely thank all of the I-Bank staff for their continued stellar work, and in particular, acknowledge the I-Bank's Fiscal Unit staff for the preparation of this Comprehensive Annual Financial Report. Additionally, we do not do our good work alone, and I would also like to acknowledge the staff at the Business, Transportation and Housing Agency, the California Highway Patrol, the California Department of Resources, Recycling & Recovery, and GO-Biz whose efforts enable the I-Bank staff to deliver the various I-Bank programs that have such a substantial and positive impact on the State's economy and jobs.

Respectfully submitted,

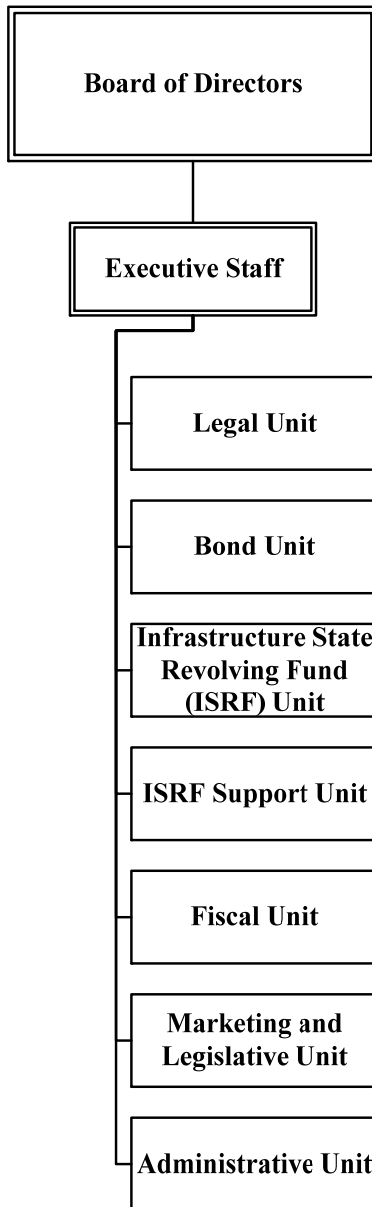
Stanton C. Hazelroth  
Executive Director

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**ORGANIZATION CHART**



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**PRINCIPAL OFFICIALS**

**I-Bank Board of Directors**

**Vacant, Secretary of the Business, Transportation, and Housing Agency, Chair**



**Bill Lockyer  
State Treasurer**



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



**Ana J. Matosantos  
Director of the  
Department of Finance**



**D. Everett Rice  
Governor's Appointee**

**I-Bank Executive and Management Staff**



**Stanton C. Hazelroth, Executive Director**

**Roma Cristia-Plant, Assistant Executive Director**

**Marilyn Muñoz, General Counsel**

**Joel Tokimitsu, Bond Unit Manager**

**Carlos Nakata, ISRF Unit Manager**

**Diane Cummings, ISRF Support Unit Manager**

**Julianne Talbot, Fiscal Unit Manager**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## California Infrastructure and Economic Development Bank

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# FINANCIAL SECTION



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

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the California Infrastructure and Economic Development Bank (I-Bank), a component unit of the State of California, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the I-Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the I-Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the I-Bank as of June 30, 2012, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2.B., the I-Bank adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources* during the fiscal year ended June 30, 2012.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the I-Bank's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Macinn Gini & O'Connell LLP*

Sacramento, California  
September 28, 2012

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

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## **Introduction**

The following Management's Discussion & Analysis (MD&A) provides an overview to the financial statements of the California Infrastructure and Economic Development Bank (I-Bank), a description of its activities, and an analysis of the financial position of the California Infrastructure and Economic Development Bank Fund (CIEDB Fund) and the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund) for the fiscal year ended June 30, 2012 (collectively, the CIEDB Fund and the Guarantee Trust Fund are the Funds). The information presented in this section should be read in conjunction with the information in our letter of transmittal on pages 3-5 of this report and the financial statements and notes that follow this section.

## **The I-Bank and Current Programs**

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

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

## **Financial Highlights 2011-2012**

- Net position increased by \$3,033,131 to \$273,768,913 during the fiscal year due to earnings from operations and investment income.
- Total pledged and non-pledged loans receivable increased during the fiscal year by \$2,375,035 due to completed loan closings exceeding loan repayments during the fiscal year.
- Total operating revenues were \$12,245,806 for the fiscal year, an increase of \$268,365 or 2.24% over the previous fiscal year due to increased administration fee revenue.

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

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

**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- Total operating expenses were \$9,632,103 during the fiscal year compared to \$8,534,045 for the prior fiscal year, an increase of 12.87%. The increase in operating expenses is mostly due to an increase in expenses for program support.
- Interest on bond debt was \$5,552,600 during the fiscal year, a decrease of \$155,793 or 2.73% from the prior fiscal year. The decrease is attributable to the decreased balance of revenue bonds payable.
- Investment income, a nonoperating revenue, was \$419,428 for the fiscal year, a decrease of \$61,602 from the prior fiscal year, due to reduced interest earnings.

**Overview of the Financial Statements**

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

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

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

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

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

**CALIFORNIA INFRASTRUCTURE AND  
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(A Component Unit of the State of California)**

**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Statement of Net Position**

The net position of the I-Bank was \$273,768,913 as of June 30, 2012, all of which was restricted. Net position increased by \$3,033,131 over the previous fiscal year directly as a result of positive earnings from operating and nonoperating activities.

The following table presents a condensed, combined statement of net position as of June 30, 2012 and 2011, and the dollar and percentage change from the prior year:

	2011-2012		2010-2011		\$ Change	% Change
Cash, cash equivalents, and investments--restricted	\$	99,283,799	\$	103,701,676	\$ (4,417,877)	-4.26%
Program loans receivable		323,333,231		320,958,196	2,375,035	0.74%
Other assets		5,401,190		5,493,189	(91,999)	-1.67%
<b>Total Assets</b>	<b>\$</b>	<b>428,018,220</b>	<b>\$</b>	<b>430,153,061</b>	<b>\$ (2,134,841)</b>	<b>-0.50%</b>
Accounts payable	\$	134,310	\$	419,945	\$ (285,635)	-68.02%
Revenue bonds payable		129,526,688		135,189,315	(5,662,627)	-4.19%
Other liabilities		5,280,937		4,852,796	428,141	8.82%
Undisbursed loan commitments		19,307,372		18,955,223	352,149	1.86%
<b>Total Liabilities</b>		<b>154,249,307</b>		<b>159,417,279</b>	<b>(5,167,972)</b>	<b>-3.24%</b>
<b>Net Position</b>		<b>273,768,913</b>		<b>270,735,782</b>	<b>3,033,131</b>	<b>1.12%</b>
<b>Total Liabilities and Net Position</b>	<b>\$</b>	<b>428,018,220</b>	<b>\$</b>	<b>430,153,061</b>	<b>\$ (2,134,841)</b>	<b>-0.50%</b>

**Assets**

Total assets decreased by \$2.1 million from the prior year. Cash, cash equivalents, and investments--restricted decreased as a result of completed loan closings and continued loan disbursements during the fiscal year.

ISRF Program loans receivable (both pledged and non-pledged) totaled \$323,333,231 as of June 30, 2012, an increase of \$2,375,035 over the prior year due to completed loan closings exceeding loan repayments during the fiscal year.

