CALIFORNIA PRISON INDUSTRY AUTHORITY

(A Component Unit of the State of California)

Annual Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

Certified Public Accountants

CALIFORNIA PRISON INDUSTRY AUTHORITY
(A Component Unit of the State of California)
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MGO. Certified Public Accountants

Independent Auditor's Report

To the Prison Industry Board
Folsom, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the California Prison Industry Authority (CALPIA), a component unit of the State of California, as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CALPIA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of CALPIA as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (*Government Auditing Standards*). 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 CALPIA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

CALPIA'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 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 CALPIA'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 opinion. 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 CALPIA'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 CALPIA'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of CALPIA's proportionate share of the net pension liability, schedule of CALPIA's pension contributions, schedule of CALPIA's proportionate share of the net OPEB liability, and schedule of CALPIA's OPEB contributions, listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Except for the schedule of CALPIA's proportionate share of the net pension liability for the 2016 fiscal year for the State Safety Plan and State Industrial Plan, we have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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. We were unable to apply certain limited procedures to the schedule of CALPIA's proportionate share of the net pension liability for the 2016 fiscal year for the State Safety Plan and State Industrial Plan in accordance with GAAS, because the California State Auditor did not audit the pension amounts and allocations for the State Safety Plan and State Industrial Plan and CALPIA was not able to obtain access to census data or total compensation expense for the other State agencies participating in the State Safety Plan and State Industrial Plan. We do not express an opinion or provide an assurance on the information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CALPIA's basic financial statements. The financial statements classified in accordance with the State Controller's instructions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial statements classified in accordance with the State Controller's instructions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial statements classified in accordance with the State Controller's instructions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, on our consideration of CALPIA'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 CALPIA'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 CALPIA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
December 6, 2024

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MANAGEMENT’S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED)

INTRODUCTION

This section presents Management's Discussion and Analysis (MD&A) of the California Prison Industry Authority's (CALPIA) financial performance during the fiscal years ended June 30, 2023 and June 30, 2022. This is a narrative overview and analysis and should be read in conjunction with the basic financial statements of CALPIA as presented in this report.

The MD&A provides an introduction to, and overview of, the basic financial statements comprised of the following components: The Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to the Basic Financial Statements. The basic financial statements are supplemented with Required Supplementary Information. Collectively, this information presents all business activities of CALPIA as prescribed by pronouncements of the Governmental Accounting Standards Board (GASB). Furthermore, CALPIA presents Supplemental Information required by the State Controller's Office (SCO).

In addition to historical information, the MD&A contains forward-looking statements that involve certain risks and uncertainties. CALPIA's actual results, performance, and achievements expressed or implied in such forward-looking statements may be changed due to a range of factors, including changes in general economic conditions and statutory changes.

Management Responsibility for Financial Reporting

Management prepared the financial statements in this report for fiscal years 2023 and 2022. Management is responsible for the integrity and fairness of the information presented. The accounting policies used to prepare these financial statements conform to accounting principles generally accepted in the United States of America (GAAP). Financial information presented throughout this annual report is consistent with these accounting principles.

CALPIA maintains a system of internal controls designed to provide reasonable assurance that assets are properly safeguarded, transactions are properly executed, and financial statements are reliable. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Executive management regularly reports to the Prison Industry Board's (PIB) Audit Committee.

CALPIA's independent external auditors, Macias Gini & O'Connell LLP, have conducted an audit of the basic financial statements presented in accordance with GAAP, performing such tests and other procedures as they deem necessary to express an opinion on the basic financial statements in their report to the PIB. The external auditors also have full and unrestricted access to the PIB. Auditors can discuss their audit and related findings to the PIB regarding the integrity of the financial reporting and the adequacy of internal control systems.

Accounting System and Reports

Responsibility for the accuracy, completeness, and fair presentation of the financial information and all disclosures rests with CALPIA. CALPIA prepared the basic financial statements and presented them in accordance with GAAP. Pursuant to GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in preparing the MD&A, management presents a narrative introduction, overview, and analysis to accompany the basic financial statements and should be read in conjunction with them.

CALPIA Overview

CALPIA is a component unit of the State of California (State) and is accounted for in the Prison Industry Revolving Fund (PIRF), an internal service fund in the State's basic financial statements. CALPIA does not receive a General Fund appropriation. Accordingly, CALPIA provides and charges fees for goods and services to government agencies and a limited number of non-profits.

Chapter 1549, Statutes of 1982, created CALPIA as a self-supporting state agency. Enacted in 1983 as California Penal Code Sections 2800 to 2818, the statute mandates CALPIA to:

- Develop and operate industrial, agricultural, and service enterprises that provide work opportunities for incarcerated individuals under the jurisdiction of the California Department of Corrections and Rehabilitation (CDCR) and serve government agencies with products and services commensurate with their needs;

- Create and maintain working conditions within CALPIA enterprises as much as possible like those which prevail in private industry, to assure assigned incarcerated individuals the opportunity to work productively to earn funds, and to acquire or improve effective work habits or occupational skills; and

- Operate work programs for incarcerated individuals that are self-supporting through the generation of sufficient funds from the sale of products and services to pay all its expenses, thereby avoiding the cost of alternative incarcerated individual programming by CDCR. CALPIA receives no annual appropriation from the Legislature.

The statute also established the PIB. The eleven-member PIB oversees the operations of CALPIA much like a corporate board of directors. The PIB sets general policy for CALPIA, oversees the performance of existing enterprises, determines new enterprises to establish, arranges for an independent annual audit, and appoints and monitors the performance of the General Manager/Executive Officer.

CALPIA manages more than 100 manufacturing, service, and consumable enterprises and Career Technical Education (CTE) programs in all CDCR institutions. CALPIA provides approximately 6,500 incarcerated individual assignments in these enterprises, programs, and support functions including warehouse and administration. CALPIA's administrative offices are located in Folsom, California.

CALPIA's Mission and Goal

CALPIA is a self- funded, customer-focused organization that reduces recidivism, and enhances prison and public safety by providing incarcerated individuals with life-changing training opportunities for successful re-entry into the community. CALPIA's program goal supports CDCR's public safety mission, by developing incarcerated individuals who have job skills, good work habits, basic education, and job support in the community, so that, when they are released, they never return to prison. CALPIA incarcerated individuals receive industry-accredited certifications that employers value.

Correctional Industries

The goods and services produced by CALPIA's enterprises are sold predominately to departments of the State of California and other government entities. CDCR is CALPIA's largest customer and accounted for 63.35% of all sales in fiscal year 2023 and 63.8% in fiscal year 2022. In fiscal year 2024, CDCR is expected to remain CALPIA's top customer at over 65% of sales.

Other major State customers include the Department of Motor Vehicles (DMV), the Department of Forestry and Fire Protection (CAL FIRE), the Department of Transportation (DOT), the Department of General Services (DGS), the Department of Education (CDE), the Department of Social Services (DSS), the Department of Water Resources (DWR), the Department of Healthcare Services (DHCS), the California Military Department (CAL GUARD), the California Highway Patrol (CHP), Franchise Tax Board (FTB), and the Department of Developmental Services (DDS).

Proven Results

CALPIA is proud of its contributions to the State. Research indicates that CALPIA saves the state money, by enhancing the safety of prisons, which helps to reduce staffing costs, and by demonstrating lower recidivism rates among those incarcerated individuals who work in CALPIA programs. In 2021, the University of California, Irvine (UCI) completed the recidivism study for incarcerated individuals who participated in any CALPIA program. The study statistically matched individuals with results showing that participation in CALPIA is associated with reduced offending overall. The study compared CALPIA participants with at least 6 months in the program with incarcerated individuals who were accepted into the CALPIA program and put on a Waitlist but were released before they could actively participate. By three years after release, only 15% of CALPIA participants had been returned to custody. The UCI study utilized 8,603 incarcerated individuals released from custody from CDCR. Additionally, incarcerated individuals participating in CALPIA's CTE programs are 91% less likely to return to prison.*

CALPIA provides approximately 6,500 work assignments for incarcerated individuals, and in fiscal year 2023, CALPIA employed a monthly average of 4,687 incarcerated individuals in manufacturing, service, and consumable enterprises.

CALPIA participants earn certificates of proficiency in occupational disciplines to utilize upon release. The certificates validate skills and abilities acquired during employment with CALPIA. During fiscal year 2023, 5,384 successfully completed an accredited certification program, a 2% overall increase from fiscal year 2022. CALPIA provides curricula for incarcerated individuals, including over 134 nationally recognized accredited certifications within all its programs, such as dental technology, food handling, laundry, agriculture, welding, and much more.

** Assessment to Recidivism Report of CALPIA programs approved by PIB December 2021*

Career Technical Education (CTE)

CALPIA also offers CTE programs in commercial diving, pre-apprentice carpentry, pre-apprentice construction labor, pre-apprentice iron working, pre-apprentice roofing, computer-aided design (AutoCAD), computer coding (Code. 7370), and Audio Video Production. CALPIA's CTE pre-apprenticeship programs partner with trade unions facilitating employment possibilities when incarcerated individuals return to their communities. Released pre-apprenticeship program graduates who choose to pursue trade-related careers receive a tool kit, and the first year of union dues are paid. CALPIA's CTE programs are partially funded via contractual agreement with CDCR's Division of Rehabilitative Programs totaling $5.5 million for fiscal year 2023 and $6.5 million for fiscal year 2022.

To date, CALPIA's CTE programs have been one of the most effective rehabilitation programs in the United States. In December 2021, the PIB approved an assessment report of CALPIA programs from August 2014 through July 2018. The report shows that CALPIA CTE graduates have a recidivism rate of 9.5.*

** Assessment to Recidivism Report of CALPIA programs approved by PIB December 2021*

Strategic Business Plan

In 2023, the CALPIA team continued the process of updating the organization's Strategic Business Plan. To date, this effort included 105 hours of planning sessions with 677 contributors. Participants have included formerly and currently incarcerated individuals, a Joint Venture Partner, customers, and staff from multiple institutions across the state, Administrators, Central Office staff, Executive Leadership, and members of the PIB.

The goal of this broad approach has been to engage people at every level to contribute their time, energy, and effort to set the future road map and provide direction for the organization.

This Strategic Business Plan reiterates CALPIA's Vision, Mission and Core Values and sets forth specific, realistic, measurable objectives for CALPIA to accomplish during the next three years. CALPIA's most important goal focuses its efforts on continuing to improve the lives of incarcerated individuals as a demonstrated method of reducing recidivism and making the state a safer place for all. Additionally, CALPIA remains committed to providing quality products and services that are sustainable and to continually improve the experience of its customers.

The PIB approved the CALPIA 2021-2024 Strategic Business Plan on January 28, 2021. This plan includes annual review sessions to continually refine the objectives and tasks necessary to support the three agency goals. Additionally, the deliverables of the plan are being measured quarterly and reported on to the Executive Team.

Quality Management System

In 2007, CALPIA became certified to the ISO 9001 Quality Management System (QMS) Standard to meet customer quality demands. The ISO 9001 is the world's most recognized international management standard, which provides a framework to establish, maintain, and continually improve processes throughout all ISO-certified departmental units and business lines. The Standard specifies how management operations maintain conformity to best practices for design, manufacturing, and delivery of products and services. ISO strategic tools reduce costs by minimizing waste and errors and increasing productivity. CALPIA's on-going ISO 9001 Internal Quality Audit program seeks ways to continually improve processes to ensure quality outputs. To date, CALPIA has provided statewide internal quality auditor training to over 800 CALPIA civil service staff and incarcerated individuals in CALPIA work programs.

The CALPIA Food and Beverage Enterprise is slated next for certification starting in fiscal year 2024, which will increase factory certifications to 80% across all CALPIA industries.

