

**CALIFORNIA MUNICIPAL
FINANCE AUTHORITY**

Independent Auditor's Reports,
Management's Discussion and Analysis,
and Basic Financial Statements

For the Year Ended June 30, 2020



Certified
Public
Accountants

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
For the Year Ended June 30, 2020

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Independent Auditor's Report

To the Board of Directors
California Municipal Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the California Municipal Finance Authority (CMFA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CMFA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

CMFA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Municipal Finance Authority as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CMFA's basic financial statements. The CMFA Fee Schedules and Financing Approvals are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of CMFA'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 CMFA's 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 CMFA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego, California
December 4, 2020

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Management's Discussion and Analysis
(Unaudited)

This section of the California Municipal Finance Authority's (the CMFA) annual financial report presents the Management's Discussion and Analysis (MD&A)¹ of its financial performance during the year ended June 30, 2020. The information in this section should be read in conjunction with the financial statements and the notes following this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

The CMFA was organized on August 12, 2004, under the provision of the Joint Exercise of Powers Act of the Government Code of the State of California. The CMFA is a joint powers authority created to strengthen local communities by promoting economic development and charitable activities throughout the State of California. With the goal of giving back to California communities, the CMFA assists local governments, non-profits and businesses with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California. Members of the CMFA include towns, cities, counties and special districts within California.

The CMFA is committed to promoting economic and social programs in its member communities. The CMFA shares a minimum of 25% of all issuance fees collected directly with its member communities, and donates at a minimum another 25% to the California Foundation for Stronger Communities (Foundation), a blended component unit of the CMFA, for the support of local charities designated by its member agencies.

The CMFA acts as a municipal conduit issuer and assists eligible institutions in obtaining financing through the issuance of revenue bonds. The bonds are special, limited obligations of the CMFA, payable solely from the revenues of the projects and other funds of the borrowers.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2020

- Restricted cash balances for FY 2020 are \$4,204,121 above the prior year due to a greater number of projects seeking California Debt Limit Allocation Committee bond allocation.
- FY 2020 operating revenues are \$1,508,580 above the prior year due to a higher number of bond issuances than the prior year.
- The increase in net position of \$33,793 is due mainly to timing of charitable grant designations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The CMFA's financial statements include the MD&A, financial statements, and accompanying notes to the basic financial statements. This report also includes other information intended to furnish additional detail to the intended users.

Basis of Presentation: The transactions of the CMFA are accounted for as an enterprise fund utilizing the accrual basis of accounting.

¹ For purposes of this MD&A, "Management" refers to the Executive Director of the CMFA.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Management's Discussion and Analysis (Continued)
(Unaudited)

Blended Component Unit: Financial results for the Foundation are combined with the CMFA's financial statements for FY 2020. MD&A discussions comparing prior year financial results for the CMFA include activity related to the Foundation. Separately audited financial statements for the Foundation can be found on the CMFA's website and can also be obtained by contacting CMFA's management.

FINANCIAL STATEMENTS

The financial statements of the CMFA report information using accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These statements offer both short-term and long-term financial information about the CMFA's activities.

- The *Statement of Net Position* includes all of the CMFA's assets and liabilities as of June 30, 2020, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the CMFA's creditors (liabilities). It also provides the basis for evaluating the capital structure of the CMFA and assessing the liquidity and financial flexibility of the CMFA.
- The *Statement of Revenues, Expenses and Change in Net Position* accounts for all of the CMFA's revenues and expenses for the year ended June 30, 2020. This Statement reflects the results of the CMFA's operations over the year and can be used to determine the CMFA's credit worthiness and its ability to successfully recover all its costs through user fees and other income.
- The *Statement of Cash Flows* provides information about the CMFA's cash receipts and cash payments during the year ended June 30, 2020. This Statement reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities. The Statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

The accompanying *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Management's Discussion and Analysis (Continued)
(Unaudited)

FINANCIAL ANALYSIS OF THE CMFA

The following is a brief discussion of key items contained in the Statement of Net Position.

CONDENSED STATEMENTS OF FINANCIAL POSITION

The assets, liabilities, and net position as of June 30, 2020 and 2019 and changes from the prior year are shown in the table below.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Asset:			
Cash	\$ 677,244	\$ 648,527	\$ 28,717
Restricted cash	6,276,059	2,071,938	4,204,121
Other assets	<u>70,526</u>	<u>40,816</u>	<u>29,710</u>
Total assets	<u>7,023,829</u>	<u>2,761,281</u>	<u>4,262,548</u>
Liabilities:			
Accounts payable and accrued liabilities	90,651	66,017	24,634
Refundable deposits	<u>6,276,059</u>	<u>2,071,938</u>	<u>4,204,121</u>
Total liabilities	<u>6,366,710</u>	<u>2,137,955</u>	<u>4,228,755</u>
Net Position:			
Unrestricted	<u>\$ 657,119</u>	<u>\$ 623,326</u>	<u>\$ 33,793</u>

As part of the CMFA's program of giving back to local communities, the CMFA allocates a portion of its fees to the Foundation to be distributed to nonprofit charities throughout California. The timing of the cash receipts as well as these charitable distributions affects the levels of cash at year-end. During the years ended June 30, 2020 and 2019, charitable payments distributed through the Foundation were \$2,959,571 and \$2,188,950, respectively.