**Liabilities**

Total liabilities were \$154,249,307 as of June 30, 2012, a decrease of 3.24% from the prior fiscal year. The largest liability is revenue bonds payable, which consists of three series of ISRF Program Bonds issued in prior years to leverage the ISRF Program. Revenue bonds payable decreased by \$5.7 million from the prior year as scheduled repayments were made and premiums were amortized.

Other liabilities increased mainly for previously unreported compensated absences payable and increased net other postemployment benefit (OPEB) obligation. Undisbursed loan commitments increased as a result of completed loan closings and accounts payable for operating expenses decreased.

**CALIFORNIA INFRASTRUCTURE AND  
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(A Component Unit of the State of California)**

**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Statement of Revenue, Expenses, and Changes in Net Position**

Operating income was \$2,613,703 for the fiscal year ending June 30, 2012. The following table presents the condensed, combined statement of revenues, expenses, and changes in net position for the 2011-2012 and 2010-2011 fiscal years:

	2011-2012	2010-2011	\$ Change	% Change
Interest on loans receivable	\$ 10,419,722	\$ 10,442,066	\$ (22,344)	-0.21%
Administration fees	1,826,084	1,535,375	290,709	18.93%
<b>Total operating revenues</b>	<b>12,245,806</b>	<b>11,977,441</b>	<b>268,365</b>	<b>2.24%</b>
Total operating expenses	9,632,103	8,534,045	1,098,058	12.87%
<b>Operating income</b>	<b>2,613,703</b>	<b>3,443,396</b>	<b>(829,693)</b>	<b>-24.10%</b>
Nonoperating revenue	419,428	481,030	(61,602)	-12.81%
<b>Change in net position</b>	<b>3,033,131</b>	<b>3,924,426</b>	<b>(891,295)</b>	<b>-22.71%</b>
<b>Net Position, Beginning of year</b>	<b>270,735,782</b>	<b>266,811,356</b>	<b>3,924,426</b>	<b>1.47%</b>
<b>Net Position, End of year</b>	<b>\$ 273,768,913</b>	<b>\$ 270,735,782</b>	<b>\$ 3,033,131</b>	<b>1.12%</b>

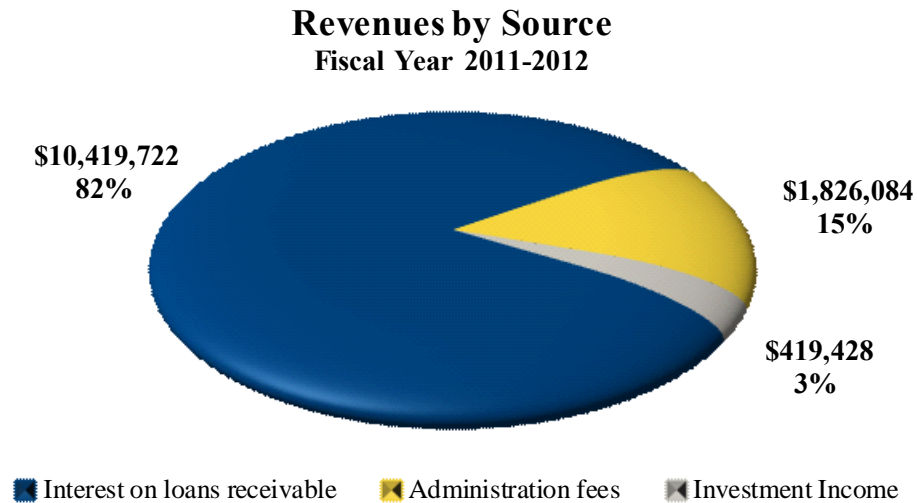
**CALIFORNIA INFRASTRUCTURE AND  
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Revenues**

The following chart presents Operating and Nonoperating revenues by source:



Total operating revenue, which includes interest on loans receivable and administration fees, increased 2.24% over the prior fiscal year principally from administration fees from an increased amount of conduit bonds sold during the fiscal year. Nonoperating revenue consists of investment income of \$419,428 for the fiscal year. Investment income decreased during the fiscal year because continued loan disbursements reduced the balance of cash and equivalents available for investment and because of low interest earning rates on money market funds and the State's Surplus Money Investment Fund.

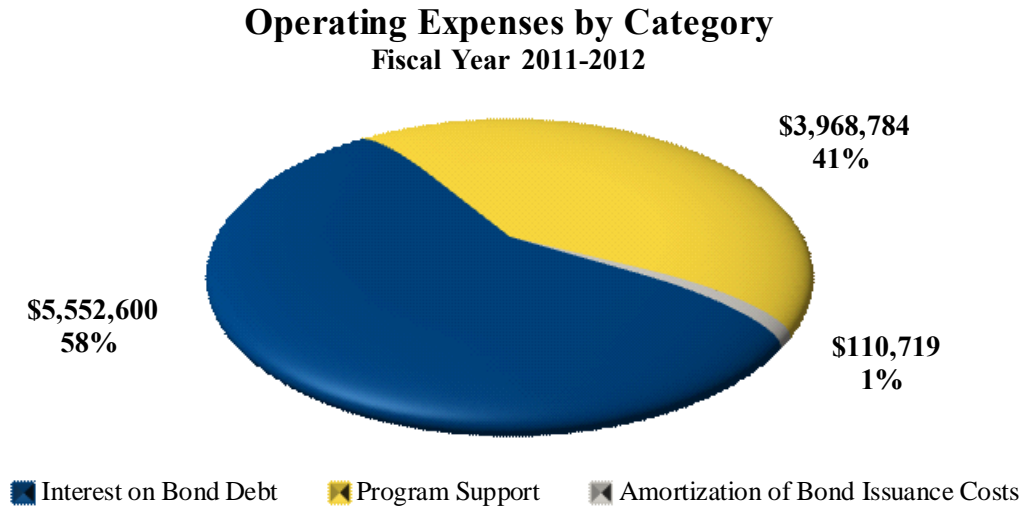
**CALIFORNIA INFRASTRUCTURE AND  
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Operating Expenses**

The following chart presents Operating Expenses by category:



Total operating expenses were \$9,632,103 during the fiscal year, a 12.87% increase over the prior fiscal year.

The interest on ISRF Program Bonds of \$5,552,600 represents the largest operating expense category and accounts for 58% of total operating expenses, and was \$155,793 less than the prior fiscal year. The decrease is directly related to the decreased balance of revenue bonds payable. Program support, which represents 41% of total operating expenses, increased over the prior fiscal year by \$1,295,459. The increase in program support expenses is primarily due to the addition of accumulated expenses for previously unreported compensated absences, higher personal services costs after the end of a temporary government-wide salary reduction plan, and an increase in I-Bank's share of government-wide general administrative costs.

**Budgetary Information**

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



**CALIFORNIA INFRASTRUCTURE AND  
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**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Debt Administration**

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

Existing ISRF Program Loans are either funded from previous State General Fund appropriations, interest earnings, the repayment of principal on ISRF Program loans receivable, investment earnings, administration fee revenue, or the proceeds of previously issued ISRF Program Bonds. The ISRF Program Bonds are structured under a master-series model, and are a limited obligation of the I-Bank payable solely from and secured by pledged ISRF Program loans. Note 5 of the Notes to the Financial Statements contain additional information about the outstanding ISRF Program Bonds. No new ISRF Program Bonds were issued during the fiscal year, while principal payments on the ISRF Program Bonds reduced the outstanding balance by \$5,325,000 during the year.