Customer Feedback Portal

CALPIA remains focused on delivering the highest-quality products and services to customers. To improve tracking of customer feedback, CALPIA implemented the Green Checkmark in 2012. The Green Checkmark is a web-based communication tool for customer feedback and support. Through the Green Checkmark portal on the CALPIA website, customer feedback is tracked and analyzed to ensure all requests or concerns are handled quickly and effectively. The process benefits CALPIA in numerous ways, including improving processes, product and service quality, customer satisfaction, and transparency.

CALPIA customers benefit from the Green Checkmark in the form of quality products and services and the immediate resolution of any issues.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

CALPIA's operations are recorded in the Prison Industry Revolving Fund (PIRF), which is an internal service fund used to account for revenue from the sale of goods and services to other State departments and for the reimbursement of costs. The focus is on determining financial position, operating and non-operating income, cash flows, and changes in net position for the fiscal year ended June 30, 2023, along with comparative information for the fiscal year ended June 30, 2022. CALPIA prepares the financial statements on the accrual basis in accordance with GAAP.

The Statements of Net Position include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of CALPIA. CALPIA recognizes revenue and receivables when services are rendered. Likewise, expenses and liabilities are recognized when incurred, regardless of when cash is paid for the service.

The Statements of Revenues, Expenses and Changes in Net Position present comparative information reflecting how CALPIA's net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges and earned but unused vacation leave).

The Statements of Cash Flows present information about the cash receipts and cash disbursements of CALPIA during the two most recent fiscal years. The statements provide information with the sources and uses of cash during the fiscal periods. When used with related disclosures and information in the other financial statements, the Statements of Cash Flows help CALPIA to assess its ability to generate future net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The Notes to the Basic Financial Statements provide additional information essential to understand the information in the financial statements. The Notes immediately follow the Basic Financial Statements in this report.

FINANCIAL ANALYSIS

CALPIA recorded an increase in net position of $20.1 million in fiscal year 2023 and an increase in net position of $1.8 million in fiscal year 2022. The $18.3 million decrease between the two fiscal years is primarily from a $20.2 million decrease in the OPEB expense adjustment under GASB 75.

The $20.1 million increase in net position in fiscal year 2023 is mostly driven by an increase in revenue of $26.5 million that is offset by increased Cost of Goods Sold of $23.0 million and a decrease in Selling & Administration Expenses of $1.4 million.

The following schedule reconciles the changes for the past two years previously described from a non-GAAP basis to the GAAP basis:

	2023		2022	
Operating Revenues	$ 273,121,527		$ 246,580,926	
Cost of Goods Sold	219,161,568	*	196,175,592	*
Gross Profit	53,959,959		50,405,334	
Selling and Administrative Expenses	52,574,444	**	53,948,293	**
Operating Loss	1,385,515		(3,542,959)	
Non-Operating Revenues (Expenses), Net	(574,229)		(83,834)	
Loss Before Contributions	811,285		(3,626,792)	
Pension expense adjustment under GASB 68	(607,925)	***	(7,760,224)	***
OPEB expense adjustment under GASB 75	(18,235,939)	***	1,940,867	***
Workers' compensation expense adjustment	370,660	***	719,547	***
Personal leave expense adjustment	(793,759)	***	(298,446)	***
Changes in Net Position (GAAP)	$ 20,078,248		$ 1,771,464	

* The 2023 amount includes $9,797,205 in Pension and $8,137,567 in OPEB contributions.
The 2022 amount includes $7,996,553 in Pension and $7,959,763 in OPEB contributions

** The 2023 amount includes $4,358,811 in Pension and $3,620,433 in OPEB contributions.
The 2022 amount includes $3,688,206 in Pension and $3,671,237 in OPEB contributions.
The 2023 amount includes $91,545 for FEMA-Reimbursements
The 2022 amount includes $425,002 for FEMA-Reimbursements

*** Expense adjustments are the recognition of long-term liabilities incurred in the current fiscal year. This is not cash paid out.

GASB Statement No. 75, Other Postemployment Benefits (OPEB), not including Pensions

CALPIA recognizes its proportionate share of the State's net OPEB liability (NOL) in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Although CALPIA is not required to fund its proportionate share of the State's NOL (see Cash Reserves for Future Liabilities section below), GASB 75 requires CALPIA to reflect its proportionate share of the State's NOL in its financial statements. CALPIA recorded a decrease of $81.9 million of NOL for a total of $202.1 million in fiscal year 2023 from $284.0 million in fiscal year 2022.

CALPIA recorded a decrease of $22.5 million of NOL for a total of $284.0 million in fiscal year 2022 from $306.5 million in fiscal year 2021.

GASB Statement No. 68, Pensions

CALPIA recognizes its proportionate share of the State's net pension liability (NPL) in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). Although CALPIA is not required to fund its proportionate share of the State's NPL (see Cash Reserves for Future Liabilities section below), GASB 68 requires CALPIA to reflect its proportionate share of the State's NPL in its financial statements. CALPIA recorded an increase of $54.4 million of NPL for a total of $81.6 million in fiscal year 2023 from $27.2 million in fiscal year 2022.

CALPIA recorded a decrease of $48.0 million of NPL for a total of $27.2 million in fiscal year 2022 from $75.2 million in fiscal year 2021.

Cash Reserves for Future Liabilities: Net OPEB Liability and Net Pension Liability

CALPIA is required by the California Penal Code Section 2801(c) to be a self-sustaining program. As one of the few State agencies that is self-funded, CALPIA actively monitors the costs of retiree health-benefits in accordance with GAAP and the funding policies of the State. GASB 68 requires CALPIA to record its proportionate share of the State's NPL and GASB 75 requires CALPIA to record its proportionate share of the State's NOL. However, as noted in the following paragraph, CALPIA is no longer obligated to set aside funds for these future liabilities.

As of June 30, 2023, CALPIA's Statement of Net Position reflects a total NOL of $202.1 million under GASB 75 and NPL of $81.6 million under GASB 68. As of June 30, 2022, CALPIA's Statement of Net Position reflects a total NOL of $284.0 million under GASB 75 and NPL of $27.2 million under GASB 68. On June 27, 2017, Assembly Bill No. 103, Sections 37 and 38, were approved, and Penal Code Sections 2801 and 2808 were amended to read: "(1) This subdivision does not require immediate cash availability for funding retiree health care and pension liabilities above amounts established in the Budget Act, or as determined by the Board of Administration of the Public Employees' Retirement System, or the Director of Finance for the fiscal year. (2) The Prison Industry Authority shall not establish cash reserves to support funding retiree health care and pension liabilities above the amounts specified in paragraph (1)."

However, CALPIA will continue its contributions of these liabilities in the Statewide budget through the Department of Finance (DOF)'s annual pro rata allocation requirement. By statute, CALPIA is self-funded and must cover all its operating costs. While CALPIA continues to accrue its allocated share of the State's NPL and NOL, DOF has negotiated a long-term funding solution whereby the California Public Employees' Retirement System (CALPERS) and the State are ultimately responsible for the payment of these long-term obligations.

Senate Bill No. 84 (SB 84): State Employer Contribution Supplemental Payment

Pursuant to Chapter 50, Statutes of 2017 SB 84, the Legislature approved a one-time additional pension contribution payment of $6.0 billion to CALPERS in fiscal year 2018 from the Surplus Money Investment Fund (SMIF) to help lower and stabilize the State's pension contributions. DOF has determined a transfer schedule for all state funds responsible for retirement contributions. In fiscal year 2018, SCO established the advance from the State totaling $6.4 million owed by CALPIA Fund 0678 as directed by the DOF for the SB 84 pension contribution advance. The fourth payment of principal and interest amounting to $1.2 million was made in fiscal year 2023.

Pro Rata Payments to State

CALPIA pays the State its Pro Rata shares of State central services costs, including for the Legislature, DOF, SCO, the State Treasurer's Office (STO), etc. Annually, DOF allocates the Pro Rata expenses. CALPIA's Pro Rata payment of $11.0 million in fiscal year 2023 decreased by $2.0 million from $13.0 million paid in fiscal year 2022. CALPIA's Pro Rata payment of $13.0 million in fiscal year 2022 increased by $1.9 million from the $11.1 million paid in fiscal year 2021.

Employee Pay Increase

In fiscal year 2023, effective July 1, 2022, various Bargaining Units (BUs) received a General Salary Increase, Special Salary Adjustments (SSA), and/or experienced changes to pay differentials. GSIs ranged from 2.25% to 3%. Also, effective October 1, 2021, various BUs received a Telework Stipend ranging $25 to $50 per month depending on if the employee is office-centered or remote-centered

In fiscal year 2022, effective July 1, 2021, various BUs received a GSI, SSA, and/or experienced changes to pay differentials. GSIs ranged from 4.55% to 7.63%.

Enterprise Closures

In fiscal year 2023, CALPIA closed Furniture at San Quentin Rehabilitation Center (SQ) and Laundry at California Men's Colony (CMC). In fiscal year 2022, CALPIA closed all operations at Deuel Vocational Institution (DVI) which includes Dairy milk processing, herd, and farm enterprises. CALPIA also closed Dairy herd and farm at Corcoran State Prison (COR) in fiscal year 2022.

Condensed Statements of Net Position

The following table presents the condensed statements of net position for CALPIA for the fiscal years ended June 30, 2023, 2022, and 2021.

	2023	2022	2021
ASSETS			
Cash and Cash Equivalents	$ 15,910,612	$ 20,798,904	$ 31,123,377
Accounts and Other Receivables	19,160,534	18,631,758	21,230,689
Inventories	58,670,976	57,780,124	51,768,107
Capital Assets, net	72,196,186	75,987,128	76,522,339
Prepaid Items	1,426,390	3,225,109	1,043,105
Total Assets	167,364,698	176,423,023	181,687,617
DEFERRED OUTFLOWS OF RESOURCES	74,801,096	48,736,923	72,565,723
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 242,165,794	$ 225,159,946	$ 254,253,340
LIABILITIES			
Accounts Payable and Other Accrued Liabilities	$ 29,056,480	$ 33,856,962	$ 35,016,468
Unearned Revenue	2,934,213	3,177,628	2,805,210
SB 84 Pension Contribution Advanced From State	1,142,160	2,234,048	3,383,207
Workers' Compensation Liability	20,579,786	24,736,711	24,017,165
Net OPEB Liability	202,081,000	283,968,000	306,480,000
Net Pension Liability	81,596,160	27,216,115	75,196,063
Total Liabilities	337,389,799	375,189,464	446,898,113
DEFERRED INFLOWS OF RESOURCES	122,406,048	87,678,783	46,834,992
NET POSITION			
Investment in Capital Assets	72,196,186	75,987,128	76,522,339
Unrestricted	(289,826,239)	(313,695,429)	(316,002,104)
Total Net Position (Deficit)	(217,630,053)	(237,708,301)	(239,479,765)
TOTAL LIABILITES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 242,165,794	$ 225,159,946	$ 254,253,340

Assets

Total assets decreased by $9.1 million as of June 30, 2023, when compared to June 30, 2022, primarily due to decreases of $4.9 million in cash and cash equivalents, $3.8 million in net capital assets, and $1.8 million in prepaid items. The decreases are offset by a $0.9 million increase in inventories and $0.5 million increase in accounts and other receivables.

The $4.9 million decrease in cash and cash equivalents was primarily due to spending on capital assets purchases of $1.7 million for Central California Women's Facility (CCWF) Optical Lab expansion project, $0.8 million for Enterprise Resource Planning (ERP) Replacement System, and $0.5 million for California Institution for Men (CIM) Food & Beverage Packaging equipment. The $0.9 million increase in inventories was primarily driven by a $2.3 million increase in raw material inventory and component parts, offset by a $1.4 million decrease in work-in-process (WIP), finished goods and supply inventory.