ASSETS

Restricted Cash

Restricted cash relates to deposits and filing fees paid by Project Sponsors (Borrowers) who are requesting Qualified Private Activity Bond Allocations, which require performance deposits by the California Debt Limit Allocation Committee (CDLAC). The filing fees are paid to CDLAC on behalf of the Borrower and deposits are either released to the Borrowers when the bonds are issued, or they are forfeited and sent to the CDLAC for non-performance.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
 Management's Discussion and Analysis (Continued)
 (Unaudited)

LIABILITIES

Refundable Deposits

The CMFA, on behalf of Borrowers who are requesting Qualified Private Activity Bond Allocations, collects performance deposits and filing fees for the CDLAC. The filing fees are paid when due and the deposits are either released to the Borrowers when bonds are issued, or they are forfeited and sent to CDLAC for non-performance. Total performance deposits and fees as of June 30, 2020 and 2019, were \$6,276,059 and \$2,071,938, respectively. The \$4,204,121 increase in performance deposits is due to a greater number of projects seeking CDLAC bond allocation.

The following is a brief discussion of key items contained in the Statement of Revenues, Expenses and Changes in Net Position.

OPERATING REVENUES

The CMFA generates operating revenues through annual fees, issuance fees, and application fees for activities related to bond financings. The CMFA issued \$2.4 billion and \$2.4 billion of new bonds, in FY 2020 and FY 2019, respectively. Application fees were increased by \$94,500, or 163% from FY 2019. The CMFA received one-time income of \$175,000 for a breakage fee in FY 2020, which was reported as other income. Operating Revenues for FY 2020 and FY 2019 were \$8,370,231 and \$6,861,651, respectively.

	Operating Revenues		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Annual fees	\$ 5,160,598	\$ 4,468,572	\$ 692,026
Issuance fees	2,882,133	2,335,079	547,054
Application fees	152,500	58,000	94,500
Other Income	<u>175,000</u>	<u>-</u>	<u>175,000</u>
	<u>\$ 8,370,231</u>	<u>\$ 6,861,651</u>	<u>\$ 1,508,580</u>

Under the fee schedule adopted by the CMFA on June 8, 2018, application fees are credited against the issuance costs at closing. The application fee revenue is reported net of the application fee credits applied to the closing costs in FY 2020.

OPERATING EXPENSES

The CMFA's FY 2020 and FY 2019 operating expenses were \$8,338,848 and \$6,716,176, respectively. In FY 2020, professional consultant fees increased by \$651,365, charitable donations made through the Foundation increased by \$770,621, and payments to the CMFA's member agencies were \$172,534 higher compared to FY 2019 due to more transactions in FY 2020.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Management's Discussion and Analysis (Continued)
(Unaudited)

Operating Expenses

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Professional consultant fees	\$ 4,316,101	\$ 3,664,736	\$ 651,365
Charitable donations	2,959,571	2,188,950	770,621
Joint Power Authority member distribution	872,528	699,994	172,534
General and administrative	136,638	126,406	10,232
Marketing	<u>54,010</u>	<u>36,090</u>	<u>17,920</u>
	<u>\$ 8,338,848</u>	<u>\$ 6,716,176</u>	<u>\$ 1,622,672</u>

NET POSITION

The following table presents a condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019. The items affecting the change in net position were previously detailed in the Operating revenues and Operating expenses discussion.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues	\$ 8,372,641	\$ 6,863,574	\$ 1,509,067
Expenses	<u>8,338,848</u>	<u>6,716,176</u>	<u>1,622,672</u>
Changes in net position	33,793	147,398	(113,605)
Net position - beginning of year	<u>623,326</u>	<u>475,928</u>	<u>147,398</u>
Net Position - end of year	<u>\$ 657,119</u>	<u>\$ 623,326</u>	<u>\$ 33,793</u>

ECONOMIC FACTORS

The overall economic environment was positive for the types of programs administered by the CMFA in FY 2020 and has continued to be so through the date of this MD&A. Of particular note is the strength of the CMFA's affordable housing program.

Although the economic environment has been positive, the Borrowers, and not the CMFA, determine the timing and whether or not a transaction will move forward. Therefore, the decisions of the conduit Borrowers will always be a major factor in the financing activity and ultimately the financial results of the CMFA.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to a future economic downturn. Although normal operations of many businesses have been disrupted, the CMFA has not yet been significantly impacted by the outbreak. However, this outbreak could adversely affect the financial position of CMFA borrowers and future bond financings could potentially be postponed. Currently, it is not possible for the CMFA to predict the duration or magnitude of the adverse results of the outbreak or its effects on the CMFA's operations.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Management's Discussion and Analysis (Continued)
(Unaudited)

CONTACTING THE CMFA'S FINANCIAL MANAGEMENT

This financial report was designed to provide a general overview of the CMFA's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Executive Director, California Municipal Finance Authority, 2111 Palomar Airport Road, Suite 320, Carlsbad, CA 92011.