The I-Bank also issues conduit revenue bonds including Industrial Development Bonds for certain privately-owned manufacturing and processing businesses, 501(c)(3) Revenue Bonds for nonprofit entities, State School Fund Bonds for financially troubled public school districts, and Public Agency Revenue Bonds for other state and local governmental entities. During the fiscal year, the I-Bank served as the issuer for \$851,100,000 of conduit revenue bonds. Conduit bonds are a limited obligation of the I-Bank payable solely from the pledged revenues of the conduit borrower. As such, except for administration fee revenue related to the conduit bond programs, conduit bond financial information is not reflected in the I-Bank's financial statements.

**Economic Conditions and Outlook**

Although California's economy is still weak, there are signs of a slow recovery across many key areas including employment, real estate, and consumer spending. Although unemployment in the State is still high, some sectors have experienced modest employment growth and the State's unemployment rate decreased from 11.9% to 10.7% during the 2011-12 fiscal year. According to the State Controller's Office in the summary analysis of its July 2012 *Statement of General Fund Cash Receipts and Disbursements*, leisure and hospitality, information, and professional and business services sectors are recovering at a respectable pace and growth in these sectors is gaining momentum. Consumer discretionary spending showed a nice comeback, and that, along with increases in domestic and international tourism, boosted spending and employment in the leisure and hospitality sector. Manufacturing jobs are growing as a result of improvements in consumer spending and business investment along with a pick up in California's exports. After four consecutive yearly declines, construction spending turned positive in early 2011 and is growing again.

**CALIFORNIA INFRASTRUCTURE AND  
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(A Component Unit of the State of California)**

**MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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The California Department of Finance (DOF) in its May-June 2012 *California Economic Indicators*, reported that California's real estate markets may have begun a turnaround. Both the number of sales and median price of existing, single-family homes increased during the fiscal year. On the supply side, the inventory of unsold homes is shrinking and the number of initiated notices of default has decreased. The DOF also indicates that as in the rest of the nation, consumer spending in California rebounded, with growing vehicle sales playing a significant role. Taxable retail sales grew and new motor vehicle registrations were up. California's economy is healing, and while the pace of growth is slow, things continue to move forward.

The slow economic recovery and recent state laws have had a large impact on California's local governments. Three California municipalities recently filed for Chapter 9 bankruptcy relief, and according to Moody's Investors Service, more than 10% of California cities have declared fiscal crises. The State of California enacted legislation, effective February 1, 2012, that abolished all of the State's redevelopment agencies (RDAs). The legislation designated a successor agency for each RDA that was dissolved. In each case, the successor agency became responsible for making payments and performing other obligations of the dissolved RDA. The I-Bank's loans receivable balance includes 16 Loans to the former RDAs that have now been transferred to the respective successor agencies.

The slow recovery and state and local government financial challenges are having some impact on the I-Bank's financing activity. The number of new financing activities during the 2011-12 fiscal year was down slightly from the prior year. The I-Bank is considering alternative programs and additional funding sources that may generate additional financing activity for the I-Bank and help stimulate economic development and jobs throughout California. While the ISRF Program's local government borrowers continue to experience financial challenges, all required repayments were made on ISRF Program Loans during the fiscal year and continued timely repayment is expected.

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

**Requests for Information**

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

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

**STATEMENT OF NET POSITION  
JUNE 30, 2012**

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and equivalents - restricted	\$ 64,300,366	\$ 24,501,530	\$ 88,801,896
Investments - restricted	10,481,903	-	10,481,903
Pledged loans receivable - disbursed	11,749,326	-	11,749,326
Non-pledged loans receivable - disbursed	722,578	-	722,578
Interest and other receivables	4,216,050	21,988	4,238,038
Total current assets	<u>91,470,223</u>	<u>24,523,518</u>	<u>115,993,741</u>
<b>NON-CURRENT ASSETS</b>			
Pledged loans receivable - disbursed	273,241,975	-	273,241,975
Pledged loans receivable - undisbursed	19,307,372	-	19,307,372
Non-pledged loans receivable - disbursed	18,311,980	-	18,311,980
Unamortized bond issuance costs	1,163,152	-	1,163,152
Total non-current assets	<u>312,024,479</u>	<u>-</u>	<u>312,024,479</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 403,494,702</u></u>	<u><u>\$ 24,523,518</u></u>	<u><u>\$ 428,018,220</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 134,310	\$ -	\$ 134,310
Other liabilities	49,470	-	49,470
Revenue bonds payable	5,545,000	-	5,545,000
Undisbursed loan commitments	15,307,534	-	15,307,534
Revenue bond interest payable	1,459,688	-	1,459,688
Total current liabilities	<u>22,496,002</u>	<u>-</u>	<u>22,496,002</u>
<b>NON-CURRENT LIABILITIES</b>			
Compensated absences payable	467,065	-	467,065
Net other postemployment benefit obligation	865,000	-	865,000
Undisbursed loan commitments	3,999,838	-	3,999,838
Unearned loan origination fees	2,439,714	-	2,439,714
Revenue bonds payable	123,981,688	-	123,981,688
Total non-current liabilities	<u>131,753,305</u>	<u>-</u>	<u>131,753,305</u>
Total liabilities	<u>154,249,307</u>	<u>-</u>	<u>154,249,307</u>
<b>NET POSITION</b>			
Restricted - Expendable:			
Statute	<u>249,245,395</u>	<u>24,523,518</u>	<u>273,768,913</u>
Total net position	<u>249,245,395</u>	<u>24,523,518</u>	<u>273,768,913</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 403,494,702</u></u>	<u><u>\$ 24,523,518</u></u>	<u><u>\$ 428,018,220</u></u>

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
<b>OPERATING REVENUES</b>			
Interest on loans receivable	\$ 10,419,722	\$ -	\$ 10,419,722
Administration fees	1,826,084	-	1,826,084
Total operating revenues	<u>12,245,806</u>	<u>-</u>	<u>12,245,806</u>
<b>OPERATING EXPENSES</b>			
Interest on revenue bond debt	5,552,600	-	5,552,600
Amortization of revenue bond issuance costs	110,719	-	110,719
Program support	3,968,784	-	3,968,784
Total operating expenses	<u>9,632,103</u>	<u>-</u>	<u>9,632,103</u>
<b>OPERATING INCOME</b>	<u>2,613,703</u>	<u>-</u>	<u>2,613,703</u>
<b>NONOPERATING REVENUE</b>			
Investment income	328,300	91,128	419,428
Total nonoperating revenue	<u>328,300</u>	<u>91,128</u>	<u>419,428</u>
Change in net position	2,942,003	91,128	3,033,131
<b>NET POSITION, Beginning of year</b>	<u>246,303,392</u>	<u>24,432,390</u>	<u>270,735,782</u>
<b>NET POSITION, End of year</b>	<u>\$ 249,245,395</u>	<u>\$ 24,523,518</u>	<u>\$ 273,768,913</u>

