



**CALIFORNIA ENTERPRISE  
DEVELOPMENT AUTHORITY**

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

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2020 AND 2019**

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**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**JUNE 30, 2020**

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**BOARD OF DIRECTORS**

Gurbax Sahota	Chair
Aaron Laurel	Vice Chair
Margaret Silveira	Secretary
Larry Vaupel	Treasurer
Mather Kearney	Member
Jessica Gonzales	Member
Jason Crawford	Member
Keith Boggs	Member

# CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

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# James Marta & Company LLP

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
California Enterprise Development Authority  
Sacramento, California

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

We have audited the accompanying statement of net position of California Enterprise Development Authority (the Authority) as of June 30, 2020 and 2019 and the related statement of revenues, expenses and changes in net position, statement of cash flows, statement of fiduciary cash receipts and disbursements and related notes to the financial statements for the years then ended.

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

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America and cash basis for the fiduciary activities as described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of California Enterprise Development Authority as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as the fiduciary cash receipts and disbursements in accordance with the cash basis of accounting described in Note 1.

## **Basis of Accounting**

As further described in Note 1 to the financial statements, the fiduciary activities related to the residential PACE program are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

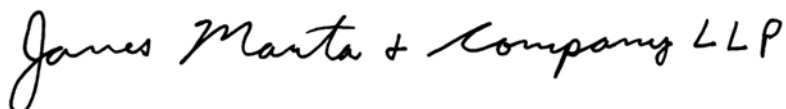
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 (GASB) 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 on our consideration of California Enterprise Development Authority's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Enterprise Development Authority internal control over financial reporting and compliance.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
October 5, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Overview**

This section of the California Enterprise Development Authority (CEDA) annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended on June 30, 2020. It is being provided for the purpose of enhancing the information in the financial audit and should be reviewed in concert with that report.

CEDA is a joint powers authority created in 2006. The Authority has a governing Board of eight members who comprise the Executive Committee of the California Association for Local Economic Development (CALED) and the President/CEO of CALED. Public agency members of CEDA join to facilitate the issuance of private activity bonds for the purpose of economic and community development.

## **Guiding Principles for Budget Development**

CEDA prepares a budget using the following principles to align its financial resources with its mission and organizational priorities:

- CEDA's financial and administrative activities are governed by means of a Management Agreement with CALED.
- Programs and services are funded within the limits of fee revenue derived from bond issuance.
- Two reserve funds (operating budget and legal) are budgeted and shown in the adopted budget. At the end of the year, excess funds may be committed to the reserves.

## **Financial Highlights**

In 2019-20, CEDA issued 27 bonds for a total of \$553,771,000. In comparison, 2018-19 saw a total dollar amount of authorized bonds at \$368,113,249 and 23 deals closed. Fee Revenues were higher this year than the previous year with \$898,720 in 2019-20 versus \$707,126 in 2018-19 due to more bonds being issued than in the previous year.

The management fee paid to CALED of \$300,000 was approved by the CEDA board to commence with fiscal year 2018-19 and remained the same in fiscal year 2019-2020.

The success of CEDA's conduit-bond issuances is best seen in the contributions made to economic development. CEDA was formed in 2006 with the specific mission of supporting economic development in California. CEDA's contributions help economic developers attend training events and further support economic development. Due to CEDA's strong year in revenues and in light of the COVID-19 pandemic, additional contributions to economic development were approved by the CEDA Board on June 11, 2020, to be directed to CALED and the California Academy for Economic Development, \$450,000 and \$75,000, respectively. The CEDA Board of Directors felt more support for economic development was needed because of the economic strain of the global pandemic. CEDA's total contribution to economic development for the FY 2019-20 was \$530,000.

At the end of June 2020, net position was \$1,309,392 compared to \$1,270,814 in June 2019, which is evidence of CEDA's success and increased viability in 2020.