The raw materials inventory increased at Food & Beverage Packaging by $1.2 million largely due to an increase in packaging film purchases at COR, License Plates by $1.0 million due to larger quantities of on-hand standard auto materials remaining, Cleaning Products enterprises by $0.4 million due to a large shipment of soap tallow received in June 2023, $0.2 million at Mattress due to the addition of a new line of production and $0.2 million at Shoes enterprises due to an increase in Upper materials.

Total assets decreased by $5.3 million as of June 30, 2022, when compared to June 30, 2021, primarily due to decreases of $10.3 million in cash and cash equivalents, $2.6 million in accounts and other receivables, and 0.5 million in net capital assets. The decreases are offset by a $6 million increase in inventories and $2.2 million increase in prepaid items.

The $10.3 million decrease in cash and cash equivalents was primarily due to spending on capital assets purchases of $3.9 million for CCWF Optical Lab expansion project, $1.7 million for Mule Creek State Prison (MCSP) Smokehouse Oven project, $1.4 million for ERP Replacement System, and $2.7 million for various equipment. The $6 million increase in inventories was primarily driven by a $5.6 million increase in raw material inventory.

The raw materials inventory increased at Fabric enterprises by $2 million, at Food & Beverage Packaging enterprises by $1.1 million for new packaging process material Jelly Film, at Furniture enterprises by $0.7 million due to production slowdown because of equipment breakdown and staffing issues, and by $0.6 million and $0.3 million at License Plates and Meat Cutting enterprises, respectively, in anticipation of supply chain issues.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets by the government that is applicable to a future reporting period. Total deferred outflows of resources increased by $26.1 million as of June 30, 2023, when compared to June 30, 2022, due to changes in both pension and OPEB.

The total deferred outflows of resources related to pension increased $25.6 million as of June 30, 2023, when compared to June 30, 2022. This represents CALPIA's contributions made subsequent to the measurement date of the NPL, change in proportion, change in assumptions, differences between expected and actual experience, and the net differences between projected and actual earnings on plan investments in accordance with GASB 68.

The total deferred outflows of resources related to OPEB increased $0.5 million as of June 30, 2023, when compared to June 30, 2022. This represents CALPIA's contributions made subsequent to the measurement date of the NOL, the net difference between projected and actual earnings on plan investments, change in assumptions, change in proportion, difference between expected and actual experience, and differences in PAY GO contributions in accordance with GASB 75.

Total deferred outflows of resources decreased by $23.8 million as of June 30, 2022, when compared to June 30, 2021, due to changes in both pension and OPEB.

The total deferred outflows of resources related to pension decreased $5.7 million as of June 30, 2022, when compared to June 30, 2021. This represents CALPIA's contributions made subsequent to the measurement date of the NPL, change in proportion, change in assumptions, differences between expected and actual experience, and the net differences between projected and actual earnings on plan investments in accordance with GASB 68.

The total deferred outflows of resources related to OPEB decreased $18.2 million as of June 30, 2022, when compared to June 30, 2021. This represents CALPIA's contributions made subsequent to the measurement date of the NOL, the net difference between projected and actual earnings on plan investments, change in assumptions, change in proportion, difference between expected and actual experience, and differences in PAY GO contributions in accordance with GASB 75.

Liabilities

Total liabilities decreased by $37.8 million as of June 30, 2023, when compared to June 30, 2022. This is attributable to an increase of $54.4 million in NPL, offset by a decrease of $81.9 million in NOL, $4.2 million in the workers' compensation liability, $4.8 million in accounts payable and other accrued liabilities, $1.1 million in SB84 pension contribution advanced from State, and $0.2 million in unearned revenue.

Total liabilities decreased by $71.7 million as of June 30, 2022, when compared to June 30, 2021. This is attributable to decreases of $22.5 million in NOL and $48 million in NPL and $1.2 million decrease in accounts payable and other accrued liabilities and $1.1 million in SB84 pension contribution advanced from State, offset by an increase of $0.7 million in the workers' compensation liability and $0.4 million in unearned revenue.

Net OPEB Liability (GASB 75)

CALPIA accrued its proportionate share of the State's NOL as determined by the SCO, which represents the State's actuarially determined total OPEB liability reduced by its fiduciary net position. CALPIA recorded a decrease of $81.9 million of NOL for a total of $202.1 million as of June 30, 2023 from $284.0 million as of June 30, 2022. For fiscal year 2023, the SCO determined CALPIA's OPEB cost was $-6.5 million, while CALPIA contributed $11.8 million.

CALPIA recorded a decrease of $22.5 million of NOL for a total of $284.0 million as of June 30, 2022, from $306.5 million as of June 30, 2021. For fiscal year 2022, the SCO determined CALPIA's OPEB cost was $9.1 million, while CALPIA contributed $11.6 million.

Net Pension Liability (GASB 68)

CALPIA accrued its proportionate share of the State's three single-employer pension plans' NPL, which represents the plans' actuarially determined total pension liability reduced by the plans' fiduciary net position. CALPIA recorded an increase of $54.4 million of NPL for a total of $81.6 million as of June 30, 2023 from $27.2 million as of June 30, 2022. For fiscal year 2023, the SCO determined CALPIA's pension cost was $13.5 million, while CALPIA contributed $14.2 million.

CALPIA recorded a decrease of $48.0 million of NPL for a total of $27.2 million as of June 30, 2022, from $75.2 million as of June 30, 2021. For fiscal year 2022, the SCO determined CALPIA's pension cost was $3.9 million, while CALPIA contributed $11.7 million.

Senate Bill (SB) No. 84: Pension Contribution Advanced From State

The SB 84 pension contribution advanced from the State is CALPIA's allocation of the State's additional pension contribution borrowed from the SMIF on behalf of the State funds that contribute to CALPERS per SB 84. The SCO and DOF established CALPIA's allocation of the amount advanced from the State as $6.4 million, which is expected to be repaid by fiscal year 2025.

During fiscal year 2023, the decrease was the result of CALPIA paying principal of $1.1 million and interest of $0.09 million. During fiscal year 2022, the decrease was the result of CALPIA paying principal of $1.1 million and interest of $0.03 million.

Workers' Compensation Liability

In fiscal year 2023, the $4.2 million increase in workers' compensation liability was attributable to new workers' compensation claims exceeding payments during the fiscal year.

In fiscal year 2022, the $0.7 million increase in workers' compensation liability was attributable to new workers' compensation claims exceeding payments during the fiscal year.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the government that is applicable to a future reporting period.

Total deferred inflows of resources increased by $34.7 million as of June 30, 2023, when compared to June 30, 2022 due to changes in both pension and OPEB.

The total deferred inflows of resources related to pension decreased $29.4 million as of June 30, 2023, when compared to June 30, 2022. This represents CALPIA's change in proportion, change in assumptions net difference between projected and actual earnings on plan investments, and differences between expected and actual experience in accordance with GASB 68.

The total deferred inflows of resources related to OPEB increased $64.1 million as of June 30, 2023, when compared to June 30, 2022. This represents CALPIA's change in assumptions, differences between expected and actual experience, the net difference between projected and actual earnings on plan investments, and differences in PAY GO contributions in accordance with GASB 75.

Total deferred inflows of resources increased by $40.8 million as of June 30, 2022, when compared to June 30, 2021, due to changes in both pension and OPEB.

The total deferred inflows of resources related to pension decreased $48.0 million as of June 30, 2022, when compared to June 30, 2021. This represents CALPIA's change in proportion, change in assumptions net difference between projected and actual earnings on plan investments, and differences between expected and actual experience in accordance with GASB 68.

The total deferred inflows of resources related to OPEB decreased $22.5 million as of June 30, 2022, when compared to June 30, 2021. This represents CALPIA's change in assumptions, differences between expected and actual experience, the net difference between projected and actual earnings on plan investments, and differences in PAY GO contributions in accordance with GASB 75.

Condensed Statements of Revenues, Expenses and Changes in Net Position

The following table presents the condensed statements of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2023, 2022, and 2021.

	2023	2022	2021
Operating Revenues	$ 273,121,527	$ 246,580,926	$ 237,990,442
Cost of Goods Sold**	206,376,491	192,685,499	197,529,630
Gross Profit	66,745,036	53,895,427	40,460,812
Selling and Administrative Expenses**	46,092,558	52,040,129	52,694,091
Operating Income	20,652,478	1,855,298	(12,233,279)
Non-Operating Revenues (Expenses), Net	(574,230)	(83,834)	(3,544,631)
Change in Net Position	20,078,248	1,771,464	(15,777,910)
Net Position (Deficit), Beginning of Year	(237,708,301)	(239,479,765)	(223,701,855)
Net Position (Deficit), End of Year	$ (217,630,053)	$ (237,708,301)	$ (239,479,765)

**CALPIA's fiscal years 2021, 2022, and 2023 expense adjustments for the recognition of long-term liabilities in the respective fiscal year were allocated to Costs of Goods Sold and Selling and Administrative Expenses. These expenses do not represent cash paid out.

Operating Revenues

CALPIA's operating revenues increased by $26.5 million (10.8%) to $273.1 million in fiscal year 2023 from $246.6 million in fiscal year 2022. The change resulted from increases in services enterprises sales of $2.8 million (2.0%), consumable enterprises sales of $3.1 million (9.8%), and manufacturing enterprises sales of $20.6 million (27.8%).

For fiscal year 2023, the service enterprises had an overall increase in revenue of $2.8 million (2.0%) when compared to the prior fiscal year. The increase in revenue is primarily due to an increase in Food and Beverage Packaging of $3.1 million (14.2%), Laundry of $1.5 million (12.8%) due to increase in prices and transportation costs, Printing of $1.4 million (27.3%), Meat Cutting of $0.3 million (2.5%), and Metal Signs of $0.2 million (14.3%); offset by decreases in Construction Services and Facilities Maintenance of $3.1 million (4.8%) primarily due to a slower rollout of Healthcare Facilities Improvement Project (HCFIP) expansions, Optical of $0.7 million (3.1%) and Digital Services of $0.2 million (24.6%).

In fiscal year 2023, the consumable enterprises had an overall increase of $3.1 million (9.8%) when compared to the prior fiscal year. This is primarily from increases in Egg Production revenue by $3.0 million (27.8%) due to higher domestic consumer demand and heathier menu options from CDCR. Additionally, Dairy revenue increased by $0.3 million (2.6%) primarily due to menu standardization promoting dairy consumption. These increases were offset by a decrease in Crops revenue by $0.1 million (13.4%). Also, Poultry revenue decreased by $0.1 million (1.6%) due to a decrease in exports and restaurant demand.

In fiscal year 2023, the manufacturing enterprises had an overall increase in revenue of $20.6 million (27.8%) when compared to the prior fiscal year. This is primarily from the increase in revenue of Furniture factory of $6.4 million (65.4%), General Fabrication of $5.6 million (58.3%), Metal Products of $3.1 million (115.3%) due to an increase in orders from various agencies and product lines, Mattress factory of $2.2 million (89.3%), and Cleaning Products of $1.5 million (26.0%) due to an increase of soaps and cleaners. Additionally, there was an increase in revenue of License Plates of $1.3 million (7.0%), Shoe factory of $1.2 million (68.8%), Bindery of $1.1 million (79.2%), Knitting Mill of $0.4 million (48.3%) and Modular Construction of $0.06 million (87.6%). These increases were offset by decrease in revenue of Fabric Products of $2.1 million (10.0%).