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

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of interest on loans receivable	\$ 10,606,891	\$ -	\$ 10,606,891
Receipt of administration fees	1,576,503	-	1,576,503
Receipt of loan origination fees	67,430	-	67,430
Receipt of principal on loans receivable	14,129,063	-	14,129,063
Payment of outstanding loan commitments	(16,151,949)	-	(16,151,949)
Payment of program support	(3,657,747)	-	(3,657,747)
Net cash provided by operating activities	<u>6,570,191</u>	<u>-</u>	<u>6,570,191</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payment of principal on revenue bond debt	(5,325,000)	-	(5,325,000)
Payment of interest on revenue bond debt	(5,941,702)	-	(5,941,702)
Net cash used for noncapital financing activities	<u>(11,266,702)</u>	<u>-</u>	<u>(11,266,702)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of interest on investments	192,133	98,359	290,492
Net cash provided by investing activities	<u>192,133</u>	<u>98,359</u>	<u>290,492</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	(4,504,378)	98,359	(4,406,019)
<b>CASH AND EQUIVALENTS, Beginning of year</b>	<u>68,804,744</u>	<u>24,403,171</u>	<u>93,207,915</u>
<b>CASH AND EQUIVALENTS, End of year</b>	<u>\$ 64,300,366</u>	<u>\$ 24,501,530</u>	<u>\$ 88,801,896</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 2,613,703	\$ -	\$ 2,613,703
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization of revenue bond issuance costs	110,719	-	110,719
Interest on revenue bond debt	5,552,600	-	5,552,600
Changes in assets and liabilities:			
Loans receivable	(2,375,035)	-	(2,375,035)
Interest and other receivables	75,263	-	75,263
Accounts payable	(285,635)	-	(285,635)
Conduit bond performance deposit liability	(43,875)	-	(43,875)
Compensated absences payable	467,065	-	467,065
Net other postemployment benefit obligation	154,000	-	154,000
Undisbursed loan commitments	352,149	-	352,149
Unearned loan origination fees	(50,763)	-	(50,763)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 6,570,191</u>	<u>\$ -</u>	<u>\$ 6,570,191</u>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>			
Amortization of revenue bond premiums	\$ 337,627	\$ -	\$ 337,627
Unrealized loss on investments	(5,242)	-	(5,242)

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



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. THE FINANCIAL REPORTING ENTITY**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION / FUND FINANCIAL STATEMENTS**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**B. ACCOUNTING PRINCIPLES**

The accompanying financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles. The Funds are maintained by the I-Bank in accordance with the principles of fund accounting. The I-Bank management has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The I-Bank management has elected the option, under GASB Statement No. 20, not to apply all FASB Statements and Interpretations issued after November 30, 1989. The I-Bank's implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the 2011-2012 fiscal year had a minor impact on the format of the financial statements.

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

**C. CASH AND EQUIVALENTS, AND INVESTMENTS**

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



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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)**

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

**D. LOANS RECEIVABLE**

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

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

**E. ISSUANCE COSTS**

Costs associated with the issuance of each series of the ISRF Program Bonds included bond counsel fees, trustee fees, rating agency fees, underwriting costs, financial advisor fees and other miscellaneous expenses. Bond issuance costs are amortized using the effective-interest method.

**CALIFORNIA INFRASTRUCTURE AND  
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(A Component Unit of the State of California)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. REVENUE BONDS PAYABLE**

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

**G. LOAN AND CONDUIT BOND FEES**

The I-Bank charges an origination fee and an annual servicing fee to ISRF Program borrowers. The origination fee is due no later than the date of the borrower's first disbursement and reported as unearned revenue when billed. The origination fee is recognized as revenue on a straight line basis over the life of the corresponding Loan. The annual servicing fee is recognized as income when earned. The I-Bank also charges an application, bond issuance and an annual fee to Conduit Bond Programs borrowers. Conduit bond fees are recognized as revenue when earned.

**H. COMPENSATED ABSENCES PAYABLE**

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

**I. CLASSIFICATION OF NET POSITION**

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

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

**J. USE OF ESTIMATES**

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

**CALIFORNIA INFRASTRUCTURE AND  
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(A Component Unit of the State of California)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**3. CASH AND EQUIVALENTS, AND INVESTMENTS**

The I-Bank follows GASB Statement No. 40, Deposit and Investment Risk Disclosures. This statement requires the disclosure of the interest rate, credit, custodial credit, concentration of credit and foreign currency risks to the extent that they exist at the date of the statement of net position. Additional disclosure detail required by GASB Statement No. 40 can be found in the State's Comprehensive Annual Financial Report for the year ended June 30, 2011, which is the latest available, for cash deposits, investments, and derivatives within the State's centralized treasury system.

Due to the specified nature of the I-Bank's activities as established in the Act, all cash, cash equivalents, and investments are considered restricted at June 30, 2012, since these funds cannot be spent for any purpose other than as established in the Act.

Investments are made pursuant to an investment policy initially adopted by the Board in March 2006 and as amended by the Board on April 27, 2010 (Investment Policy). The Investment Policy is annually reviewed by the Board. The Investment Policy was reviewed by the Board in March 2012 with minor changes and its next scheduled review is in March 2013. The Investment Policy provides guidelines for the prudent investment of the Funds while maximizing efficiency and financial return in conformance with all applicable State statutes governing the investment of public funds, with the foremost objectives being safety and liquidity.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)**

**Investments Authorized by the California Government Code and the Investment Policy**

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

**Authorized Investments**

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

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

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

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

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

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

**CALIFORNIA INFRASTRUCTURE AND  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)**

**Authorized Investments**

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

<sup>1</sup> The Investment Policy authorizes investing bond reserve funds and bond revenue funds beyond five years if prudent in the opinion of the Executive Director.

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

<sup>3</sup> As rated by each of S&P, Moody's and Fitch.

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

Cash and equivalents at June 30, 2012 were as follows:

Cash on Hand	\$ 22,872
Deposits in Surplus Money Investment Fund	71,078,851
Deposits in Money Market Funds	<u>17,700,173</u>
<b>Total Cash and Equivalents</b>	<b><u>\$ 88,801,896</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)**

The I-Bank has invested a portion of the monies set aside for ISRF Program Bond repayment that are held by the Trustee in U.S. Treasury notes maturing on November 30, 2012.

Investments in U.S. Treasury notes at June 30, 2012 were as follows:

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Notes	\$ 10,468,000	\$ 10,469,379	\$ 10,481,903

**Deposit and Investment Risk Disclosures**

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

<u>Investment</u>		<u>Weighted Average to Maturity</u>
Surplus Money Investment Fund	\$ 71,078,851	270 days
Money Market Funds	17,700,173	32 days
U.S. Treasury Notes	<u>10,481,903</u>	150 days
<b>Total Cash and Equivalents</b>	<b>\$ <u>99,260,927</u></b>	

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

		<u>Minimum Legal Rating</u>	<u>Rating as of Year End<sup>1</sup></u>
Surplus Money Investment Fund	\$ 71,078,851	N/A	Not Rated
Money Market Funds	17,700,173	Am	AAAm/Aaa
U.S. Treasury Notes	<u>10,481,903</u>	N/A	AA+/Aaa
<b>Total Cash and Equivalents</b>	<b>\$ <u>99,260,927</u></b>		

<sup>1</sup> As rated by each of S&P and Moody's.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**3. CASH AND EQUIVALENTS, AND INVESTMENTS (Continued)**

**Custodial Credit Risk.** Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the I-Bank will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2012, the I-Bank had no funds on deposit with a depository financial institution.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a risk that the I-Bank will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2012, the I-Bank's SMIF and money market investments were not subject to custodial credit risk. The I-Bank's investment in U.S Treasury notes were not subject to custodial credit risk as of June 30, 2012 because they are held by the Trustee and registered in the I-Bank's name.