### **Condensed Statement of Net Position**

	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Current Assets	\$ 1,314,699	\$ 1,315,814	\$ 1,142,405
Current Liabilities	<u>5,307</u>	<u>45,000</u>	<u>4,905</u>
Net Position, unrestricted	<u>\$ 1,309,392</u>	<u>\$ 1,270,814</u>	<u>\$ 1,137,500</u>

### **Condensed Statement of Activities**

	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Revenues	\$ 899,101	\$ 707,562	\$ 752,577
Expenses	<u>860,523</u>	<u>574,248</u>	<u>648,949</u>
Change in Net Position	<u>\$ 38,578</u>	<u>\$ 133,314</u>	<u>\$ 103,628</u>

### **Economic Factors Affecting the Future**

Primary sources of revenue are derived from application, issuance, annual fees and PACE management fees. Primary expenditures are the Management Agreement with CALED, various direct expenses (such as travel), and contributions of excess funds to CALED for economic development purposes.

The Authority had a very successful year due to a strong economy in the first two quarters enabling organizations to consider expansion of their operations. In the second half of the fiscal year, project inflow remained strong in spite of the economic turmoil caused by the global COVID pandemic. CEDA staff is focused on continuing this deal flow in the 2020-21 fiscal year by supporting existing key partnerships and targeting new partners and potential deal flows.

Non-Profit 501(c)(3) bonds continued to drive CEDA's growth this past year and likely will continue to make up the majority of issuances in the coming fiscal year. These deals are a combination of new projects and refinances.

No industrial development bonds (IDBs) were issued in the 2019-20 fiscal year but CEDA continues to market this financing tool which supports growth in the statewide manufacturing industry.

CEDA officially closed its residential PACE (R-PACE) program in this fiscal year based on a decision made by CEDA and Dividend Finance in June 2019. The PACE program still includes commercial PACE (C-PACE) projects, but in 2019-20, CEDA did not issue any C-PACE bonds. CEDA hopes to close C-PACE projects in the 2020-21 fiscal year.



## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2020 AND 2019**

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,289,027	\$ 1,301,845
Accounts receivable	2,500	2,000
Prepaid expenses	<u>23,172</u>	<u>11,969</u>
Total assets	<u>1,314,699</u>	<u>1,315,814</u>
<b>LIABILITIES</b>		
Current Liabilities		
Performance deposits	-	45,000
Due to affiliated entity	<u>5,307</u>	<u>-</u>
Total liabilities	<u>5,307</u>	<u>45,000</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 1,309,392</u>	<u>\$ 1,270,814</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Fee revenues	\$ 898,720	\$ 707,126
Miscellaneous income	-	10
Total operating revenues	898,720	707,136
 <b>OPERATING EXPENSES</b>		
Management fees	300,000	300,000
Contribution to economic development	530,000	240,000
Direct program expenses	30,523	34,248
Total operating expenses	860,523	574,248
Operating income	38,197	132,888
 <b>NONOPERATING REVENUES</b>		
Investment income	381	426
<b>Change in net position</b>	38,578	133,314
Net position, July 1	1,270,814	1,137,500
Net position, June 30	\$ 1,309,392	\$ 1,270,814

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from fees charged	\$ 898,220	\$ 711,557
Cash (payments) receipts for performance deposits	(45,000)	45,000
Cash receipts from miscellaneous income	-	10
Cash paid for management fees and economic development	(824,693)	(541,905)
Cash paid for direct program expenses	<u>(41,726)</u>	<u>(43,873)</u>
Net cash provided (used) by operating activities	<u>(13,199)</u>	<u>170,789</u>
Cash flows from investing activities:		
Interest income received	<u>381</u>	<u>426</u>
Increase (decrease) in cash	(12,818)	171,215
Beginning cash and cash equivalents	<u>1,301,845</u>	<u>1,130,630</u>
Ending cash and cash equivalents	<u>\$ 1,289,027</u>	<u>\$ 1,301,845</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 38,197	\$ 132,888
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(500)	7,431
Prepaid expenses	(11,203)	(9,625)
Increase (decrease in):		
Performance deposits	(45,000)	45,000
Due to affiliated entities	5,307	(1,905)
Unearned revenues	<u>-</u>	<u>(3,000)</u>
Net cash provided by operating activities	<u>\$ (13,199)</u>	<u>\$ 170,789</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**  
**STATEMENT OF FIDUCIARY CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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**Residential PACE Program Activity**