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CALIFORNIA MUNICIPAL FINANCE AUTHORITY

Statement of Net Position

June 30, 2020

ASSETS:

Current assets:

Unrestricted assets:

Cash	\$	677,244
Accounts receivable		50,811
Prepaid expenses		19,715
Restricted assets, cash		6,276,059

Total assets 7,023,829

LIABILITIES:

Current liabilities:

Accounts payable		21,845
Accrued expenses		68,806
Refundable deposits		6,276,059

Total liabilities 6,366,710

NET POSITION

Unrestricted \$ 657,119

See accompanying notes to the basic financial statements.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2020

OPERATING REVENUES:

Annual fees	\$ 5,160,598
Issuance fees	2,882,133
Application fees	152,500
Other Income	175,000
Total operating revenues	<u>8,370,231</u>

OPERATING EXPENSES:

Professional consultant fees	4,316,101
Charitable donations	2,959,571
Municipal distributions to Joint Powers Authority members	872,528
General and administrative	136,638
Marketing	54,010
Total operating expenses	<u>8,338,848</u>

OPERATING INCOME	<u>31,383</u>
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NONOPERATING REVENUES

Interest income	<u>2,410</u>
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Change in net position	33,793
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Net position - beginning of year	623,326
Net position - end of year	<u>\$ 657,119</u>

See accompanying notes to the basic financial statements.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

Statement of Cash Flows

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from borrowers	\$ 8,333,201
Cash paid to suppliers for goods and services	(161,242)
Cash paid for general and administrative expenses	(109,432)
Cash payments for municipal distributions and charitable donations	<u>(3,832,099)</u>
Net cash provided by operating activities	<u><u>4,230,428</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income received	<u>2,410</u>
Net increase in cash	4,232,838
Cash - beginning of year	<u>2,720,465</u>
Cash - end of year	<u><u>\$ 6,953,303</u></u>

**RECONCILIATION OF CASH TO THE
STATEMENT OF NET POSITION:**

Cash	\$ 677,244
Restricted cash	<u>6,276,059</u>
Cash - end of year	<u><u>\$ 6,953,303</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 31,383
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(17,580)
Prepaid expenses	(12,130)
Accounts payable	4,748
Accrued expenses	19,886
Refundable deposits	<u>4,204,121</u>
Net cash provided by operating activities	<u><u>\$ 4,230,428</u></u>

See accompanying notes to the basic financial statements.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1: ORGANIZATION AND OPERATIONS

The California Municipal Finance Authority (CMFA) was organized on August 12, 2004, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The CMFA is a joint powers authority created to strengthen local communities by promoting economic development and charitable activities throughout the State of California. With the goal of giving back to California communities, the CMFA assists local governments, non-profits and business with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California. Members of the CMFA include towns, cities, counties and special districts within California. The CMFA is governed by the Board of Directors of the California Foundation for Stronger Communities (Foundation), a 5-member board.

The CMFA is committed to promoting economic and social programs in its member communities. The CMFA shares a minimum of 25% of all issuance fees directly with its member communities and donates at a minimum another 25% to the Foundation for the support of local charities designated by its member communities.

As further discussed at Note 2, the Foundation is considered a component unit of the CMFA. Therefore, when the term CMFA is used within the footnotes, it is making reference to both the California Municipal Finance Authority and the Foundation (a blended component unit of the CMFA).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The CMFA's accounting policies and financial reporting conform to accounting principles generally accepted in the United States of America (GAAP) and are based upon the Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies:

Reporting Entity

As required by GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, these financial statements present the CMFA and its component unit. GASB Statement No. 39 defines special criteria for legally separate tax-exempt organizations as potential component units. Specifically, such organizations must be treated as component units if they meet all of the following criteria:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the CMFA, its component unit, or its constituents.
- The CMFA or its component unit is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and
- The economic resources an individual organization receives or holds that the CMFA is entitled to, or has the ability to otherwise access, are significant to the CMFA.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended component units, although legally separate entities are, in substance, part of the reporting entity's operations, and so activities from component units are combined with data of the primary government. The CMFA's blended component unit is described as follows:

- The Foundation was established on February 17, 2004, as a California nonprofit public benefit corporation, organized under the Nonprofit Public Benefit Law for public and charitable purposes. The Foundation was formed for the specific purpose of administering, assisting or advising in the administration of the CMFA and to provide financial grants or other financial support or benefits to nonprofit funds, foundations, and corporations to strengthen and enhance charitable activities throughout the State of California. Although a separate legal entity, the Foundation is a component unit of the CMFA, since the Foundation relies entirely on the CMFA for its financial support and the governing bodies are the same.