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

The Investment Policy places no limitation as to the percentage of the portfolio that may be invested in the SMIF or U.S Treasury notes. Within the investments permitted by Government Code Section 16430, the Investment Policy places limitations on the percentage of deposits and investments that can be invested with any one entity in order to provide sufficient diversification by security type and institution to avoid incurring unreasonable and avoidable risks. As of June 30, 2012, the I-Bank did not hold any investments in any one issuer (other than money market funds, the Surplus Money Investment Fund, and U.S. Treasury notes) that represent 5% or more of its investments.

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

**4. PLEDGED LOANS RECEIVABLE**

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

For the 2011-12 fiscal year, the principal and interest payments recognized from Series-Pledged Loans was \$14,928,095 and represented 65% of all pledged loan repayments recognized. The debt service payments on ISRF Program Bonds for the fiscal year was \$11,215,227, resulting in a bond debt coverage ratio for the fiscal year of 1.33 times.

**CALIFORNIA INFRASTRUCTURE AND  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. REVENUE BONDS PAYABLE**

The following is a summary of bonds payable at June 30, 2012:

Infrastructure State Revolving Fund Revenue Bonds, Series 2004, issued \$51,370,000 bearing 2.00% to 5.00% interest payable semi-annually, final maturity October 1, 2032 (2004 ISRF Programs Bonds)	\$ 42,055,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2005, issued \$52,800,000 bearing 4.00% to 5.00% interest payable semi-annually, final maturity October 1, 2033 (2005 ISRF Program Bonds)	43,140,000
Infrastructure State Revolving Fund Revenue Bonds, Series 2008, issued \$48,375,000 bearing 2.60% to 5.00% interest payable semi-annually, final maturity October 1, 2036 (2008 ISRF Program Bonds)	42,330,000
Plus: Unamortized Premiums	<u>2,001,688</u>
Net ISRF Program Bonds Payable	<u>\$ 129,526,688</u>

The following is a schedule of the debt service requirements for the 2004 ISRF Program Bonds as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 1,530,000	1,938,617	\$ 3,468,617
2014	1,600,000	1,876,368	3,476,368
2015	1,640,000	1,826,127	3,466,127
2016	1,690,000	1,757,638	3,447,638
2017	1,765,000	1,671,263	3,436,263
2018-2022	9,555,000	7,078,344	16,633,344
2023-2027	10,875,000 <sup>1</sup>	4,539,125	15,414,125
2028-2032	12,420,000 <sup>2</sup>	1,572,738	13,992,738
2033	<u>980,000</u>	<u>20,825</u>	<u>1,000,825</u>
<b>Total</b>	<b><u>\$ 42,055,000</u></b>	<b><u>\$ 22,281,045</u></b>	<b><u>\$ 64,336,045</u></b>

<sup>1</sup> Principal payments in the amount of \$4,615,000 are made from sinking fund payments for the 2029 term bonds.

<sup>2</sup> Principal payments in the amount of \$5,055,000 and \$4,660,000 are made from sinking fund payments for the 2029 and 2032 term bonds, respectively.



**CALIFORNIA INFRASTRUCTURE AND  
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(A Component Unit of the State of California)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**5. REVENUE BONDS PAYABLE (Continued)**

The following is a schedule of the debt service requirements for the 2005 ISRF Program Bonds as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 1,780,000	2,038,232	3,818,232
2014	1,845,000	1,965,731	3,810,731
2015	1,935,000	1,880,456	3,815,456
2016	2,025,000	1,781,456	3,806,456
2017	2,140,000	1,677,331	3,817,331
2018-2022	12,505,000	6,637,906	19,142,906
2023-2027	9,510,000 <sup>3</sup>	3,816,819	13,326,819
2028-2032	9,390,000 <sup>4</sup>	1,600,203	10,990,203
2033-2034	2,010,000 <sup>5</sup>	91,000	2,101,000
<b>Total</b>	<b>\$ 43,140,000</b>	<b>\$ 21,489,134</b>	<b>\$ 64,629,134</b>

<sup>3</sup> Principal payments in the amount of \$6,880,000 are made from sinking fund payments for the 2028 term bonds.

<sup>4</sup> Principal payments in the amount of \$1,935,000 and \$5,425,000 are made from sinking fund payments for the 2028 and 2033 term bonds, respectively.

<sup>5</sup> Principal payments in the amount of \$1,195,000 are made from sinking fund payments for the 2033 term bonds.

The following is a schedule of the debt service requirements for the 2008 ISRF Program Bond as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 2,235,000	1,754,529	3,989,529
2014	2,300,000	1,691,104	3,991,104
2015	2,360,000	1,614,004	3,974,004
2016	2,455,000	1,530,593	3,985,593
2017	1,595,000	1,462,481	3,057,481
2018-2022	8,870,000	6,240,556	15,110,556
2023-2027	9,085,000	4,277,841	13,362,841
2028-2032	7,825,000 <sup>6</sup>	2,331,950	10,156,950
2033-2037	5,605,000 <sup>7</sup>	666,125	6,271,125
<b>Total</b>	<b>\$ 42,330,000</b>	<b>\$ 21,569,183</b>	<b>\$ 63,899,183</b>

<sup>6</sup> Principal payments in the amount of \$4,285,000 are made from sinking fund payments for the 2031 term bonds.

<sup>7</sup> Principal payments in the amount of \$4,570,000 are made from sinking fund payments for the 2036 term bonds.

**CALIFORNIA INFRASTRUCTURE AND  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**6. LONG-TERM OBLIGATIONS**

The changes in long-term obligations for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion</u> <u>June 30, 2012</u>
Revenue Bonds					
Payable:					
2004 ISRF					
Program Bonds	\$ 43,515,000	\$ -	\$ 1,460,000	\$ 42,055,000	\$ 1,530,000
2005 ISRF					
Program Bonds	44,835,000	-	1,695,000	43,140,000	1,780,000
2008 ISRF					
Program Bonds	44,500,000	-	2,170,000	42,330,000	2,235,000
Unamortized					
Premiums	<u>2,339,315</u>	<u>-</u>	<u>337,627</u>	<u>2,001,688</u>	<u>-</u>
Total Revenue					
Bonds Payable	135,189,315	-	5,662,627	129,526,688	5,545,000
Net Other					
Postemployment					
Benefit Obligation	711,000	239,000	85,000	865,000	-
Compensated					
Absences Payable	<u>-</u>	<u>731,723</u>	<u>264,658</u>	<u>467,065</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 135,900,315</u></b>	<b><u>\$ 970,723</u></b>	<b><u>\$ 6,012,285</u></b>	<b><u>\$ 130,858,753</u></b>	<b><u>\$ 5,545,000</u></b>

**CALIFORNIA INFRASTRUCTURE AND  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**7. CONDUIT BOND INFORMATION AND DEBT OBLIGATIONS**

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

Conduit Bond information<sup>1</sup>:

• Fees earned from 7/1/11-6/30/12:	
○ Application Fees	\$ 9,000
○ Issuance Fees	\$ 526,580
○ Annual Fees	\$ 73,000
○ Other Fees	\$ 21,320
• Conduit Bond Support Operating Expenses	\$ 1,300,057 <sup>2</sup>
• Amount of conduit bonds authorized but unsold as of 6/30/12	\$ -
• Amount of conduit bond debt issued from 7/1/11-6/30/12	\$ 851,100,000
• Amount of conduit bonds outstanding as of 6/30/12	\$ 4.7 billion <sup>3</sup>
• Number of conduit bonds transactions outstanding as of 6/30/12	127

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<sup>1</sup> This information is provided pursuant to Government Code section 5872(a).