	<u>2020</u>	<u>2019</u>
<b>Cash Receipts</b>		
PACE Funding	\$ -	\$ 96,160
Prepayments Received	330,763	430,041
Reimbursed Expenses	20,083	21,642
Other Deposits	2,245	-
County Remittances Received	19,898	19,843
Additions to staging account	<u>326,240</u>	<u>16,398</u>
Total additions	<u>699,229</u>	<u>584,084</u>
<b>Cash Disbursements</b>		
Project Costs	-	91,880
Prepayments Paid Out	1,110,713	108,202
Bank Fees	22,945	26,642
Other Disbursements	7,157	-
Administrative Fees	<u>3,539</u>	<u>-</u>
Total deductions	<u>1,144,354</u>	<u>226,724</u>
<b>Change in Cash Position</b>	(445,125)	357,360
Cash - beginning	<u>540,228</u>	<u>182,868</u>
Cash - ending	<u>\$ 95,103</u>	<u>\$ 540,228</u>

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

California Enterprise Development Authority (the "Authority") is a joint powers agency formed on June 1, 2006 pursuant to the provisions of Title I, Division 7, Chapter 5, Article I of the Government Code of the State of California. The purpose of the Authority is to assist the members, for-profit and non-profit organizations located within the jurisdictions of the members in financing industrial and commercial development projects and other public purpose projects.

The Authority issues conduit debt for the express purpose of providing capital financing for a specific third party that is not part of the Authority's financial reporting entity. Although the conduit debt obligations may bear the name of California Enterprise Development Authority, the Authority has no obligation for such debt beyond the resources provided by a lease or a loan with the third party on whose behalf they are issued.

Property Assessed Clean Energy (PACE) Program

Property assessed clean energy (PACE) is a mechanism for financing energy efficiency and renewable energy improvements on properties. Under Assembly Bill 811, California property owners in special assessment districts may enter into voluntary contractual assessments against their properties, to finance a range of authorized energy and water efficiency products and improvements. In partnership with Dividend Finance, CEDA offers PACE funding to property owners to amortize payments for eligible improvements for up to 20 years with long term, low interest rate loans and no money down, repaid as a line-item on the property owner's annual property tax bill.

CEDA contracted with Dividend Finance/Figtree Financing to provide program administration for the PACE program. The current agreement calls for Dividend Finance/Figtree Financing to pay CEDA an annual fee of \$75,000 to reimburse the Authority for administrative and overhead costs.

During fiscal year 2016-17, CEDA implemented a residential PACE (R-PACE) program in addition to commercial PACE (C-PACE) already in its portfolio. On behalf of Dividend Finance's clients, CEDA issues multijurisdictional bonds that generate private capital for PACE commercial property improvement projects and bonds to take out loans to finance residential property projects.

Legislation passed in January 2018 resulted in Dividend Finance halting new R-PACE project originations as of April 1, 2018 until solutions to meet the necessary underwriting requirements could be resolved. The residential PACE program (R-PACE) ended in June 2019 with no new assessment contracts entered into in the fiscal year ended June 30, 2020. However, CEDA continues to service previously existing R-PACE contracts and perform administrative work for R-PACE related to the closing of the program. CEDA maintains a relationship and agreement with Dividend Finance for the commercial PACE program and currently focuses on entering into new commercial PACE transactions.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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**A. REPORTING ENTITY (CONTINUED)**

Since these funds are controlled by a third party and not by CEDA, the Authority has elected to use the cash basis of accounting as described in Note 1.B.