Operating Revenues by Product Line	**2023**	**2022**	**Change**
Manufacturing:			
Furniture	$ 16,144,171	$ 9,761,483	$ 6,382,688
Metal	5,710,824	2,651,936	3,058,888
License Plates	20,261,561	18,943,348	1,318,213
General Fabrication	15,190,926	9,597,778	5,593,148
Bindery	2,422,691	1,352,201	1,070,490
Knitting Mill	1,127,499	760,249	367,250
Fabric Products	19,039,326	21,145,749	(2,106,423)
Shoe Factory	2,942,511	1,743,590	1,198,921
Mattress Factory	4,587,840	2,422,992	2,164,848
Cleaning Products	7,260,521	5,763,233	1,497,288
Modular Construction	126,124	67,221	58,903
Total Manufacturing	94,813,994	74,209,780	20,604,214
Service:			
Meat Cutting	11,974,789	11,682,640	292,149
Bakery	1,625,699	1,533,930	91,769
Coffee Roasting	1,467,219	1,324,339	142,880
Food and Beverage Packaging	24,740,171	21,656,682	3,083,489
Metal Signs	1,938,848	1,696,157	242,691
Printing	6,439,515	5,057,810	1,381,705
Dental Lab	838,583	739,946	98,637
Digital Services	676,519	897,795	(221,276)
Laundry	12,955,120	11,480,770	1,474,350
Optical	20,399,452	21,061,959	(662,507)
Construction Services and Facilities Maintenance	60,516,093	63,593,797	(3,077,704)
Total Service	143,572,008	140,725,825	2,846,183
Consumable:			
Dairy / Farm	12,862,853	12,536,941	325,912
Crops	827,089	955,372	(128,283)
Poultry	7,197,409	7,317,092	(119,683)
Egg Production	13,848,174	10,835,916	3,012,258
Total Consumable	34,735,525	31,645,321	3,090,204
Total Operating Revenues	$ 273,121,527	$ 246,580,926	$ 26,540,601

CALPIA's operating revenues increased by $8.6 million (3.6%) to $246.6 million in fiscal year 2022 from $238.0 million in fiscal year 2021. The change resulted from increases in services enterprises sales of $9.2 million (7.0%), consumable enterprises sales of $3.7 million (13.0%), offset by a decrease in manufacturing enterprises sales of $4.3 million (6.0%).

For fiscal year 2022, the service enterprises had an overall increase in revenue of $9.2 million (7%) when compared to the prior fiscal year. The increase in revenue is primarily due to an increase in Construction Services & Facilities Maintenance of $4.5 million (7.7%), Meat Cutting of $4.0 million (52.2%) due to increase in prices, Optical of $2.1 million (11.0%), Laundry of $0.8 million (7.6%), Printing of $0.7 million (17.4%), and Dental Lab of $0.5 million (159.2%); offset by decreases in Food & Beverage Packaging of $3.8 million (14.9%) primarily due to alternative meals implemented during COVID-19 no longer being supplied, and Coffee Roasting of $0.09 million (6.5%).

In fiscal year 2022, the consumable enterprises had an overall increase of $3.7 million (13.0%) when compared to the prior fiscal year. This is primarily from increases in Poultry revenue by $3.0 million (68.5%) due to higher demands, new product lines and heathier menu options from CDCR. Additionally, Egg Production revenue also increased by $3.0 million (37.8%) due to high demand and an influenza outbreak which caused egg prices to double in 2022, and Crops revenue increased by $0.3 million (37.1%). These increases were offset by a decrease in Dairy/Farm revenue by $2.5 million (16.7%) primarily due to closing of DVI, a reduction in the incarcerated population, and a weak domestic demand of dairy products.

In fiscal year 2022, the manufacturing enterprises had an overall decrease in revenue of $4.3 million (6.0%) when compared to the prior fiscal year. This is primarily from the decreases in revenue of Shoe factory of $2.6 million (60.2%), Cleaning Products of $2.0 million (26.1%) due to decrease in COVID related demand of hand sanitizers and bar soaps and a decrease in the incarcerated population, and Fabric Products of $1.3 million (5.8%) due to decrease in the incarcerated population related to lower admissions and releases because of policy reforms. Additionally, there was a decrease in revenue of Bindery of $1.1 million (45.5%), Furniture of $0.9 million (8.4%), Mattresses factory of $0.7 million (22.3%), and Knitting Mill of $0.6 million (44.7%). These decreases were offset by increase in revenue of General Fabrication of $2.7 million (40.4%), License Plates of $1.8 million (10.4%), and Metal of $0.4 million (16.1%).

Cost of Goods Sold/Gross Profit

In fiscal year 2023, the cost of goods sold was $206.4 million, an increase of $13.7 million (7.1%) from $192.7 million in fiscal year 2022. Gross profit increased by $12.8 million (23.8%) to $66.7 million in fiscal year 2023 from $53.9 million in fiscal year 2022. The increase in gross profit is primarily comprised of a $20.6 million increase in manufacturing, $2.8 million increase in service enterprises, and $3.1 million increase in consumable enterprises offset by a $13.7 million increase in cost of goods sold. Additionally, there was a decrease in the year-end in pension, OPEB and workers' compensation expense adjustments by $13.4 million.

Consumable enterprises had a gross profit decrease of $1.7 million in fiscal year 2023 from fiscal year 2022. The gross profit decrease is primarily comprised of $1.4 million in Egg Production due to supply chain issues and decreased exports, $0.2 million decrease in Dairy, $0.2 million decrease in Poultry due to feed and fuel price increases, and $0.04 million decrease in Crops due to loss of multiple acres of wheat/alfalfa, price increases and lower availability of incarcerated individuals resulting in overtime of free staff.

Service enterprises had an overall gross profit decrease of $4.1 million in fiscal year 2023 from fiscal year 2022. The service enterprises gross profit increase is primarily comprised of a $7.5 million decrease in Constructions Services and Facilities Maintenance, a $0.6 million decrease in Food and Beverage packaging, a $0.3 million decrease in Digital Services, and a $0.1 million decrease in Coffee Roasting. The decreases were offset by a $1.5 million increase in Laundry, a $1.3 million increase in Optical, a $0.7 million increase in each Printing and Meat Cutting, a $0.1 million increase in each the Dental Lab and Bakery, and $0.04 million increase in Metal Signs.

Manufacturing enterprises experienced an overall gross profit increase of $9.4 million in fiscal year 2023 from fiscal year 2022. The gross profit increase is comprised of an increase of $2.4 million in Furniture, $2.0 million in Mattresses factory, $1.3 million in General Fabrication, $1.3 million in Metal Products, a $1.2 million increase in Fabric Products, $1.0 million in Cleaning Products due to price increases and product selection upgrades, $0.6 million in Bindery, $0.3 million in Shoe factory, and $0.2 million in Knitting Mill. This was offset by a $0.6 million decrease in License Plates due to raw material price increases and a $0.3 million decrease in Modular Construction due to increase in costs related to the modular building project.

In fiscal year 2022, the cost of goods sold was $192.7 million, a decrease of $4.8 million (2.45%) from $197.5 million in fiscal year 2021. Gross profit increased by $13.4 million (33.2%) to $53.9 million in fiscal year 2022 from $40.5 million in fiscal year 2021. The increase in gross profit is primarily comprised of a $3.9 million increase in consumable enterprises, $2.5 million increase in service enterprises, offset by a $2.9 million decrease in gross profit of manufacturing enterprises. Additionally, there was a decrease in the year-end in pension, OPEB and workers' compensation expense adjustments by $9.9 million.

Consumable enterprises had a gross profit increase of $3.9 million in fiscal year 2022 from fiscal year 2021. The gross profit increase is primarily comprised of $2.7 million increase in Dairy, $1.0 million in Egg Production due to increase in egg prices, and $0.9 million in Poultry due to increased demand as CDCR menu changed to increase poultry servings and leaner proteins. The increases were offset by a $0.8 million decrease in gross profit for Crops.

Service enterprises had an overall gross profit increase of $2.5 million in fiscal year 2022 from fiscal year 2021. The service enterprises gross profit increase is primarily comprised of a $2.5 million increase in Facilities Maintenance, $0.4 million increase in Bakery, $0.3 million increase in each Meat Cutting, Laundry, and Digital Services enterprises, and $0.2 million increase in Dental Lab. The increases were offset by a $1.6 million decrease in Optical.

Manufacturing enterprises experienced an overall gross profit decrease of $2.9 million in fiscal year 2022 from fiscal year 2021. The gross profit decrease is primarily comprised of $1.3 million in Cleaning Products due to decrease in COVID-19 related demand of hand sanitizers and bar soaps, $1.2 million in Fabric Products due to decrease in incarcerated population, $0.8 million in Furniture, $0.8 million in Shoe factory, $0.5 million in Bindery, $0.4 million in Knitting Mill, and $0.3 million in Mattresses factory, offset by an increase in General Fabrication gross profit by $2.3 million, and by $0.3 million increase in license plates.

Selling and Administrative Expenses

Selling and administrative expenses support CALPIA's daily operations and customer services, both internally and externally. The selling and administrative expenses had an overall increase of $5.9 million in fiscal year 2023 when compared to fiscal year 2022. In fiscal year 2023, selling and administrative expenses totaled $46.1 million, which consisted of distribution and transportation cost and central office costs. The central office costs primarily comprise expenses for personal services, facility, and general operations such as rent, utilities, information technology software and service purchases, depreciation, and training. In fiscal year 2022, selling and administrative expenses totaled $52.0 million. The change is primarily attributable to a net decrease in year-end adjustment of personal leave, pension, OPEB, and workers' compensation of $13.9 million; the decrease was offset by an overall increase in operating expenses by $21.6 million.

The selling and administrative expenses had an overall decrease of $0.7 million in fiscal year 2022 when compared to fiscal year 2021. The change is primarily attributable to a net decrease in year-end adjustment of personal leave, pension, OPEB, and workers' compensation of $8.3 million; the decrease was offset by an overall increase in operating expenses by $7.7 million.

Non-Operating Revenues (Expenses)

The net non-operating expenses had an overall increase of $0.5 million in fiscal year 2023 when compared to fiscal year 2022 primarily attributed to an increase in the loss from disposal of capital assets of $0.6 million due to the closures of Furniture at SQ and Laundry at CMC, offset by a $0.2 million increase in Interest Income. The net non-operating expenses had an overall decrease of $3.5 million in fiscal year 2022 when compared to fiscal year 2021 primarily attributed to a decrease in the loss from disposal of capital assets of $3.3 million as there was no large scale disposition of assets for any institution, and an increase in other non-operating revenue/expenses by $0.1 million.

REQUEST FOR INFORMATION

For questions concerning any information in this report or for additional financial information, contact Natalie McCorkle, Chief Financial Officer, at 560 E. Natoma St., Folsom, CA 95630.