<sup>2</sup> Conduit Bond Support Operating Expenses include expenses such as salaries and benefits, administrative services, rent, utilities, travel, training, equipment and external services.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**8. RETIREMENT PLAN**

**Plan Description**

All of the employees of the I-Bank participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report as a fiduciary component unit. CalPERS administers the Public Employees' Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit retirement plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Departments and agencies within the State of California, including the I-Bank, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The pension plan provides retirement benefits, survivor benefits, and death disability benefits based upon the employee's years of credited service, age and final compensation. Vesting occurs after five or ten years of credited services depending on the benefit tier. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit payable monthly for the remainder of their lives. Benefit provisions and all other requirements are established by State statute.

**Funding Policy**

For the year ended June 30, 2012, the State had elected to contribute the full employer retirement contribution for State Miscellaneous Tier 1 and State Miscellaneous Tier 2 active members.

The I-Bank is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERF Board of Administration. The required employer contribution rates for the year ended June 30, 2012 were 18.175% for State Miscellaneous Tier 1 and 17.025% for State Miscellaneous Tier 2. I-Bank's contribution requirement for the year ended June 30, 2012 was \$272,703. The employee contribution rates for State Miscellaneous Tier 1 is 8% of salary above \$513 per month for employees covered by social security and 9% of salary above \$317 per month for employees not covered by social security. State Miscellaneous Tier 2 employees do not contribute. The contribution requirements of the plan members are established by State statute and collective bargaining and the employer contribution rates are established and may be amended by CalPERS. Additional information is reported at a statewide level in the State of California's Comprehensive Annual Financial Report.

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

Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2010	\$236,515	100%
June 30, 2011	309,184	100%
June 30, 2012	272,703	100%

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

Annual required contribution	\$	236,000
Interest on net OPEB obligation		23,000
Adjustment to annual required contribution		(20,000)
Annual OPEB cost (expense)		<u>239,000</u>
Contributions made		<u>(85,000)</u>
Increase in net OPEB obligation		154,000
Net OPEB obligation – beginning of year		<u>711,000</u>
Net OPEB obligation – end of year	\$	<u><u>865,000</u></u>

The I-Bank's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012, 2011, and 2010 were as follows:

Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$234,000	34%	\$498,000
6/30/11	336,000	37	711,000
6/30/12	239,000	36	865,000

Additional disclosure detail required by Government Accounting Standards Board Statement No. 45, regarding other postemployment benefits is presented in the State's Comprehensive Annual Financial Report for the year ended June 30, 2011, which is the latest available.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**10. COMMITMENTS**

In June 2003, the Board approved a preliminary loan guarantee commitment for the Imperial Irrigation District (IID). The preliminary loan guarantee commitment established a conditional obligation to guarantee a future issuance of revenue bonds by IID (IID Bonds) for the purpose of financing a water supply project (IID Guarantee). During the 2003-2004 fiscal year, the I-Bank transferred \$20 million from the CIEDB Fund to the Guarantee Trust Fund in conjunction with the preliminary loan guarantee commitment for the IID. In October 2010, the State Legislature enacted Senate Bill 856 (SB 856) that directed the I-Bank to deposit a specified amount required for the IID Guarantee in a reserve account within the Guarantee Trust Fund. SB 856 further directed that this IID Guarantee amount be held for the benefit of bondholders of the IID Bonds. At June 30, 2012, the required IID Guarantee amount was on deposit in a reserve account within the Guarantee Trust Fund and no IID Guarantee or IID Bonds have been approved or issued.

**11. CONTINGENCIES**

One borrower whose loan is pledged under the Master Indenture has filed for bankruptcy protection, and the bankruptcy court has approved the borrower's plan of adjustment. The plan approval has been challenged by a creditor and the plan was subsequently upheld by a U.S. District Court. However, the plan is being further appealed to the U.S. Court of Appeals where it was pending as of June 30, 2012. Repayment of the loan has not been impacted by the bankruptcy.

**12. SUBSEQUENT EVENTS**

In a subsequent event, another borrower with three loans pledged to the Master Indenture declared a fiscal emergency on July 18, 2012, and filed a Chapter 9 bankruptcy petition on August 1, 2012. The bankruptcy court ruled that the borrower must file documentation in support of its bankruptcy petition by August 31, 2012, and established an October 24, 2012 deadline for creditors to file objections to the borrower's bankruptcy petition. The borrower made all scheduled Loan payments due on August 1, 2012, and the next Loan payments are due February 1, 2013.

# STATISTICAL SECTION



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

**STATISTICAL SECTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK  
(A Component Unit of the State of California)  
SCHEDULE OF NET POSITION <sup>1</sup>  
FOR THE PAST NINE FISCAL YEARS**

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

<sup>1</sup> This schedule is condensed from its original format and combines the California Infrastructure and Economic Development Bank Fund and the California Infrastructure Guarantee Trust Fund.

<sup>2</sup> First year that comparable audited financial information is available.

<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	
\$ 125,709,510	\$ 113,447,173	\$ 103,701,676	\$ 99,283,799	<b>ASSETS</b>
311,504,489	331,209,650	320,958,196	323,333,231	Cash, cash equivalents, and investments
5,583,167	5,938,389	5,493,189	5,401,190	Program loans receivable
				Other assets
<u>\$ 442,797,166</u>	<u>\$ 450,595,212</u>	<u>\$ 430,153,061</u>	<u>\$ 428,018,220</u>	<b>TOTAL ASSETS</b>
				<b>LIABILITIES AND NET POSITION</b>
				<b>LIABILITIES</b>
\$ 145,839,491	\$ 140,710,150	\$ 135,189,315	\$ 129,526,688	Revenue bonds payable
28,404,385	37,639,398	18,955,223	19,307,372	Undisbursed loan commitments
5,164,622	5,434,308	5,272,741	5,415,247	Other liabilities
<u>179,408,498</u>	<u>183,783,856</u>	<u>159,417,279</u>	<u>154,249,307</u>	Total liabilities
				<b>NET POSITION</b>
263,388,668	266,811,356	270,735,782	273,768,913	Restricted - Expendable by statute
<u>263,388,668</u>	<u>266,811,356</u>	<u>270,735,782</u>	<u>273,768,913</u>	Total net position
<u>\$ 442,797,166</u>	<u>\$ 450,595,212</u>	<u>\$ 430,153,061</u>	<u>\$ 428,018,220</u>	<b>TOTAL LIABILITIES AND NET POSITION</b>

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

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION <sup>1</sup>**

**FOR THE PAST NINE FISCAL YEARS**

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

<sup>1</sup> This schedule combines the California Infrastructure and Economic Development Bank Fund and the California Infrastructure Guarantee Trust Fund.