The Foundation issues separate financial statements, which can be obtained from the CMFA's Finance Department; 2111 Palomar Airport Road, Suite 320, Carlsbad, CA 92011.

Basis of Accounting

The financial statements report information on all of the enterprise activities of CMFA. The financial statements are prepared using the *economic resource* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Change in Net Position presents increases (revenues) and decreases (expenses) in CMFA's total net position. Under the accrual basis of accounting, CMFA recognizes revenue when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flows.

Operating revenues are those revenues that are generated from CMFA's primary operations. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of CMFA. CMFA does not report any nonoperating expenses.

When both restricted and unrestricted resources are available for use, it is the CMFA's policy to use restricted resources first, then unrestricted resources as needed.

Cash and Restricted Cash

The CMFA's cash and restricted cash are comprised of demand deposits. Restricted cash relates to refundable deposits, which is further described in Note 4. Cash and restricted cash are considered cash for purposes of the Statement of Cash Flows.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of issuance and annual administration fees which are reported at their net realizable value. The differences between the outstanding amount due and the net realizable value are reported and recognized in the Statement of Revenues, Expenses and Change in Net Position in the year in which those differences are determined by recognizing a reduction in the CMFA's revenue. Amounts that remain outstanding after management has used reasonable collection efforts are deemed uncollectible and written-off through a charge to the valuation allowance and elimination of the accounts receivable. There is no valuation allowance recorded as of June 30, 2020.

Prepaid Expenses

The CMFA makes certain payments for insurance that reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Net Position

The Statement of Net Position is designed to display the financial position of CMFA and is categorized as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets. As of June 30, 2020, there were no amounts reported as net investment in capital assets.

Restricted – This amount consists of restricted assets which are reduced by liabilities related to those assets. As of June 30, 2020, there were no restricted amounts.

Unrestricted – This amount is the portion of net position that doesn't meet the definition of Net Investment in Capital Assets or Restricted Net Position.

When both restricted and unrestricted resources are available for use, it is CMFA's policy to use restricted resources first, and then use unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management believes that all estimates embodied in the financial statements are reasonable.

Effect of New Governmental Accounting Standards board (GASB) Pronouncements

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective dates of certain GASB pronouncement by at least one year. The Statement had no impact to CMFA's financial statements.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future GASB Pronouncements

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangement associated with conduit debt obligations, and 3) related note disclosures. The statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will become effective in fiscal year 2023.

NOTE 3: CASH AND RESTRICTED CASH

The carrying amount of the CMFA's cash held in demand deposit accounts was \$6,953,303 at June 30, 2020, while the related bank balance was \$7,632,560. The difference between the carrying value and the bank balance is related to outstanding checks. The bank balances at June 30, 2020, were fully insured or collateralized with securities held by the pledging financial institutions in the CMFA's name.

Custodial Credit Risk and Investment Policy

For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government 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. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The CMFA may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

In July 2013, the Board of Directors of the CMFA formally adopted a deposit and investment policy that limits its allowable deposits or investments and addresses the types of risk to which the CMFA is exposed. The CMFA has historically deposited all of its excess cash in demand deposit accounts with a single financial institution

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2020

NOTE 4: REFUNDABLE DEPOSITS

The CMFA, on behalf of Project Sponsors (borrowers who are requesting Qualified Private Activity Bond Allocations), collects performance deposits for the California Debt Limit Allocation Committee (CDLAC). These deposits are either released to the borrowers when the bonds are issued, or they are forfeited and sent to the CDLAC for non-performance. These amounts are held in a separate bank account by the CMFA and are classified as restricted cash. The CMFA had \$6,276,059 of refundable deposits as of June 30, 2020.

NOTE 5: ADVISORY FEES

The CMFA entered into a professional service agreement with an advisory company to manage the operations of the CMFA with respect to taxable and tax-exempt financing for corporations, governmental entities and non-profit institutions. The CMFA pays the advisory company a percentage of its revenues. Fees for the year ended June 30, 2020, amounted to \$4,152,705.

NOTE 6: CHARITABLE CONTRIBUTIONS TO THE FOUNDATION

The CMFA allocates a portion of fees collected to the Foundation. The amounts distributed to the Foundation for the year ended June 30, 2020, were \$2,973,449. In the financial statements of the CMFA the transfers are eliminated for presentation purposes.

NOTE 7: CHARITABLE CONTRIBUTIONS BY THE FOUNDATION

The CMFA donates a portion of fees collected to various charitable activities within California communities through the Foundation. The amount donated by the CMFA during the year ended June 30, 2020 was \$2,959,571.

NOTE 8: CONDUIT DEBT

The CMFA is a Joint Powers Authority (JPA) created to strengthen local communities by assisting with the financing of economic development and charitable activities throughout the State of California.

The JPA acts as a municipal conduit issuer and assists eligible institutions in obtaining financing through the issuance of revenue bonds. The bonds are special, limited obligations of the CMFA, payable solely from revenues of the projects and other monies of the borrowers.