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BASIC FINANCIAL STATEMENTS

CALIFORNIA PRISON INDUSTRY AUTHORITY

Statements of Net Position

June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 8,696,612	$ 10,387,904
Cash designated for capital assets expenditures	7,214,000	10,411,000
Accounts receivable:		
State Department of Corrections and Rehabilitation	7,595,706	8,081,755
Other state agencies	5,052,578	3,819,746
Other state governments	197,006	243,673
Federal government	4,200	-
Surplus (non-governmental)	4,089,576	4,925,164
Abatements	175,915	131,757
Reimbursements	1,946,797	1,418,803
Inventories	58,670,976	57,780,124
Interest receivable	98,756	10,860
Prepaid items	1,426,390	3,225,109
Total current assets	95,168,512	100,435,895
NONCURRENT ASSETS:		
Capital assets not being depreciated	11,310,421	12,649,191
Capital assets being depreciated, net	60,885,765	63,337,937
Total noncurrent assets	72,196,186	75,987,128
Total assets	167,364,698	176,423,023
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	41,108,096	15,497,772
Deferred outflows of resources related to OPEB	33,693,000	33,239,151
Total deferred outflows of resources	74,801,096	48,736,923
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 242,165,794	$ 225,159,946

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 7,048,727	$ 13,452,522
Workers' compensation liability-current portion	4,527,586	3,943,089
SB 84 pension contribution advanced from State - current portion	1,127,000	1,179,000
Unearned revenue	2,934,213	3,177,628
Accrued expenses and other liabilities	2,946,273	4,948,787
Total current liabilities	18,583,799	26,701,026
LONG TERM LIABILITIES		
Accrued leave time	14,533,894	15,455,653
SB 84 pension contribution advanced from State	15,160	1,055,048
Workers' compensation liability	20,579,786	20,793,622
Net OPEB liability	202,081,000	283,968,000
Net pension liability	81,596,160	27,216,115
Total long term liabilities	318,806,000	348,488,438
Total liabilities	337,389,799	375,189,464
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	8,159,138	37,536,783
Deferred inflows of resources related to OPEB	114,246,910	50,142,000
Total deferred inflows of resources	122,406,048	87,678,783
NET POSITION		
Investment in capital assets	72,196,186	75,987,128
Unrestricted	(289,826,239)	(313,695,429)
Total net position	(217,630,053)	(237,708,301)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 242,165,794	$ 225,159,946

See Notes to Basic Financial Statements

CALIFORNIA PRISON INDUSTRY AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Manufacturing	$ 94,813,994	$ 74,209,780
Service	143,572,008	140,725,825
Consumable	34,735,525	31,645,321
TOTAL OPERATING REVENUES	273,121,527	246,580,926
COST OF GOODS SOLD	206,376,491	192,685,499
GROSS PROFIT	66,745,036	53,895,427
SELLING AND ADMINISTRATIVE EXPENSES	46,092,558	52,040,129
OPERATING INCOME	20,652,478	1,855,298
NON-OPERATING REVENUES (EXPENSES)		
Interest income	270,040	49,709
Interest expense	(95,862)	(60,702)
Loss from disposal of capital assets	(694,236)	(117,982)
Other revenue (expenses), net	(54,172)	45,141
TOTAL NON-OPERATING REVENUES (EXPENSES)	(574,230)	(83,834)
CHANGE IN NET POSITION	20,078,248	1,771,464
NET POSITION, BEGINNING OF YEAR	(237,708,301)	(239,479,765)
NET POSITION, END OF YEAR	$ (217,630,053)	$ (237,708,301)

See Notes to Basic Financial Statements

CALIFORNIA PRISON INDUSTRY AUTHORITY

Statement of Cash Flows

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 272,437,233	$ 249,547,245
Cash receipts from interfund services provided to other funds of the state	6,576,160	6,965,387
Cash payments for interfund services provided by other funds of the state	(17,504,702)	(19,114,225)
Cash payments to employees for services	(113,905,255)	(111,398,238)
Cash payments to suppliers of goods and services	(144,388,839)	(125,579,957)
Cash payments for other services	(54,172)	45,141
Net cash provided by operating activities	3,160,425	465,353
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of SB 84 pension contribution advanced from State	(1,091,888)	(1,149,159)
Interest paid	(95,862)	(60,702)
Net cash used in noncapital financing activities	(1,187,750)	(1,209,861)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of capital assets	(7,057,697)	(9,887,066)
Proceeds from sale of capital assets	14,587	252,362
Net cash used in capital and related financing activities	(7,043,110)	(9,634,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	182,143	54,739
Change in cash and cash equivalents	(4,888,292)	(10,324,473)
Cash and cash equivalents at beginning of year	20,798,904	31,123,377
Cash and cash equivalents at end of year	$ 15,910,612	$ 20,798,904
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 20,652,478	$ 1,855,298
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	10,139,816	10,051,932
Other revenue (expenses), net	(54,172)	45,141
Net effect of changes in:		
Accounts and related party receivables	(440,880)	2,593,901
Inventories	(890,852)	(6,012,017)
Other assets	1,798,719	(2,182,004)
Accounts payable	(6,403,795)	(1,871,199)
Unearned revenue	(243,415)	372,418
Accrued expenses and other liabilities	(2,002,513)	1,533,140
Accrued leave time	(921,759)	(821,446)
Workers' compensation liability	370,661	719,546
Net OPEB liability and related deferred outflows / inflows	(18,235,939)	1,940,867
Net pension liability and related deferred outflows / inflows	(607,924)	(7,760,224)
Net cash provided by operating activities	$ 3,160,425	$ 465,353
Noncash investing, capital and financing activities		
Interest accrued on loan payable	$ 87,112	$ 30,862

See Notes to Basic Financial Statements

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NOTES TO BASIC FINANCIAL STATEMENTS

(1) ORGANIZATION

The California Prison Industry Authority (CALPIA) was established in 1983, as the successor to California Correctional Industries (CCI). It is under the policy direction of an eleven-member board of directors (Prison Industry Board) and is a component unit of the State of California. CALPIA manages more than 100 manufacturing, service, and consumable enterprises and Career Technical Education (CTE) programs in 34 California Department of Corrections and Rehabilitation (CDCR) institutions. CALPIA provides more than 6,500 incarcerated individual work assignments in these enterprises, programs, and support functions including warehouse and administration. CALPIA's administrative offices are located in Folsom, California. The goods and services produced by CALPIA's enterprises are sold predominately to departments of the State of California and other government entities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – CALPIA uses the accrual basis of accounting. Under this method, revenues and receivables are recorded when earned, and expenses and liabilities are recorded when incurred.

Revenue recognition – Revenues and receivables are recorded when earned, usually upon the shipment of orders, with the exception of modular furniture and building construction. Revenue on modular furniture and building construction is recognized using a method which materially approximates the percentage-of-completion method of accounting. Under this method, CALPIA recognizes revenue at the end of each period using output measures in terms of results achieved, to measure the extent of progress toward completion under the contract, on the basis of units of work completed.

Cash and cash equivalents – Cash consists of deposits in the custody of the California State Treasurer. CALPIA's deposits are subject to the California Government Code and the State Treasurer's Office (STO) investment policy for the Pooled Money Investment Account (PMIA). Cash not required for current use is invested in the Surplus Money Investment Fund (SMIF), while non-SMIF funds are held in operating accounts, all of which are part of the STO pooled investment program. For purposes of the statement of cash flows, CALPIA considers all cash on deposit with the California State Treasurer as cash equivalents.

These funds are invested through the PMIA and at the direction of the Pooled Money Investment Board, which provides regulatory oversight of such funds. PMIA monies are limited by State statute to the following investments: U.S. government securities, securities of federally sponsored agencies, U.S. corporate bonds, interest-bearing time deposits in qualifying institutions, prime-rated commercial paper, bankers' acceptances, negotiable certificates of deposits, and other qualifying investments.

The investments in SMIF are reported at amortized cost, which approximates fair value. As of June 30, 2023 and 2022, the weighted average maturity of PMIA investments administered by the STO was approximately 260 days and 311 days, respectively. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from the evaluation date to stated maturity. Neither SMIF nor PMIA are rated by credit rating agencies.

Interest earned on cash invested in the SMIF and other pooled funds are prorated to CALPIA based on its average daily balance.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At June 30, 2023, $12,990,000 was invested in SMIF and $2,920,612 was held in operating accounts in the State Treasury pooled investment program. At June 30, 2022, $12,773,000 was invested in SMIF and $8,025,904 was held in operating accounts in the State Treasury pooled investment program. Cash and cash equivalents include cash on hand and temporary cash investments (including SMIF and funds designated for capital assets expenditures) with original or remaining maturities of three months or less.

Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3* (GASB 40), requires that governmental entities provide disclosures regarding deposit and investment credit risk, custodial credit risk, interest rate risk, and concentration of credit risk. CALPIA's deposits in the PMIA are not subject to GASB 40 risk disclosures except for the disclosures provided above. Additional information regarding investment risks, including interest rate risk, credit risk, and concentration of credit risk of the PMIA can be found in the State's basic financial statements included in its Annual Comprehensive Financial Report (ACFR).

Cash designated for capital assets expenditures – CALPIA segregates its cash, which is designated as to use. Designated funds at June 30, 2023 and 2022 represent designations of cash by the Prison Industry Board for certain capital expenditures for the subsequent year. The Board approved funds amounting to $7,214,000 and $10,411,000 for certain capital expenditures to be made during the fiscal years ended June 30, 2024 and 2023 respectively.

Concentrations of credit risk – Financial instruments that potentially expose CALPIA to concentrations of credit risk consist primarily of trade accounts receivable.

CALPIA's customer base includes departments of the State and other governmental entities. CDCR is the largest customer of CALPIA and accounted for approximately 63.3% of sales for the fiscal year ended June 30, 2023 and 63.8% of sales for the fiscal year ended June 30, 2022. As of June 30, 2023, and 2022, CDCR accounted for 44.8% and 47.3% respectively, of total accounts receivable. Management does not believe significant credit risk exists as of June 30, 2023 and 2022, as the goods and services produced by CALPIA's operations are provided primarily to departments of the State of California and other governmental entities.

CALPIA and other State and local agencies' deposits are held in the pooled money account in the custody of the STO, in which deposits are primarily supported by collateral held by an agent of the STO in the State's name.

Accounts receivable – CALPIA has no formal policy regarding the extension of credit and does not use an allowance for doubtful accounts because its customer base is primarily made up of State and local government agencies. As of June 30, 2023, and 2022, CALPIA has receivables of $4,089,576 and $4,925,164 respectively, from non-government agencies. Historically, CALPIA has not experienced significant losses related to such accounts receivable.

Inventories – Inventories are stated at the lower of cost (as determined using the average cost method) or market. Inventories consist of raw materials, component parts, work-in-process, supply inventory, and finished goods held for sale.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets – Capital assets are stated at historical cost, net of accumulated depreciation. CALPIA has established a threshold of $5,000 for capitalization of depreciable assets. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation, which includes amortization of intangible assets, is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 5 to 10 years for equipment, 20 years for buildings, 15 years for leasehold improvements, 2 to 3 years for livestock, 20 years for orchards, and 5 years for intangible assets.

In the ordinary course of business, CALPIA opens and closes manufacturing facilities based on economic conditions and customer demand for products. Based on CALPIA's closure policy, management may recommend that a factory remain idle if at a later date it is probable that product demand will increase, resulting in the factory being reactivated. If management decides not to reactivate a factory, CALPIA will take one of the following actions: (1) determine whether the factory has alternative uses; (2) transfer equipment to operating factories; or (3) pursue other alternatives for disposal. Factories that are closed temporarily are retained in the property accounts as idle facilities and are not depreciated during the temporary closure. At June 30, 2023 and 2022, there were no idle factories.

Asset impairment – As required by GASB Statement No. 42, management periodically reviews long-lived assets for impairments whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly.

Impaired capital assets are written down to reduce the related assets to the lower of carrying value or fair value. At June 30, 2023 and 2022, CALPIA determined there were no capital assets impaired.

Compensated absences – It is CALPIA's policy to accrue for personal leave time, holiday pay, and vacation pay that has been earned but not yet taken by employees. A liability for compensated absences is accrued when incurred and reported as accrued leave time on the statements of net position. CALPIA employees are not compensated for unused sick leave, but instead are credited with pension service time for unused sick leave at the time of retirement. Accordingly, such convertible sick leave is not reflected in the accrued liability for compensated absences.

Unearned revenue – Unearned revenue represents advance payments from customers for the future delivery of products and services.

Pension plans – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) State Miscellaneous Plan, State Safety Plan, and State Industrial Plan (the Pension Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments reported are at fair value.

Other postemployment benefits (OPEB) plan – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement Nos. 68 and 75 require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	2023	2022
Valuation Date:	June 30, 2022 (rolled forward from June 30, 2021 for GASB 68)	June 30, 2021 (rolled forward from June 30, 2020 for GASB 68)
Measurement Date:	June 30, 2023	June 30, 2022
Measurement Period:	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

Net Position – The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the statements of net position is labeled as Net Position and is subdivided into three categories as follows:

- Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets that are externally imposed by creditors, grantors, contributors; or laws or regulations of other governments; or imposed by law through constitutional provisions; or enabling legislation. At June 30, 2023 and 2022, there was no restricted component of net position.
- Unrestricted – This component of net position consists of amounts not restricted for any other purpose.