<sup>2</sup> First year that comparable audited financial information is available.

<sup>3</sup> Beginning in fiscal year 2008-09, investment income was classified as nonoperating revenue.

<sup>4</sup> Restated in fiscal year 2005-06.

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



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

**INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM  
TEN LARGEST BORROWERS**

**AS OF JUNE 30, 2012 AND JUNE 30, 2004**

	2011-12			2003-04 <sup>1</sup>		
	ISRF Program Loans Receivable <sup>2</sup>	Rank	Percentage of Total ISRF Program Loans Receivable	ISRF Program Loans Receivable <sup>2</sup>	Rank	Percentage of Total ISRF Program Loans Receivable
	City of San Bernardino Municipal Water Department	\$ 24,553,601	1	7.59%	\$ 10,000,000	4
City of Hawthorne	16,116,621	2	4.98%	20,000,000	1	10.19%
Orange County High School of the Arts	16,061,842	3	4.97%	19,636,000	2	10.00%
Fresno Metropolitan Flood Control District	15,633,590	4	4.84%	19,582,819	3	9.98%
City of San Luis Obispo	15,376,218	5	4.76%	7,596,024	9	3.87%
City of Porterville	12,634,296	6	3.91%			
North Tahoe Fire Protection District	10,000,000	7	3.09%			
City of Davis	9,614,849	8	2.97%			
City of Bakersfield as successor agency to the Bakesfield Redevelopment Agency <sup>3</sup>	9,327,358	9	2.89%			
City of Madera	9,026,810	10	2.79%			
Stockton Port District				10,000,000	5	5.10%
County of Sacramento as successor agency to the Redevelopment Agency of the County of Sacramento <sup>3</sup>				10,000,000	6	5.10%
City of Hanford				10,000,000	7	5.10%
Trinity Public Utilities District				7,803,800	8	3.97%
City of El Centro				5,806,612	10	2.96%
Total of ten largest ISRF Program borrowers	138,345,185		42.79%	120,425,255		61.37%
All other ISRF Program borrowers	184,988,046		57.21%	75,809,605		38.63%
Total ISRF Program Loans receivable	<u>\$ 323,333,231</u>		<u>100.00%</u>	<u>\$ 196,234,860</u>		<u>100.00%</u>

<sup>1</sup> First year that comparable audited financial information is available.

<sup>2</sup> These amounts represent the total ISRF Program Loans receivable from each borrower and may include one or more Loans and may involve more than one type of revenue stream pledged to repay the Loans.

<sup>3</sup> Effective February 1, 2012, California redevelopment agencies were dissolved and other governmental entities became their successors.

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

**SCHEDULE OF ISRF PROGRAM  
LOANS RECEIVABLE AND INTEREST RATES  
FOR THE PAST NINE FISCAL YEARS**

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

<sup>1</sup> First year that comparable audited financial information is available.

<sup>2</sup> The weighted average interest rate on ISRF Program Loans receivable is calculated by multiplying each loan's outstanding balance by its interest rate, then dividing the sum of those individual amounts by the ISRF Program Loans receivable balance at June 30.

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

<sup>4</sup> ISRF Program Loan terms cannot exceed the lesser of the financed project's useful life or 30 years. However, borrowers have requested shorter terms.



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

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

**SCHEDULE OF STATUTORY DEBT LIMIT CAPACITY <sup>1</sup>  
FOR THE PAST TEN FISCAL YEARS**

	2002-03	2003-04	2004-05	2005-06	2006-07
I-Bank's legal limit on public development facility debt	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion
Total amount outstanding on bonds issued to finance public development facilities <sup>2</sup>	\$ 338,005,000	\$ 1,549,650,000	\$ 1,559,415,000	\$ 422,625,000	\$ 389,930,000
Remaining capacity for public development facility debt	\$4.66 billion	\$3.45 billion	\$3.44 billion	\$4.58 billion	\$4.61 billion
I-Bank's legal limit on rate reduction bonds	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion
Total amount outstanding on rate reduction bonds <sup>3</sup>	\$2,736,497,789	\$2,131,392,162	\$1,526,249,177	\$ 921,758,121	\$ 313,693,353
Remaining capacity for rate reduction bonds	\$7.26 billion	\$7.87 billion	\$8.47 billion	\$9.08 billion	\$9.69 billion

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

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

<sup>3</sup> The amount outstanding represents conduit revenue bonds only.

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	
\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	\$5.00 billion	I-Bank's legal limit on public development facility debt
\$ 379,650,000	\$ 371,525,000	\$ 336,020,000	\$ 300,305,000	\$ 265,505,000	Total amount outstanding on bonds issued to finance public development facilities <sup>2</sup>
\$4.62 billion	\$4.63 billion	\$4.66 billion	\$4.70 billion	\$4.73 billion	Remaining capacity for public development facility debt
\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	I-Bank's legal limit on rate reduction bonds
\$ 1,661,939	\$ -	\$ -	\$ -	\$ -	Total amount outstanding on rate reduction bonds <sup>3</sup>
\$9.998 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	\$10.00 billion	Remaining capacity for rate reduction bonds

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

**SCHEDULE OF OUTSTANDING ISRF PROGRAM BONDS AND DEBT RATIO  
FOR THE PAST NINE FISCAL YEARS**

	<u>2003-04<sup>1</sup></u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Series 2004 ISRF Program Bonds	\$ 51,370,000	\$ 51,370,000	\$ 50,225,000	\$ 48,930,000	\$ 47,615,000
Series 2005 ISRF Program Bonds	-	-	52,800,000	50,960,000	49,530,000
Series 2008 ISRF Program Bonds	-	-	-	-	-
Total ISRF Program Bonds outstanding	<u>\$ 51,370,000</u>	<u>\$ 51,370,000</u>	<u>\$ 103,025,000</u>	<u>\$ 99,890,000</u>	<u>\$ 97,145,000</u>
Series-pledged ISRF Program Loans receivable <sup>2</sup>	\$ 83,205,998	\$ 80,524,229	\$ 154,295,885	\$ 148,316,271	\$ 143,622,194
Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable	0.62	0.64	0.67	0.67	0.68

<sup>1</sup> First year that ISRF Program Bonds were issued and comparable audited financial information is available.

<sup>2</sup> Excludes loans pledged to the Master Indenture and non-pledged loans.