As of June 30, 2020, there was \$14,136,376,021 in conduit financing outstanding. The CMFA assisted with the issuance of financings in the amount of \$2,425,461,689 during the year ended June 30, 2020. In addition, the amount of bonds authorized by the CMFA and unsold was \$535,077,500 as of June 30, 2020.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 8: CONDUIT DEBT (Continued)

The following is a summary of the amount of bonds authorized by the CMFA and unsold as of June 30, 2020:

Project Name	Authorized Amount
Berkeley Way Apartments	\$ 42,000,000
BFHP Hope Center Apartments	19,000,000
Boyd Street/ Orchard Commons Apartments	18,000,000
Brethren Hillcrest Homes	50,000,000
Castle Argyle	44,000,000
Cathedral Palms Senior Apartments	25,000,000
CFD 2019-2 Town of Truckee - Coldstream	11,775,000
CFD 2020-1 City of Rocklin - Sierra Pine	12,550,000
CFD 2020-2 Town of Truckee - Truckee Railyard	22,000,000
CFD 2020-3 City of Elk Grove - Madeira Meadows	22,120,000
Downtown Madera Veterans & Family Housing	20,000,000
El Dorado Family Apartments	10,000,000
Foon Lok West Apartments	75,000,000
Frank G Mar Apartments	43,000,000
Heber Del Sol Family Apartments	16,000,000
Highlands Community Charter & Technical Schools	10,000,000
Jordan Court (fka 1601 Oxford Street) Apartments	14,132,500
Ocotillo Springs Apartments	25,000,000
Sequoyah Educational Center	3,000,000
Windward School	32,500,000
Worthington La Luna Family Apartments	20,000,000
	\$ 535,077,500

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 9: COMBINING FINANCIAL STATEMENT INFORMATION

Combining financial information of the CMFA and the Foundation (blended component unit) as of and for the year ended June 30, 2020 is as follows:

Condensed statement of net position:

	<u>CMFA</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash	\$ 6,947,736	\$ 5,567	\$ -	\$ 6,953,303
Other assets	<u>70,526</u>	<u>32,910</u>	<u>(32,910)</u>	<u>70,526</u>
Total assets	<u>7,018,262</u>	<u>38,477</u>	<u>(32,910)</u>	<u>7,023,829</u>
LIABILITIES				
Current	<u>6,366,710</u>	<u>32,910</u>	<u>(32,910)</u>	<u>6,366,710</u>
NET POSITION				
Unrestricted	<u>\$ 651,552</u>	<u>\$ 5,567</u>	<u>\$ -</u>	<u>\$ 657,119</u>

Condensed statement of revenues, expenses and change in net position:

	<u>CMFA</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues	\$ 8,370,231	\$ 2,973,449	\$ (2,973,449)	\$ 8,370,231
Operating expenses	<u>8,338,848</u>	<u>2,973,449</u>	<u>(2,973,449)</u>	<u>8,338,848</u>
Operating income	<u>31,383</u>	<u>-</u>	<u>-</u>	<u>31,383</u>
Non-operating revenues	<u>2,280</u>	<u>130</u>	<u>-</u>	<u>2,410</u>
Change in net position	<u>33,663</u>	<u>130</u>	<u>-</u>	<u>33,793</u>
Net position				
Beginning of year	<u>617,889</u>	<u>5,437</u>	<u>-</u>	<u>623,326</u>
End of year	<u>\$ 651,552</u>	<u>\$ 5,567</u>	<u>\$ -</u>	<u>\$ 657,119</u>

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 9: COMBINING FINANCIAL STATEMENT INFORMATION (Continued)

Condensed statement of cash flows:

	<u>CMFA</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Net cash provided (used) by:				
Operating activities	\$ 4,230,428	\$ -	\$ -	\$ 4,230,428
Investing activities	<u>2,280</u>	<u>130</u>	<u>-</u>	<u>2,410</u>
Net increase (decrease) in cash	<u>4,232,708</u>	<u>130</u>	<u>-</u>	<u>4,232,838</u>
Cash				
Beginning of year	<u>2,715,028</u>	<u>5,437</u>	<u>-</u>	<u>2,720,465</u>
End of year	<u>\$ 6,947,736</u>	<u>\$ 5,567</u>	<u>\$ -</u>	<u>\$ 6,953,303</u>

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 10: SEPARATE JOINT POWERS AUTHORITIES

In the normal course of business, when assisting with the issuance of conduit debt, the CMFA is, from time to time, asked to join with another public agency to form a separate joint powers authority (JPA), which is administered by the public agency. The primary reason for forming this JPA is to permit the separate public agency to access the provisions of the Joint Powers Act. The CMFA joins with the public agency to form the new JPA, however, all of the obligations of the new JPA are limited obligations payable from the actual borrower, which is the public agency that requests the CMFA to become a member. The joint powers agreement which the CMFA executes contains provisions which protect and indemnify the CMFA from the liabilities of the JPA. There is no ongoing financial responsibility of the CMFA, or financial interest related to the JPA.