Operating and non-operating activities – Operating revenues are charges to customers for sales of products and services. Operating expenses consist of cost of sales and selling and administrative expenses. Selling and administrative expenses are comprised of distribution and transportation costs and central office costs. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. Distribution and transportation costs include shipping and handling costs related to the delivery of merchandise sold by CALPIA. For the fiscal years ended June 30, 2023 and 2022, such costs were $18,200,907 and $15,897,546, respectively.

Use of estimates in the preparation of financial statements – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Future implementation of new accounting pronouncements – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections,* effective for fiscal years beginning after June 15, 2023. The objective of this statement is to improve the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, comparable information for decision-making and will result in greater consistency in application in practice. CALPIA has not determined the effect, if any, on the financial statements.

In June 2022 GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. CALPIA has not determined the effect, if any, on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In January 2024, GASB issued Statement No. 102, *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2024. The objective of this statement is to establish financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. CALPIA has not determined the effect, if any, on the financial statements.

In May 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025. The objective of this statement is to make improvements to the financial reporting model, including Statement 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments, and other reporting model-related pronouncements. CALPIA has not determined the effect, if any, on its financial statements. CALPIA has not determined the effect, if any, on the financial statements.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately within the capital assets note disclosures required by Statement 34. These include lease assets recognized under Statement No. 87 (Leases), intangible right-to-use assets recognized under Statement No. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), and subscription assets recognized under Statement No. 96 (Subscription-Based Information Technology Arrangements). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures. In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale. CALPIA has not determined the effect, if any, on the financial statements.

Coronavirus Disease of 2019 (COVID-19) – In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak adversely affected CALPIA's operations.

During the fiscal year ended June 30, 2022, as COVID-19 cases started to decline and the COVID related restrictions eased, CALPIA sites gradually became fully operational. There were still some temporary shutdowns at CTE programs and enterprises such as license plates that were affected by COVID related supply chain issues.

During the fiscal year ended June 30, 2023, COVID-19 cases continue to decline and the COVID related restrictions eased. There were Enterprise Consolidation to close California Men's Colony - Laundy and San Quentin – Furniture to ensure CALPIA sites became fully operational.

(3) INVENTORIES

Inventories consist of the following:

	June 30, 2023	June 30, 2022
Raw materials	$ 32,375,500	$ 30,794,403
Component parts	7,467,330	6,704,594
Work-in-process	559,578	786,726
Supply inventory	2,549,184	2,705,090
Finished goods	15,719,384	16,789,311
Total inventories	$ 58,670,976	$ 57,780,124

(4) CAPITAL ASSETS

A summary of changes in capital assets during fiscal years 2023 and 2022 are as follows:

	Balance June 30, 2022	Additions	Deletions	Transfers		Balance June 30, 2023
Capital assets, not being depreciated:						
Construction in process	$ 12,649,191	$ 800,550	$ -	$ (2,139,320)	*	$ 11,310,421
Capital assets, being depreciated:						
Equipment	160,786,080	4,372,121	(3,652,511)	-		161,505,690
Buildings and leasehold improvements	54,216,707	118,014	(235,907)	2,139,320	*	56,238,134
Orchards	2,113,266	21,731	-	-		2,134,997
Intangible assets	5,819,084	1,745,281	-	-		7,564,365
Total capital assets, being depreciated	222,935,137	6,257,147	(3,888,418)	2,139,320		227,443,186
Accumulated depreciation and amortization	(159,597,200)	(10,139,816)	3,179,595	-		(166,557,421)
Total capital assets, being depreciated, net	63,337,937	(3,882,669)	(708,823)	2,139,320		60,885,765
Capital assets, net	$ 75,987,128	$ (3,082,119)	$ (708,823)	$ -		$ 72,196,186

	Balance June 30, 2021	Additions	Deletions	Transfers		Balance June 30, 2022
Capital assets, not being depreciated:						
Construction in process	$ 5,257,797	$ 5,444,622	$ -	$ 1,946,773	*	$ 12,649,191
Capital assets, being depreciated:						
Equipment	163,775,903	2,591,818	(3,634,868)	(1,946,773)	*	160,786,080
Buildings and leasehold improvements	55,040,861	72,211	(896,365)	-		54,216,707
Orchards	1,767,731	345,534	-	-		2,113,266
Intangible assets	4,475,169	1,432,880	(88,965)	-		5,819,084
Total capital assets, being depreciated	225,059,664	4,442,443	(4,620,198)	(1,946,773)		222,935,137
Accumulated depreciation and amortization	(153,795,122)	(10,051,932)	4,249,854	-		(159,597,200)
Total capital assets, being depreciated, net	71,264,542	(5,609,489)	(370,344)	(1,946,773)		63,337,937
Capital assets, net	$ 76,522,339	$ (164,867)	$ (370,344)	$ -		$ 75,987,128

* Reflects transfers due to the reclassification of assets

Depreciation expense for the fiscal years ended June 30, 2023, and 2022, was $10,139,816 and $10,051,932, respectively. Depreciation expense includes amortization of intangible assets.

(5) ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	June 30, 2023	June 30, 2022
Personal services	$ 966,187	$ 1,413,453
Support charges due to CDCR	89,094	1,805,220
Inmate pay	315,364	277,451
Retirement contribution	(7,131)	(7,131)
Sales and use tax	315,708	325,043
Customer deposits	91,966	91,966
Accrued leave time	1,148,000	1,020,000
Accrued services and expenses	27,085	22,784
Total accrued expenses and other liabilities	$ 2,946,273	$ 4,948,787

(6) WORKERS' COMPENSATION LIABILITY

CALPIA is exposed to risk of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The State self-insures its workers' compensation claims. CALPIA's workers' compensation claims are administered by the State Compensation Insurance Fund (SCIF) as part of the overall State program. CALPIA currently reports claims, expenses, and liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported and related loss adjustment expenses. Consulting actuaries assist CALPIA in determining its liability for workers' compensation self-insured claims.

The amount of these liabilities was a discounted value of $25,107,372 at June 30, 2023, and $24,736,711 at June 30, 2022. The interest rate used to discount the value of the liabilities as of June 30, 2023 and 2022, was 3.5%. This liability represents CALPIA's best estimate of its ultimate exposure based on available actuarial information.

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	Legal and Administrative Expenses Paid	End of Fiscal Year Liability
2022-2023	$ 24,736,711	$ 4,737,374	$ (3,274,819)	$ (1,091,894)	$ 25,107,372
2021-2022	24,017,165	4,662,636	(2,861,941)	(1,081,149)	24,736,711

(7) DEFINED BENEFIT PENSION PLANS

Plan Description – All of the employees of CALPIA participate in the State Miscellaneous Plan, State Safety Plan, or State Industrial Plan (the Pension Plans), all part of the Public Employees' Retirement Fund, an agent multiple-employer defined benefit pension plan administered by CalPERS. The Pension Plans are cost-sharing arrangements in which all risks and costs are shared proportionately by participating State agencies. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not for accounting purposes), and membership information are listed in the pension plan's June 30, 2021 Annual Actuarial Valuation report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the funding valuation. The funding valuation and CalPERS' audited financial statements are publicly available and can be obtained at CalPERS website at www.calpers.ca.gov under Forms and Publications.

Benefits Provided – The benefits for the Pension Plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The Pension Plans' provisions and benefits in effect at June 30, 2023 and 2022 are summarized as follows:

Miscellaneous and Industrial Plans:			
First Tier:	**Prior to**	**January 15, 2011 to**	**On or after**
Hire date	**January 15, 2011**	**December 31, 2012**	**January 1, 2013**
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.1% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Second Tier:		**Prior to**	**On or after**
Hire date		**January 1, 2013**	**January 1, 2013**
Benefit formula		1.25% @ 65	1.25% @ 67
Benefit vesting schedule		10 years of service	10 years of service
Benefit payments		Monthly for life	Monthly for life
Retirement age		50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation		0.5% to 1.25%	0.65% to 1.25%
Safety Plan:	**Prior to**	**January 15, 2011 to**	**On or after**
Hire date	**January 15, 2011**	**December 31, 2012**	**January 1, 2013**
Benefit formula	2.5% @ 55	2% @ 55 or 2.5% @ 60	2% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 to 60	50 to 60	50 to 60
Monthly benefits, as a % of eligible compensation	1.7% to 2.5%	1.426% to 2.0% or 1.426% to 2.5%	1.426% to 2.0%

(7) DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1st following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the fiscal years ended June 30, 2023, and 2022, the actuarially required contributions and additional contributions that the State is to make to offset the savings due to the increased member contributions for each plan were:

	2023		2022	
Pension Plan	Actuarially Required Employer Contribution Rate	Additional Statutory Contribution to Offset Increased Member Contributions	Actuarially Required Employer Contribution Rate	Additional Statutory Contribution to Offset Increased Member Contributions
State Miscellaneous	30.71%	1.29%	29.18%	0.10%
State Safety	21.13%	1.62%	18.29%	1.18%
State Industrial	19.51%	1.49%	16.46%	0.88%

Due to an advance payment of the unfunded liability by the state under SB90, the contribution rates for the fiscal year ended June 30, 2023 and 2022, were increased primarily due to "expiration of supplanting payment - Government Code (GC) section 20825.1 as amended by AB 84/SP 111. Rates that reflect the advance payment and final employer contribution rates for the fiscal year ended June 30, 2023 are shown in the table below:

Member Category	Final Employer Contribution for FY2022-23 Budget Act
State Miscellaneous	32.00%
State Safety	22.75%
State Industrial	21.00%

For the fiscal years ended June 30, 2023 and 2022, pension contributions were $14,156,016 and $11,684,759, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2023, CALPIA reported net pension liabilities for its proportionate share of the Pension Plans' net pension liabilities in the amount of $81,596,160 compared to $27,216,115 as of June 30, 2022.

(7) DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred outflows of resources represent a consumption of resources that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to future periods and will not be recognized as an inflow of resources (reduction of expense) until that time. Contributions made to the pension plans after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liabilities in the next fiscal year. Additional factors involved in the calculation of CALPIA's pension expenses and net liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, and changes in proportion. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

CALPIA's net pension liability is measured as the proportionate share of the net pension liability of the Pension Plans. For 2023, the net pension liabilities of the Pension Plans are measured as of June 30, 2022, and the total pension liabilities for the Pension Plans used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. For 2022, the net pension liabilities of the Pension Plans were measured as of June 30, 2021, and the total pension liabilities for the Pension Plans used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures.

CALPIA's proportionate share of the net pension liabilities of the Pension Plans was based on the State Controller's Office (SCO) allocation. The SCO identified a total of 31 entities that are reported in the State's basic financial statements, which are proprietary funds (enterprise and internal service) and fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations, that have State employees with pensionable compensation (covered payroll). The SCO calculated and provided these funds/organizations with their allocated pensionable compensation percentages by Pension Plan. CALPIA's proportionate share of the net pension liabilities for the Pension Plans as of June 30, 2022 was 0.00075% (State Miscellaneous), 1.59863% (State Safety), and 2.52897% (State Industrial). CALPIA's proportionate share of the net pension liabilities for the Pension Plans as of June 30, 2021, was 0.00041% (State Miscellaneous), 1.57121 % (State Safety), and 2.46577% (State Industrial).