**B. BASIS OF ACCOUNTING**

The Authority is accounted for as an enterprise fund and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority include application, issuance and annual fees. Operating expenses of the Authority include the cost of providing the services, administrative expenses and management fees. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

Fiduciary Funds – Cash Basis

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Authority uses a fiduciary fund to account for the proceeds and expense associated with its Property Assessed Clean Energy (PACE) program. The fund activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Authority's general operations. The fiduciary fund financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

**C. CASH AND CASH EQUIVALENTS**

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**D. INCOME TAXES**

The Authority is a tax-exempt corporation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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**E. 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2020 and 2019 consisted of the following:

	<u>Governmental Activities</u>		<u>Fiduciary Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash in banks	<u>\$ 1,289,027</u>	<u>\$ 1,301,845</u>	<u>\$ 95,103</u>	<u>\$ 540,228</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Cash and cash equivalents include deposits with financial institutions. At June 30, 2020, the Authority had deposits with carrying amounts of \$1,289,027 and bank balances of \$1,288,937. Insured or collateralized balances totaled \$255,202 and uninsured balances totaled \$1,033,735. At June 30, 2019, the Authority had deposits with carrying amounts of \$1,301,845 and bank balances of \$1,318,629. Insured or collateralized balances totaled \$300,169 and uninsured balances totaled \$1,018,460.

Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

**3. PERFORMANCE DEPOSIT**

Any organization applying for Industrial Development Bonds is required to submit a performance deposit to the Authority equal to 0.5% of the amount of the Qualified Private Activity Bond Allocation being requested, not to exceed \$100,000. Upon issuance of the Bonds, the state notifies the Authority who returns the performance deposit to the applicant. The Authority was not holding a performance deposit as of June 30, 2020. As of June 30, 2019, the Authority was holding a performance deposit of \$45,000.



**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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**4. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2020 through October 5, 2020, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**5. RELATED PARTY TRANSACTIONS**

The Joint Powers Agreement has designated California Association for Local Economic Development (CALED), a California nonprofit corporation, as the administrator and executor of the agreement. The agreement also designates the Executive Committee of the Board of Directors of CALED and the President of CALED as the Board of Directors of the Authority.

For the years ended June 30, 2020 and 2019, the Authority entered into a management agreement with CALED, an affiliated entity, for an annual fee of \$300,000 for both fiscal years. CALED provides administrative oversight, office space and other related expenses and services under the management agreement.

As of June 30, 2020 there was a balance due to CALED in the amount of \$5,307 which represents expenses paid by CALED on behalf of the Authority. As of June 30, 2019, there was a prepaid expense balance with CALED in the amount of \$9,643.

**6. CONDUIT DEBT OBLIGATIONS**

The Authority has issued Conduit Bonds to provide financial assistance to organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the organization served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

**7. CONDUIT DEBT OBLIGATIONS (Continued)**

As of June 30, 2020, the Authority had the following number of Conduit Bonds authorized, related authorized bond issue amount, related aggregate principal balance due as of June 30 and related fees charged:

<u>Fiscal Year Ended June 30:</u>	<u>Number of Bonds Authorized</u>	<u>Dollar Amount of Bonds Authorized</u>	<u>Outstanding Principal Balance</u>	<u>Issuance Fees</u>
2020	27	\$ 553,771,000	\$ 549,816,326	\$ 639,329
2019	23	368,113,249	312,306,963	471,535
2018	32	349,425,910	240,260,908	525,569
2017	33	625,952,139	489,776,134	817,942
2016	14	113,606,718	97,019,409	199,665
2015	17	111,530,080	61,353,427	164,361
2014	19	209,824,479	81,514,195	208,162
2013	10	203,300,000	95,459,257	196,625
2012	4	55,250,000	-	65,625
2011	32	522,247,271	174,410,400	762,170
2010	8	82,184,455	3,446,788	147,886
2009	5	37,000,000	20,658,988	70,000
2008	13	188,192,839	56,260,831	292,713
2007	3	40,065,000	-	65,525
<b>Totals</b>	<b>240</b>	<b>\$ 3,460,463,140</b>	<b>\$ 2,182,283,626</b>	<b>\$ 4,627,107</b>



# James Marta & Company LLP

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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

To the Board of Directors  
California Enterprise Development Authority  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of California Enterprise Development Authority (the "Authority"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 5, 2020.

### Internal Control Over Financial Reporting

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

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

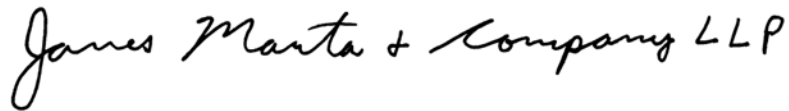
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
October 5, 2020