NOTE 11: COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the CMFA may be subject to various claims, investigations, proceedings, and legal actions from time to time arising out of the conduct of the CMFA's business. Management believes that, based on current knowledge, there are no such pending matters.

The CMFA does not have any major contractual commitments or contingencies as of the fiscal year ended June 30, 2020.

The CMFA maintains insurance policies for general liability, excess liability, directors and officers and environmental liability, with deductibles that vary from \$10,000 to \$25,000. There are no material claims or judgments that would require disclosure or accrual in the accompanying financial statements. During each of the last three fiscal years, there were no reductions in insurance coverage or settlements.

OTHER INFORMATION
(Unaudited)

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Other Information
(Unaudited)

The following fee schedule is effective for all conduit bond issuances after June 8, 2018:

Schedule of Fees (6) and (7) <small>(bps = basis points)</small>			
Type of Project	Issuance Fees		Annual Fee ⁽³⁾
	\$0 - \$20 Million	Over \$20 Million	
Affordable Housing ^{(1) (2)}	18.75 bps	\$37,500 + 5 bps	5 bps
Nonprofit Corporations ^{(1) (2)}	20 bps on first \$10 million 5 bps on amounts above \$10 million Maximum Fee of \$75,000 per transaction		1.5 bps
Airports / Solid Waste Projects ^{(1) (2)}	25 bps	\$50,000 + 10 bps	5 bps
Manufacturing and Other ^{(1) (2)}	25 bps	\$50,000 + 10 bps	10 bps
Government Sponsored or School District Transactions	5 bps	5 bps	None
Public Private Partnerships requiring Ownership through a CMFA affiliate	5 bps	5 bps	1.5 bps
Community Facilities District (CFD) ⁽⁴⁾	1%	1%	\$10,000 + Actual Cost
Residential PACE	\$160 per assessment	n/a	\$80 per assessment
Commercial PACE ⁽⁵⁾	Option A: 75 bps or Option B: 25 bps	Option A: 75 bps or Option B: 25 bps	Option A: None or Option B: 7.5 bps (10 years)

Notes:

- 1) CMFA shares 25% of all Issuance Fees with the Host Municipality for each transaction.
- 2) CMFA donates another 25% of Issuance Fees to charitable organizations within the Host Municipality. When the borrower is a Nonprofit Corporation, it is deemed to be the recipient of this donation. The schedule of fees listed above reflects the discounted issuance fees for Affordable Housing and Nonprofit Corporation borrowers.
- 3) Annual Fees, which include compliance monitoring, are due in advance for each year and are based on bond amounts outstanding on the anniversary of each issue (not on the original issue amount). Minimum Annual Fee for Affordable Housing transactions will be \$4,000 per year (a \$1,000 annual compliance monitoring fee will replace the existing Annual Administration Fee throughout the CDLAC Compliance Period after the Qualified Project Period has expired). Minimum Annual Fee for all other transactions will be \$500.
- 4) CFD requires a \$20,000 upfront deposit.
- 5) Program Administrator may choose Option A at 75 bps issuance fee and no annual fee, or Option B with a 25 bps issuance fee and 7.5 bps annual fee for the next 10 years (100 bps total).
- 6) An application fee of \$2,500 is required for each transaction and should be included when an application is submitted. The application fee is applied to the issuance fee at closing.
- 7) In addition to the above, the Applicant will be responsible for all costs of issuance.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
 Other Information (Continued)
 (Unaudited)

2: FINANCING APPROVALS

The following is a summary of the amount of the financing approvals adopted via initial resolution by the CMFA's Board of Directors during the year ended June 30, 2020:

Project Name	Initial Resolution Amount
1601 Oxford Street (Jordan Court) Apartments	\$ 20,000,000
26 Point 2 Apartments	30,000,000
285 12th Street Apartments	40,000,000
53 Colton Apartments	42,000,000
5th Street PSH Apartments	35,000,000
6th & Cesar Chavez Apartments (Pueblo Viejo Villas)	40,000,000
7th & Myrtle Senior Apartments	9,000,000
95th and International Apartments	31,000,000
Adcock Joyner Apartments	16,000,000
Amaya Village Apartments	30,000,000
American Airlines	1,750,000,000
Ancora Place Apartments	40,000,000
Archaea (Biofuels San Bernardino)	105,000,000
Berkeley Way Apartments	42,000,000
BFHP Hope Center Apartments	19,000,000
Boyd Street / Orchard Commons Apartments	20,000,000
Brentwood Crossing Apartments	22,000,000
Butterfly Gardens Apartments	30,000,000
Camston Wrather	75,000,000
Cartwright Family Apartments	25,000,000
Cathedral Palms Senior Apartments	25,000,000
Cathedral Plaza Apartments	50,000,000
CCBA Senior Garden Apartments	13,000,000
Centennial Square Apartments	35,000,000
Centertown Apartments	25,000,000
CFD 2019-2 Town of Truckee - Coldstream	11,775,000
CFD 2019-3 City of Elk Grove - Milestone	5,000,000
CFD 2019-4 City of Roseville - Liberty Village	2,600,000
CFD 2019-5 City of Roseville - Diamond Creek	5,000,000
CFD 2019-6 County of Placer - Eureka at Granite Bay	2,500,000
CFD 2020-1 City of Rocklin - Sierra Pine	12,550,000
CFD 2020-2 Town of Truckee - Truckee Railyard	20,000,000
CFD 2020-3 City of Elk Grove - Madeira Meadows	22,120,000
CFD 2020-4 County of Sacramento - Barrett Ranch East	28,900,000
CFD 2020-5 City of Rocklin - Granite Bluff	5,090,000
CFD 2020-6 County of Placer - Placer Vineyards 400	71,080,000
Cinnamon Villas II Apartments	6,000,000
College Ave Housing First Apartments	21,000,000

