



**CALIFORNIA ENTERPRISE
DEVELOPMENT AUTHORITY**

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

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022**

JAMES MARTA & COMPANY LLP
701 HOWE AVENUE, E3
SACRAMENTO, CA

(916) 993-9494
(916) 993-9489 FAX

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

JUNE 30, 2023

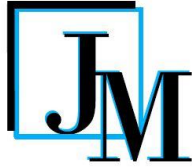
BOARD OF DIRECTORS

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Jessica Gonzales	Vice Chair
Larry Vaupel	Secretary
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CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Enterprise Development Authority
Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Net Position of California Enterprise Development Authority (CEDA) as of June 30, 2023 and 2022, and the related Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, and the Statement of Fiduciary Cash Receipts and Disbursements for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the California Enterprise Development Authority, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows, and cash receipts and disbursements thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and 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*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Enterprise Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Responsibilities of Management for the Financial Statements

California Enterprise Development Authority's management is responsible for the preparation and fair presentation of the 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Enterprise Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

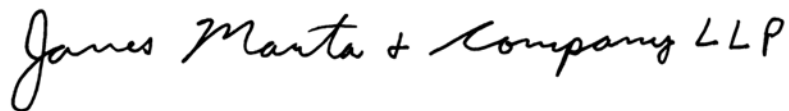
In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 California Enterprise Development Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Enterprise Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of California Enterprise Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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's internal control over financial reporting and compliance.

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
January 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

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, 2023. 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 when necessary and shown in the adopted budget. At the end of the year, excess funds may be committed to the reserves.

Financial Highlights

In 2022-23, CEDA issued 31 bonds for a total of \$454,856,000. In comparison, 2021-22 saw a total dollar amount of authorized bonds at \$587,575,533 and 39 deals closed. Fee Revenues were lower this year than the previous year with \$1,037,161 in 2021-22 versus \$901,375 in 2022-23 due to less bonds being issued than in the previous year.

The management fee payable to CALED of \$300,000 that was approved by the CEDA board to commence fiscal year 2017-18 remained the same in fiscal year 2022-2023.

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, additional contributions to economic development were approved by the CEDA Board on June 29, 2023 to be directed to CALED and The California Academy for Economic Development (The Academy), in the amounts of \$450,000 and \$75,000, respectively. The CEDA Board of Directors felt support was needed to further CALED's mission and support economic development and practitioners working on the transactional side of economic development. The contribution to The Academy was in support of its mission and to help with cash flow issues caused by the EDA Outsmart Disaster grant. CEDA's total contribution to economic development for the FY 2022-23 was \$525,000.

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2023 AND 2022

Condensed Statement of Net Position

	2023	2022	2021
Current Assets	\$ 1,489,500	\$ 1,445,855	\$ 1,395,375
Current Liabilities	36,303	3,393	649
Net Position Unrestricted	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>	<u>\$ 1,394,726</u>

Condensed Statement of Activities

	2023	2022	2021
Revenues	\$ 901,763	\$ 1,038,230	\$ 936,435
Expenses	891,028	990,494	851,101
Changes in Net Position	10,735	47,736	85,334
Net Position Beginning	1,442,462	1,394,726	1,309,392
Net Position Ending	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>	<u>\$ 1,394,726</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 SLIP Insurance), and contributions of excess funds to CALED for economic development purposes.

The Authority had a successful year even though we saw a slowdown in project flow due to high interest rates and uncertainty in the market. CEDA staff is focused on bolstering deal flow in the 2023-24 fiscal year by supporting and marketing to existing key partnerships and targeting new partners and different projects.

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

One industrial development bond (IDB) was issued in the 2022-23 fiscal year. CEDA was happy to issue the only IDB in California in 2023 but would like to see more projects come to fruition. CEDA continues to promote this financing tool to support growth in the statewide manufacturing industry and to fight for allocation at the State Treasurer's Office.

The PACE program, for commercial PACE (C-PACE) projects only, was relatively dormant in 2022-23. CEDA did not complete any C-PACE projects. Our PACE partner, Dividend Finance, provided us a termination notice sharing that they are closing their PACE department. CEDA has engaged in the termination process with Dividend and will continue that in the 2023-24 FY. Considering this, CEDA is uncertain about the 2023-24 PACE pipeline, but expect that current high interest rates may make this tool more competitive for certain projects.