For the fiscal year ended June 30, 2023 CALPIA recognized pension expense of $13,548,091. At June 30, 2023 CALPIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State Miscellaneous		State Safety		State Industrial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
CALPIA's contributions subsequent to the measurement date	$ 1,667	$ -	$ 9,828,074	$ -	$ 4,326,275	$ -
Change in proportion	21,652	(357,276)	451,813	(2,182,812)	-	(1,254,811)
Change in assumptions	(21,506)	-	5,544,579		2,744,877	-
Differences between expected and actual experience	(4,494)	6,435	561,277	(3,202,631)	300,768	(1,168,044)
Net difference between projected and actual earnings on plan investments	(37,027)	-	11,391,982		5,998,160	-
Totals	$ (39,708)	$ (350,841)	$ 27,777,725	$ (5,385,443)	$ 13,370,080	$ (2,422,855)

(7) DEFINED BENEFIT PENSION PLANS (CONTINUED)

For the fiscal year ended June 30, 2022 CALPIA recognized pension expenses of $3,924,535. At June 30, 2022, CALPIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State Miscellaneous		State Safety		State Industrial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
CALPIA's contributions subsequent to the measurement date	$ (36,072)	$ -	$ 8,196,674	$ -	$ 3,524,157	$ -
Change in proportion	89,623	(127,139)	1,135,149	(3,077,905)	193,127	(1,537,434)
Change in assumptions	-	(138)	-	(30,844)	-	-
Differences between expected and actual experience	5,905	-	1,384,794	(425,267)	1,004,415	-
Net difference between projected and actual earnings on plan investments	-	(38,954)	-	(21,287,852)	-	(11,011,250)
Totals	$ 59,456	$ (166,231)	$ 10,716,617	$ (24,821,868)	$ 4,721,699	$ (12,548,684)

The amounts reported on the previous page as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the respective following fiscal year. As of June 30, 2023, deferred outflows of resources of $14,156,016 represent pension contributions made after the measurement date of June 30, 2022 (contributions made during the fiscal year ended June 30, 2023). As of June 30, 2022 deferred outflows of resources of $11,684,759 represent pension contributions made after the measurement date of June 30, 2021 (contributions made during the fiscal year ended June 30, 2022). Other amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	State Miscellaneous	State Safety	State Industrial
2023	$ (114,517)	$ 2,555,281	$ 1,115,253
2024	(128,584)	1,600,087	1,229,885
2025	(100,736)	1,334,684	655,769
2026	(48,378)	7,074,174	3,620,044
Totals	$ (392,215)	$ 12,564,226	$ 6,620,951

Senate Bill (SB) No. 84: State Employer Contribution Supplemental Payment – Pursuant to Chapter 50, Statutes of 2017 SB 84, the Legislature approved a one-time additional payment of $6.0 billion to CalPERS in fiscal year 2018 from the SMIF to help lower and stabilize the State’s contributions. The Department of Finance (DOF) has determined a transfer schedule for all State funds responsible for pension contributions. In fiscal year 2018, the SCO established a schedule to repay the principal of $6,371,000 the State advanced CALPIA plus an estimated $901,000 of interest for SB 84. Payments began July 2019 and are scheduled to end June 2025. For fiscal years 2023 and 2022, the corresponding share of the advanced principal was recorded in CALPIA’s Statements of Net Position.

(7) DEFINED BENEFIT PENSION PLANS (CONTINUED)

Repayment of CALPIA's share of the principal and estimated interest is scheduled as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 1,127,000	$ 52,000	$ 1,179,000
2025	15,160	487,840	503,000
Totals	$ 1,142,160	$ 539,840	$ 1,682,000

Actuarial Assumptions – For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability using standard update procedures. In April 2023, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions.

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability using standard update procedures. In Fiscal Year 2021-22, no changes have occurred to the actuarial assumptions in relation to financial reporting.

The actuarial method and assumptions used in the June 30, 2021 and 2020 actuarial valuations are set forth as follows:

	June 30, 2021 Valuation	June 30, 2020 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies (1)	Varies (1)
Mortality Rate Table (2)	CalPERS membership data	CalPERS membership data
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% (3)	The lesser of contract COLA or 2.50% (3)

1. Depending on age, service and type of employment.
2. The mortality table used was developed based on CalPERS – specific data. The table includes 15 years of projected mortality improvements using the Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
3. The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(7) DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the June 30, 2022 and 2021 measurement dates. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Pension Plans' fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset class[1]	Assumed asset allocation	Real return[1,2]
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021 Asset Liability Management study.

(7) DEFINED BENEFIT PENSION PLANS (CONTINUED)

2021 and 2020 Measurement Period Asset Class (a)	Current Target Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.00% used for this period.
(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents CALPIA's fiscal year 2023 proportionate share of the net pension liabilities of the Pension Plans as of the measurement date, calculated using the discount rate of 6.90%, as well as what CALPIA's proportionate share of the net pension liabilities would be if it were calculated using a discount rate 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current discount rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
State Miscellaneous	$ (408,837)	$ (284,126)	$ (180,011)
State Safety	89,013,331	52,205,624	21,869,348
State Industrial	49,949,938	29,674,661	13,038,796

The following presents CALPIA's fiscal year 2022 proportionate share of the net pension liabilities of the Pension Plans as of the measurement date, calculated using the discount rate of 7.15%, as well as what CALPIA's proportionate share of the net pension liabilities would be if it were calculated using a discount rate 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current discount rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
State Miscellaneous	$ 155,396	$ 92,221	$ 39,259
State Safety	49,079,514	16,191,657	(11,049,221)
State Industrial	28,976,069	10,932,237	(3,946,158)

(8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description – CALPIA employees also participate in the State's other postemployment benefits (OPEB) plan under which the State provides medical, prescription drug, and dental benefits to retired statewide employees through a single-employer defined benefit plan. The State participates in the CERBT, an agent-multiple employer plan consisting of an aggregation of single-employer plans. The authority for establishing and amending benefits, as well as amending the funding policy lies solely with the Legislature.

The State and certain bargaining units and judicial employees (valuation groups) have agreed to prefund retiree healthcare benefits. Assets are held in separate accounts by valuation group within the California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS, an agent multiple-employer defined benefit other postemployment benefits plan (OPEB Plan). Assets within each valuation group benefit retirees and dependents associated with that valuation group. CalPERS reports on the CERBT as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.calpers.ca.gov.

The State has identified 17 separate valuation groups within the OPEB Plan. For each agency and/or fund, the SCO determined the proportion of contributions for fiscal year 2023 and 2022 attributable to employees within these valuation groups. The SCO then used these proportions to allocate the OPEB accounting elements from the respective year's State of California Retiree Health Benefits Program Actuarial Valuation Report to State agencies and their funds.

Accounting Policy – CALPIA follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 requires state and local government employers to recognize the net OPEB liability and the annual OPEB expense, as well as deferred outflows and inflows of resources for changes in the net OPEB liability not recognized in the annual OPEB expense, in their financial statements. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the actuarial accrued liability less the market value of assets.

Benefits Provided – In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon the completed years of credited State service at retirement and the dental coverage selected. The maximum fiscal year 2022 monthly State contribution was $816 for one-party coverage, $1,548 for two-party coverage, and $1,983 for family coverage. The maximum fiscal year 2021 monthly State contribution was $798 for one-party coverage, $1,519 for two-party coverage, and $1, 937 for family coverage. To be eligible for these benefits, primary government first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits.

Contributions – The design of the postemployment health and dental benefit programs can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. Employer and retiree contributions are governed by the State and may be amended by the Legislature.

CALPIA participates in the OPEB Plan on a cost-sharing basis. The State funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis. The State obtains an annual actuarial valuation of the OPEB Plan, which can be found on the SCO's website at www.sco.ca.gov. Contributions to the OPEB Plan from CALPIA were $11,758,000 for the fiscal year ended June 30, 2023 and $11,631,000 for the fiscal year ended June 30, 2022.

(8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Net OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows or Resources Related to OPEB – At June 30, 2023 and 2022, CALPIA reported a liability of $202,081,000 and $283,968,000, respectively, for its proportionate share of the OPEB Plan net OPEB liability in accordance with the parameters of GASB 75. The net OPEB liability was measured as of June 30, 2022, and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively. CALPIA's proportion of the net OPEB liability was based on the SCO's projection for CALPIA. At June 30, 2023, CALPIA's combined proportionate share, based on its attributable employee valuation groups' contributions for the fiscal year ended June 30, 2022, was 0.58583%. At June 30, 2022, CALPIA's combined proportionate share, based on its attributable employee valuation groups' contributions for the fiscal year ended June 30, 2021, was 0.63663%.

For the fiscal years ended June 30, 2023 and 2022, CALPIA recognized OPEB expense of $(6,479,941) and $13,571,867 , respectively. At June 30, 2023 and 2022, CALPIA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 11,836,000	$ (42,629,000)	$ 18,056,000	$ (10,503,000)
Change in proportion	-	(46,794,908)	3,450,151	-
Net difference between projected and actual earnings on plan investments	2,100,000	(708,000)	95,000	(1,163,000)
Differences between expected and actual experience	8,001,000	(24,115,000)	7,000	(38,476,000)
CALPIA's contributions subsequent to the measurement date	11,758,000	-	11,631,000	-
Totals	$ 33,695,000	$ (114,246,908)	$ 33,239,151	$ (50,142,000)

The amounts reported above as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the respective following fiscal year. As of June 30, 2023, deferred outflows of resources of $11,758,000 represent OPEB contributions made after the measurement date of June 30, 2022 (contributions made during the fiscal year ended June 30, 2023). As of June 30, 2022, deferred outflows of resources of $11,631,000 represent OPEB contributions made after the measurement date of June 30, 2021 (contributions made during the fiscal year ended June 30, 2022).

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in CALPIA's expense as follows:

Fiscal Year Ending June 30,	
2023	$ (17,779,941)
2024	(14,319,941)
2025	(13,483,261)
2026	(15,567,398)
2027	(15,512,490)
Thereafter	(15,646,877)
Total	$ (92,309,908)

(8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Actuarial Assumptions – For the measurement period ended June 30, 2022 (the measurement date), the total OPEB liability was determined using a June 30, 2022 valuation date. For the measurement period ended June 30, 2021 (the measurement date), the total OPEB liability was determined using a June 30, 2021 valuation date. The June 30, 2022 total OPEB liability was based on the following actuarial method and assumptions:

Valuation Date:	June 30, 2022
Actuarial Cost Method:	Entry age normal in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate:	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.69%.
Inflation:	2.30%
Salary Increases:	Varies by entry age and service
Investment Rate of Return:	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare Cost Trend Rates:	*Pre-Medicare coverage:* Actual rates for 2023, increasing to 7.00% in 2024, grading down 4.50% from 2029 through 2037, and then to 4.25% for 2038 and later years *Post-Medicare coverage:* Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years *Dental coverage:* 0.03% for 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and later years.
Mortality Rate Table:	Derived using CalPERS' membership data for all members

The mortality table used was developed based on CalPERS specific data. The June 30, 2021 table includes 15 years of mortality improvements using the Society of Actuaries 80% Scale MP 2020. For more details on this table, refer to the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions* report (2021 Experience Study) for the period from 2000 to 2019. Other demographic assumptions used in the June 30, 2021 valuations were also based on the results of the 2021 Experience Study, including updates to termination, disability, and retirement rates. The 2021 Experience Study report is available at www.CalPERS.ca.gov.