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
 Other Information (Continued)
 (Unaudited)

2: FINANCING APPROVALS (Continued)

Project Name	Initial Resolution Amount
Countryside II Apartments	\$ 14,000,000
Del Monte Manor Apartments	55,000,000
Del Nido Apartments	55,000,000
Delta Airlines	500,000,000
Downtown Madera Veterans & Family Housing	16,000,000
El Dorado Family Apartments	8,000,000
Encanto Gateway Apartments	25,000,000
Entrada Apartments	32,000,000
Fairbanks Terrace II Apartments	10,000,000
Firehouse Square Apartments	39,000,000
Foon Lok West Apartments	70,000,000
Foothill Villas Apartments	55,000,000
Frank G Mar Apartments	50,000,000
Galindo Terrace Apartments	40,000,000
Grand View Village Apartments	32,000,000
Granite Ridge Apartments	30,000,000
Greenfield Commons I Apartments	40,000,000
Greenfield Commons II Apartments	40,000,000
Heber Del Sol Family Apartments	16,000,000
Homestead Family Apartments (Terracina at Lancaster)	55,000,000
Isla Vista Apartments	16,100,000
Kensington Homes Apartments	12,000,000
Kristine II Apartments	13,000,000
La Avenida Apartments	55,000,000
Ladera Street, Victoria Bungalows, Dahlia Court I Apts	38,000,000
Las Coronas Apartments	35,000,000
Las Terrazas (FKA Colton) Apartments	30,000,000
Madera Village Apartments (Sugar Pine Village)	24,000,000
Manzanita Family Apartments	35,000,000
Matsya Villa Apartments	45,000,000
Mission Heritage Plaza Apartments	32,000,000
Mission Paradise Apartments	45,000,000
Monarch Apartments	24,000,000
Mountain View Apartments	53,000,000
North Harbor Village Apartments	30,000,000
Ocotillo Springs Apartments	25,000,000
Orange Corporate Yard Apartments	20,000,000
Parkway Apartments	20,000,000
Parkwood Apartments	25,000,000
Phoenix Apartments	45,000,000

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Other Information (Continued)
(Unaudited)

2: FINANCING APPROVALS (Continued)

Project Name	Initial Resolution Amount
Pismo Terrace	\$ 25,000,000
Plateau Apartments	22,000,000
Plummer Village Apartments	20,000,000
Plymouth Place Apartments	15,000,000
Portola Senior Apartments	33,000,000
Poway Commons Apartments	12,000,000
Quail Run Apartments	80,000,000
Recology	200,000,000
Republic Services, Inc.	500,000,000
River City Senior Apartments	25,000,000
Rosefield Village Apartments	45,000,000
Royal York Estates Mobile Home Park	9,000,000
San Martin de Porres Apartments	17,000,000
Sango Court Apartments	55,000,000
Seasons at Miraflores Apartments	15,000,000
Sequoia Commons II Apartments	25,000,000
South Bay Villa Apartments	25,000,000
Spring Apartments & Encino Apartments	9,000,000
St. Stephens Apartments	20,000,000
Sycamore Ridge Family Apartments	8,000,000
Terry Manor Apartments	52,000,000
Tracy Desalination Plant	30,000,000
Ukiah Senior Apartments	8,000,000
Villa Lakeshore Apartments	11,000,000
Villa Raymond Apartments	30,000,000
Village Pointe Apartments	60,000,000
Village Senior Apartments	20,000,000
Vintage at Sycamore Apartments	21,000,000
Virginia Street Studios Apartments	105,000,000
Vista Park II Apartments	20,000,000
Walnut Apartments	8,000,000
Walnut Studios Apartments	15,000,000
Waste Management, Inc.	500,000,000
Willow Greenridge Apartments	42,000,000
Willow Oaks Apartments	42,000,000
Willowglen Apartments	8,000,000
Wilton Court Apartments	15,000,000
Windsor Pointe Apartments	19,000,000
Worthington La Luna Family Apartments	25,000,000
	\$ 6,767,715,000

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
 Other Information (Continued)
 (Unaudited)