BASIC FINANCIAL STATEMENTS

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**STATEMENTS OF NET POSITION****JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,488,740	\$ 1,444,353
Accounts receivable	-	500
Prepaid expenses	<u>760</u>	<u>1,002</u>
Total assets	<u>1,489,500</u>	<u>1,445,855</u>
LIABILITIES		
Current Liabilities		
Performance deposits	30,000	-
Due to affiliated entity	3,803	393
Unearned revenue	<u>2,500</u>	<u>3,000</u>
Total liabilities	<u>36,303</u>	<u>3,393</u>
NET POSITION		
Unrestricted	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Fee revenues	\$ 901,375	\$ 1,037,161
Total operating revenues	<u>901,375</u>	<u>1,037,161</u>
 OPERATING EXPENSES		
Management fees	300,000	300,000
Contribution to economic development	545,000	650,000
Direct program expenses	<u>46,028</u>	<u>40,494</u>
Total operating expenses	<u>891,028</u>	<u>990,494</u>
Operating income	10,347	46,667
 NONOPERATING REVENUES		
Investment income	<u>388</u>	<u>1,069</u>
 Change in net position	10,735	47,736
Net position, July 1	<u>1,442,462</u>	<u>1,394,726</u>
Net position, June 30	<u>\$ 1,453,197</u>	<u>\$ 1,442,462</u>

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from fees charged	\$ 901,375	\$ 1,071,501
Cash paid for management fees and economic development	(841,590)	(950,256)
Cash paid for direct program expenses	<u>(15,786)</u>	<u>(40,608)</u>
Net cash provided (used) by operating activities	<u>43,999</u>	<u>80,637</u>
Cash flows from investing activities:		
Interest income received	<u>388</u>	<u>1,069</u>
Increase (decrease) in cash	44,387	81,706
Beginning cash and cash equivalents	<u>1,444,353</u>	<u>1,362,647</u>
Ending cash and cash equivalents	<u>\$ 1,488,740</u>	<u>\$ 1,444,353</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 10,347	\$ 46,667
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	500	31,340
Prepaid expenses	242	(114)
Increase (decrease) in:		
Performance deposits	30,000	-
Due to affiliated entities	3,410	(256)
Unearned revenues	<u>(500)</u>	<u>3,000</u>
Net cash provided by operating activities	<u>\$ 43,999</u>	<u>\$ 80,637</u>

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY
STATEMENT OF FIDUCIARY CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	PACE Program Activity	
	2023	2022
	<u> </u>	<u> </u>
Cash Receipts		
Prepayments Received	<u>\$ 1,207,655</u>	<u>\$ 1,362,869</u>
Total additions	<u>1,207,655</u>	<u>1,362,869</u>
Cash Disbursements		
Prepayments Paid Out	1,168,669	1,718,456
Other Disbursements	<u>-</u>	<u>4,475</u>
Total deductions	<u>1,168,669</u>	<u>1,722,931</u>
Change in Cash Position	38,986	(360,062)
Cash - beginning	<u>537,304</u>	<u>897,366</u>
Cash - ending	<u><u>\$ 576,290</u></u>	<u><u>\$ 537,304</u></u>

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

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 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, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022 consisted of the following:

	Governmental Activities		Fiduciary Activities	
	2023	2022	2023	2022
Cash in banks	<u>\$ 1,488,740</u>	<u>\$ 1,444,353</u>	<u>\$ 576,290</u>	<u>\$ 537,304</u>

Custodial Credit Risk

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 holding \$30,000 JBR performance deposit as of June 30, 2023, and no performance deposit as of June 30, 2022.

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

4. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2023 through January 16, 2024, 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, 2023 and 2022, 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, 2023, there was an additional payment to CALED which represents expenses paid by CALED on behalf of the Authority amounting to \$7,666 and a balance due to CALED in the amount of \$3,803.

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, 2023 AND 2022

6. CONDUIT DEBT OBLIGATIONS (Continued)

As of June 30, 2023, 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:

Fiscal Year Ended June 30:	Number of Bonds Authorized	Dollar Amount of Bonds Authorized	Outstanding Principal Balance	Issuance Fees
2023	31	\$ 454,856,000	\$ 398,669,035	\$ 563,432
2022	39	587,575,533	515,447,889	698,757
2021	32	590,475,020	468,979,862	636,889
2020	26	553,771,000	459,801,303	639,329
2019	24	368,113,249	230,771,015	471,535
2018	32	349,425,910	188,336,745	525,569
2017	33	625,952,139	309,231,939	817,942
2016	14	113,606,718	84,377,895	199,665
2015	17	111,530,080	56,643,472	162,861
2014	17	209,824,479	37,786,903	208,162
2013	10	203,300,000	76,254,711	196,625
2012	4	55,250,000	-	65,625
2011	28	522,247,271	157,866,132	760,670
2010	8	82,184,455	-	147,886
2009	5	37,000,000	8,140,000	70,000
2008	10	188,192,839	16,735,000	292,715
2007	3	40,065,000	-	65,525
Totals	333	\$ 5,093,369,693	\$ 3,009,041,901	\$ 6,523,185



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 16, 2024.

Report on 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) as a basis for designing 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 financials 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.

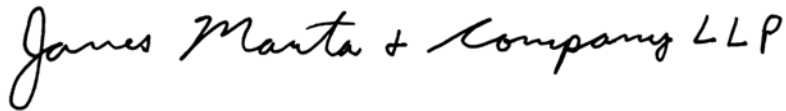
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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 or significant deficiency may exist that were not identified.

Report on 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 financial statements. 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
January 16, 2024