<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	
\$ 46,275,000	\$ 44,910,000	\$ 43,515,000	\$ 42,055,000	Series 2004 ISRF Program Bonds
48,030,000	46,470,000	44,835,000	43,140,000	Series 2005 ISRF Program Bonds
48,375,000	46,605,000	44,500,000	42,330,000	Series 2008 ISRF Program Bonds
<u>\$ 142,680,000</u>	<u>\$ 137,985,000</u>	<u>\$ 132,850,000</u>	<u>\$ 127,525,000</u>	Total ISRF Program Bonds outstanding
\$ 211,216,003	\$ 203,348,112	\$ 195,160,107	\$ 185,227,425	Series-pledged ISRF Program Loans receivable <sup>2</sup>
0.68	0.68	0.68	0.69	Ratio of ISRF Program Bonds outstanding to series-pledged ISRF Program Loans receivable



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

**SCHEDULE OF AGGREGATE PLEDGED RESOURCES COVERAGE  
FOR ISRF PROGRAM BONDS <sup>1</sup>**

**FOR THE PAST EIGHT BOND YEARS**

Bond Year <sup>2</sup>	Series-pledged ISRF Program Loan Repayments <sup>3</sup>	Reserve Account Earnings <sup>4</sup>	Total Amount Available for Debt Service <sup>5</sup>	ISRF Program Bonds Debt Service			Debt Service Coverage Ratio
				Principal	Interest	Total	
2003-04 <sup>6</sup>	\$ 2,627,424	\$ 41,165	\$ 2,668,589	\$ -	\$ 1,319,700	\$ 1,319,700	2.02
2004-05	4,522,348	137,003	4,659,351	1,145,000	2,262,343	3,407,343	1.37
2005-06	11,033,439 <sup>7</sup>	281,893	11,315,339	3,135,000	4,200,794	7,335,794	1.54
2006-07	9,595,561	347,092	9,942,653	2,745,000	4,600,174	7,345,174	1.35
2007-08	9,591,891	331,900	9,923,791	2,840,000	4,516,674	7,356,674	1.35
2008-09	14,515,584	38,140	14,553,724	4,695,000	6,430,871	11,125,871	1.31
2009-10	14,863,784	3,005	14,866,789	5,135,000	6,242,953	11,377,953	1.31
2010-11	14,964,643	44,480	15,009,123	5,325,000	6,044,653	11,369,653	1.32

<sup>1</sup> Schedule reflects the aggregate of the three series of ISRF Program Bonds.

<sup>2</sup> Bond year means the period of twelve consecutive months from October 2 through the following October 1.

<sup>3</sup> Includes interest and principal paid on series-pledged loans and excludes interest and principal paid on loans pledged to the Master Indenture and non-pledged loans.

<sup>4</sup> Investment income includes only that amount earned on funds pledged to ISRF Program Bonds debt service.

<sup>5</sup> Excludes capitalized interest in bond years 2003-04 and 2004-05.

<sup>6</sup> First year of ISRF Program Bonds debt service payments.

<sup>7</sup> Includes unscheduled full repayment of a series-pledged loan.

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

**CALIFORNIA DEMOGRAPHIC AND ECONOMIC INDICATORS  
FOR THE PAST TEN CALENDAR YEARS**

	2002	2003	2004	2005	2006
State population (in thousands)	34,938	35,389	35,753	35,986	36,247
Personal income (in millions)	\$1,187,348	\$1,232,981	\$1,312,227	\$1,387,661	\$1,495,533
Per capita personal income <sup>1</sup>	\$33,984	\$34,841	\$36,703	\$38,561	\$41,259
Labor force and employment (in thousands)					
Civilian labor force	17,344	17,391	17,444	17,545	17,687
Employed	16,181	16,200	16,355	16,592	16,821
Unemployed	1,163	1,191	1,090	953	865
Unemployment rate	6.7%	6.8%	6.2%	5.4%	4.9%

Sources: Population as of December 2011 - Demographic Research Unit, California Department of Finance  
Personal income as of March 28, 2012 - Bureau of Economic Analysis, United States Department of Commerce  
Labor force and employment as of August 17, 2012 - Labor Market Information Division, California Employment Development Department

<sup>1</sup> Calculated by dividing total personal income by population.



2007	2008	2009	2010	2011	
36,553	36,856	37,077	37,318	37,579	State population (in thousands)
\$1,566,400	\$1,610,698	\$1,526,531	\$1,587,404	\$1,676,565	Personal income (in millions)
\$42,853	\$43,702	\$41,172	\$42,537	\$44,614	Per capita personal income <sup>1</sup>
					Labor force and employment (in thousands)
17,921	18,203	18,208	18,316	18,385	Civilian labor force
16,961	16,890	16,145	16,052	16,227	Employed
960	1,313	2,064	2,265	2,158	Unemployed
5.4%	7.2%	11.3%	12.4%	11.7%	Unemployment rate



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**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK  
(A Component Unit of the State of California)  
CALIFORNIA EMPLOYMENT BY INDUSTRY  
FOR CALENDAR YEARS 2011 AND 2002**

INDUSTRY	2011		2002	
	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment
Farming	385,200	2.67%	372,700	2.51%
Mining and logging	28,500	0.20%	23,100	0.16%
Construction	553,700	3.83%	774,400	5.22%
Manufacturing	1,245,800	8.63%	1,631,800	11.00%
Trade, transportation & utilities	2,662,800	18.43%	2,724,300	18.37%
Information	432,400	2.99%	497,300	3.35%
Financial activities	761,500	5.27%	846,700	5.71%
Professional & business services	2,126,300	14.72%	2,119,900	14.30%
Educational & health services	1,833,600	12.69%	1,505,200	10.15%
Leisure and hospitality	1,530,300	10.59%	1,382,400	9.32%
Other services	486,900	3.37%	505,600	3.41%
Government				
Federal	255,100	1.77%	253,800	1.71%
State	483,700	3.35%	472,100	3.18%
Local	1,659,900	11.49%	1,721,200	11.61%
<b>TOTALS</b>	<b>14,445,700</b>	<b>100.00%</b>	<b>14,830,500</b>	<b>100.00%</b>

Source: Labor Market Information Division, California Employment Development Department  
*Industry Employment and Labor Force - by Annual Average* as of June 15, 2012

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

**NUMBER OF I-BANK EMPLOYEES BY IDENTIFIABLE ACTIVITY<sup>1</sup>  
FOR THE PAST TEN FISCAL YEARS**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Infrastructure State Revolving Fund Program and Support	10	10	10	11	11
Conduit Financing Programs	3	3	3	3	4
Executive/Administration/Legal	<u>7</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>5</u>
Total Employees	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>20</u></u>	<u><u>20</u></u>

<sup>1</sup> Data represents permanent, full-time positions.

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	
11	14	14	13	13	Infrastructure State Revolving Fund Program and Support
4	4	4	4	4	Conduit Financing Programs
<u>5</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	Executive/Administration/Legal
<u><u>20</u></u>	<u><u>25</u></u>	<u><u>25</u></u>	<u><u>24</u></u>	<u><u>24</u></u>	Total Employees

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK  
(A Component Unit of the State of California)  
MAJOR I-BANK PROGRAM ACTIVITY  
FOR THE PAST NINE FISCAL YEARS**

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

<sup>1</sup> First year that complete comparable information is available.

<sup>2</sup> Industrial development conduit revenue bonds are the only Bond Financing Programs applicants that submit a Preliminary Application. All other Bonds Financing Programs applicants submit only Financing Applications.

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

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

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

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This report is also available on the I-Bank's website at [www.ibank.ca.gov](http://www.ibank.ca.gov).