2: FINANCING APPROVALS (Continued)

The following is a summary of the amount of financing approvals adopted via final resolution by the CMFA's Board of Directors during the year ended June 30, 2020:

Project Name	Final Resolution Amount
1601 Oxford Street (Jordan Court) Apartments	\$ 14,132,500
950 El Camino Real Apartments	35,000,000
Adelanto Elementary School District	7,500,000
Alameda Point Family Apartments	38,000,000
Altrudy Lane Senior Apartments	14,000,000
Amaya Village Apartments	30,000,000
Aurora Apartments	22,569,939
Beachwind Court Apartments/ 12th Street Apartments	2,165,220
Bennett House	30,000,000
Berkeley Way Apartments	42,000,000
BFHP Hope Center Apartments	19,000,000
Bloom at Magnolia (FKA PCH & Magnolia) Apartments	15,000,000
Boyd Street/ Orchard Commons Apartments	18,000,000
Brethren Hillcrest Homes	50,000,000
Buckley School	20,000,000
Calabazas Community (FKA Corvin Apartments)	50,000,000
Castle Argyle Apartments	44,000,000
Cathedral Palms Senior Apartments	25,000,000
Century Portfolio	100,000,000
CFD 2019-2 Town of Truckee - Coldstream	11,775,000,
CFD 2019-3 City of Elk Grove - Milestone	4,500,000
CFD 2019-4 City of Roseville - Liberty Village	1,900,000
CFD 2019-5 City of Roseville - Diamond Creek	2,265,000
CFD 2019-6 County of Placer - Eureka at Granite Bay	890,000
CFD 2020-1 City of Rocklin - Sierra Pine	12,550,000
CFD 2020-2 Town of Truckee - Truckee Railyard	22,000,000
CFD 2020-3 City of Elk Grove - Madeira Meadows	22,120,000
Claremont Graduate School - Housing	37,000,000
Claremont Graduate School - School	45,000,000
Clinicas del Camino Real	73,610,000
Coliseum Place Apartments	40,000,000
Cornerstone Apartments	20,000,000
Cottage Village Senior Apartments	2,000,000
Del Monte Manor Apartments	50,000,000
Downtown Madera Veterans & Family Housing	20,000,000
El Dorado Family Apartments	10,000,000
Empire Springs Charter Schools	5,000,000
Foon Lok West Apartments	75,000,000
Frank G Mar Apartments	43,000,000

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Other Information (Continued)
(Unaudited)

2: FINANCING APPROVALS (Continued)

Project Name	Final Resolution Amount
Golden Valley Health Center	\$ 17,000,000
Harbor Day School	55,000,000
Harvey Mudd College	53,500,000
HealthRIGHT 360	75,000,000
Heber Del Sol Family Apartments	16,000,000
Highlands Community Charter & Technical Schools	10,000,000
Inland Christian Home	25,000,000
John Adams Academy	40,000,000
Kensington Homes Apartments	9,000,000
Kristen Court II (Live Oak) Apartments	7,500,000
La Sierra University	11,100,000
Literacy First	14,000,000
Lycee Francais de San Francisco	23,000,000
Manzanita Family Apartments	25,000,000
Master's University and Seminary	35,000,000
Mission Village II Apartments	16,500,000
Nova Apartments	25,000,000
Oak Groves Apartments	75,000,000
Ocotillo Springs Apartments	25,000,000
Old Elm Village Apartments	15,000,000
Pegasus School	13,000,000
Quail Run Apartments	60,000,000
River Springs Charter Schools	7,000,000
River Springs Charter Schools	8,000,000
Royal York Estates Mobile Home Park	9,000,000
Sequoyah Educational Center	3,000,000
Stonegate Village Apartments	20,000,000
Sycamore Ridge Family Apartments	8,000,000
Ukiah Senior Apartments	8,000,000
Union Sanitary District	65,000,000
United Airlines	375,000,000
University of San Diego	112,000,000
Village Pointe Apartments	60,000,000
Vintage at Sycamore Apartments	23,000,000
Virginia Street Studios Apartments	125,000,000
Walnut Studios Apartments	10,100,000
Waste Management, Inc.	75,000,000
Windsor Gardens Apartments	21,557,591
Windward School	32,500,000

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
Other Information (Continued)
(Unaudited)

2: FINANCING APPROVALS (Continued)

<u>Project Name</u>	<u>Final Resolution Amount</u>
Wolverine/Inyo Project	\$ 15,000,000
Woodbridge Apartments	13,469,398
Worthington La Luna Family Apartments	20,000,000
Total	<u>\$ 2,731,204,648</u>

OTHER REPORT



**Independent Auditor’s 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 Municipal Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Municipal Finance Authority (CMFA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CMFA’s basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CMFA’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CMFA’s internal control. Accordingly, we do not express an opinion on the effectiveness of CMFA’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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CMFA’s financial statements are free from 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.

Macias Gini & O'Connell LLP

San Diego, California
December 4, 2020