The June 30, 2021 total OPEB liability was based on the following actuarial method and assumptions:

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Entry age normal in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate:	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 1.92%.
Inflation:	2.30%
Salary Increases:	Varies by entry age and service
Investment Rate of Return:	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare Cost Trend Rates:	*Pre-Medicare coverage:* Actual rates for 2022, increasing to 7.50% in 2023, grading down 4.50% from 2029 through 2037, and then to 4.25% for 2038 and later years *Post-Medicare coverage:* Actual rates for 2022, increasing to rates ranging from 7.50% to 8.42% in 2023, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years *Dental coverage:* 0.00% for 2022, 2.00% for 2023, 3.00% for 2024, 4.00% for 2025, and 4.25% for 2026 and later years.
Mortality Rate Table:	Derived using CalPERS' membership data for all members

(8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

The mortality table used was developed based on CalPERS specific data. The June 30, 2021 table includes 15 years of mortality improvements using the Society of Actuaries 80% Scale MP 2020. For more details on this table, refer to the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions* report (2021 Experience Study) for the period from 2000 to 2019. Other demographic assumptions used in the June 30, 2021 valuations were also based on the results of the 2021 Experience Study, including updates to termination, disability, and retirement rates. The 2021 Experience Study report is available at www.CalPERS.ca.gov.

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The GRS 2018 Experience Review is available at www.sco.ca.gov.

Discount Rate – The discount rates used to measure the total OPEB liability was based on a blended rate for each valuation group. The blended rates used to measure the June 30, 2022, total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00% when prefunding assets are available to pay benefits. The blended rates used to measure the June 30, 2021, total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 1.92% as of June 30, 2021, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The actuarial valuation as of June 30, 2022 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the fiscal years ended June 30, 2022 and June 30, 2023. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2022 and 2021* respectively, on the SCO website, at www.SCO.ca.gov.

The long-term expected rate of return on OPEB plan investments was determined by GRS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) real returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 5 years) and the long-term (6-20 years), and an average inflation assumption of 2.3%, a single expected nominal return rate of 6.00% as of June 30, 2021 was calculated for the combined short-term and long-term periods. Based on separate expected real returns for the short-term (first 10 years) and the long-term (11-40 years), and an average inflation assumption of 2.30%, a single expected nominal return rate of 6.00% as of June 30, 2021 was calculated for the combined short-term and long-term periods. If applied to expected cash flows during those periods, the resulting present values of benefits are expected to be consistent with the present values of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

(8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

The following table reflects the long-term expected real rate of return by asset class as of June 30, 2022:

Asset Class	Target Asset Allocation	Real Return Years 1-5	Real Return Years 6-20
Global Equity	49%	4.40%	4.50%
Fixed Income	23%	(1.00)%	2.20%
Treasury Inflation-Protected Securities	5%	(1.80)%	1.30%
Real Estate Investment Trusts	20%	3.00%	3.90%
Commodities	3%	0.8%	1.20%
Total	100%		

The following table reflects the long-term expected real rate of return by asset class as of June 30, 2021:

Asset Class	Target Asset Allocation	Real Return Years 1-5	Real Return Years 6-20
Global Equity	49%	4.40%	4.50%
Fixed Income	23%	(1.00)%	2.20%
Treasury Inflation-Protected Securities	5%	(1.80)%	1.30%
Real Estate Investment Trusts	20%	3.00%	3.90%
Commodities	3%	0.8%	1.20%
Total	100%		

Sensitivity of CALPIA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents CALPIA's June 30, 2023 proportionate share of the net OPEB liability, as well as what CALPIA’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	Blended Discount Rate -1%	Blended Discount Rate	Blended Discount Rate +1%
Net OPEB Liability	$ 235,799,000	$ 202,081,000	$ 174,652,000

(8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

The following presents CALPIA's June 30, 2022 proportionate share of the net OPEB liability, as well as what CALPIA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	Blended Discount Rate -1%	Blended Discount Rate	Blended Discount Rate +1%
Net OPEB Liability	$ 335,515,623	$ 283,968,000	$ 242,541,210

Sensitivity of CALPIA's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Costs Trend Rates – The following presents CALPIA's June 30, 2023 proportionate share of the net OPEB liability, as well as what CALPIA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

	Healthcare Cost Trend Rate -1%	Healthcare Cost Trend Rate	Healthcare Cost Trend Rate +1%
Net OPEB Liability	$ 172,416,000	$ 202,081,000	$ 239,636,000

The following presents CALPIA's June 30, 2022 proportionate share of the net OPEB liability, as well as what CALPIA's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rate:

	Healthcare Cost Trend Rate -1%	Healthcare Cost Trend Rate	Healthcare Cost Trend Rate +1%
Net OPEB Liability	$ 238,838,296	$ 283,968,000	$ 342,101,625

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB Plan fiduciary net position is available on CalPERS website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer." Additionally, CalPERS annually issues an Annual Comprehensive Financial Report, which includes the CERBT fund's financial statements.

(9) CASH RESERVES FOR FUTURE LIABILITIES: NET OPEB LIABILITY AND NET PENSION LIABILITY

As one of the few State agencies that is self-funded, CALPIA actively monitors the costs of retiree health-benefits and pension benefits in accordance with GAAP and the funding policies of the State. As of June 30, 2023 and 2022, CALPIA's Statement of Net Position reflects a net OPEB liability of $202 million and $284 million, respectively, and net pension liability of $82 million and $27 million, respectively. However, CALPIA is no longer obligated to set aside funds for these future liabilities.

(9) CASH RESERVES FOR FUTURE LIABILITIES: NET OPEB LIABILITY AND NET PENSION LIABILITY (CONTINUED)

On June 27, 2017, Assembly Bill No. 103, Sections 37 and 38 were approved by the Governor, pursuant to its authority, and Penal Code Sections 2801 and 2808 were amended to read "(1) This subdivision does not require immediate cash availability for funding retiree health care and pension liabilities above amounts established in the Budget Act, or as determined by the Board of Administration of the Public Employees' Retirement System, or the Director of Finance for the fiscal year. (2) The Prison Industry Authority shall not establish cash reserves to support funding retiree health care and pension liabilities above the amounts specified in paragraph (1)."

However, CALPIA will continue its contributions to fund these liabilities in the Statewide budget through DOF's annual pro rata allocation requirement and prefunding OPEB contributions. By statute, CALPIA is self-funded and must cover all its operating costs. While CALPIA continues to accrue its allocated share of the State's net pension liability and net OPEB liability, the DOF has negotiated a long-term funding solution whereby CalPERS and the State are ultimately responsible for the payment of these long-term obligations.

(10) RELATED PARTY TRANSACTIONS

Related party transactions with CDCR consisted of the following for the fiscal years ended June 30:

		2023	2022
Assets:			
Accounts receivable	$	7,595,706	8,081,755
Liabilities:			
Accrued expenses and other Liabilities		89,094	1,805,220
Revenue:			
Sales		173,015,321	157,205,527
Expenses:			
Support charges paid		3,030,359	5,041,231

The Secretary of CDCR also serves as Chair of the Prison Industry Board. In the chart above, accounts receivables are for the sale of goods and services delivered to CDCR. Accrued expenses and other liabilities represent expenses incurred for rent and utilities associated with the space owned by CDCR and used by CALPIA to operate the incarcerated individual work programs.

CALPIA has transactions with other agencies of the State in addition to CDCR. For the fiscal years ended June 30, 2023 and 2022, sales to such agencies were $97,203,165 and $86,914,724, respectively. As of June 30, 2023, and 2022, CALPIA had accounts receivable from other state agencies of $5,052,580 and $3,819,746, respectively. Additionally, CALPIA received an assessment for statewide administrative costs, which were $10,971,656 and $12,950,869 for the fiscal years ended June 30, 2023 and 2022, respectively.

(11) CONTINGENCIES

CALPIA is involved in various legal actions arising in the ordinary course of business. In the opinion of management, after consulting with legal counsel, CALPIA intends to defend these cases vigorously and believes that the ultimate liability, if any, will not be material to the financial position of CALPIA.

(12) COMMITMENTS

Warranties – CALPIA provides its customers a warranty period of five years for office furniture and mattress products and ten years for residential hall furniture. CALPIA has not established a reserve for warranty expense as such expenses and liabilities are deemed to be immaterial by management. Such costs are expensed when incurred.

Rental payments – Future minimum rental payments required under leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2023, are as follows:

Fiscal year Ending June 30,		
2024	$	688,510
2025		709,129
2026		730,365
2027		752,239
Total	$	2,880,243

Total rental expense for all operating leases was $602,245 and $650,182 for the fiscal years ended June 30, 2023 and 2022, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CALIFORNIA PRISON INDUSTRY AUTHORITY

Required Supplementary Information - Unaudited

Schedule of CALPIA's Proportionate Share

of the Net Pension Liability

Last Nine Years*

Fiscal Year	Measurement Period	CALPIA's Proportion of the Net Pension Liability	CALPIA's Proportionate Share of the Net Pension Liability	CALPIA's Covered Payroll**	CALPIA's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
State Miscellaneous Plan:						
2023	2022	-0.00075%	$ (284,126)	$ (110,683)	256.70%	71.63%
2022	2021	0.00041%	92,221	53,411	172.66%	82.39%
2021	2020	0.00092%	319,389	124,769	255.98%	71.51%
2020	2019	0.00072%	240,567	92,358	260.47%	71.34%
2019	2018	-0.00005%	(15,645)	(6,103)	256.35%	71.83%
2018	2017	0.00007%	25,609	8,125	315.19%	66.42%
2017	2016	0.00004%	13,618	4,602	295.91%	66.81%
2016	2015	0.00026%	74,501	28,070	265.41%	70.68%
2015	2014	0.00024%	56,452	23,758	237.61%	74.17%
State Safety Plan:						
2023	2022	1.59863%	$ 52,205,624	$ 42,100,957	124.00%	80.90%
2022	2021	1.57121%	16,191,657	37,205,698	43.52%	93.55%
2021	2020	1.70060%	48,096,142	43,644,148	110.20%	81.29%
2020	2019	1.65963%	46,879,088	40,960,033	114.45%	81.12%
2019	2018	1.51469%	39,024,133	35,438,271	110.12%	80.36%
2018	2017	1.39437%	42,279,815	30,222,045	139.90%	75.51%
2017	2016	1.28738%	35,056,455	27,038,787	129.65%	75.31%
2016	2015	1.23844%	26,770,544	24,815,521	107.88%	79.03%
2015	2014	1.13518%	16,779,429	21,582,485	77.75%	84.14%
State Industrial Plan:						
2023	2022	2.52897%	$ 29,674,661	$ 20,300,290	146.18%	79.58%
2022	2021	2.46577%	10,932,237	17,411,497	62.79%	91.78%
2021	2020	2.63684%	26,780,532	20,193,954	132.62%	81.12%
2020	2019	2.51794%	25,461,895	18,345,922	138.79%	79.06%
2019	2018	2.35314%	21,004,792	16,354,682	128.43%	80.06%
2018	2017	2.18483%	24,091,530	14,054,888	171.41%	74.48%
2017	2016	2.10248%	19,255,811	13,145,123	146.49%	76.00%
2016	2015	1.81271%	12,871,737	10,472,208	122.91%	80.25%
2015	2014	1.53930%	8,334,675	8,196,627	101.68%	83.92%

Notes to Schedule:

Changes of benefit terms:

In 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016, there were no changes to the benefit terms.

Changes in assumptions:

In 2018, the discount rate lowered from 7.65% to 7.15%. In 2016, the discount rate changed from 7.50% (net of administrative expenses) to 7.65% to correct an adjustment which previously reduced the discount rate for adminstrative expenses. In 2022, 2021, 2020, 2019, and 2017, there were no changes in assumptions.

* GASB 68 was implemented in 2015 (2014 measurement period).

** GASB 82 was implemented in 2017 for reporting periods beginning after June 15, 2016. This changed covered-employee payroll to covered payroll. Prior year amounts were not restated.

CALIFORNIA PRISON INDUSTRY AUTHORITY

Required Supplementary Information - Unaudited

Schedule of CALPIA's Pension Contributions

Last Nine Years*

Fiscal Year	Contractually Required Contribution		Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	CALPIA's Covered Payroll**	Contributions as a Percentage of Covered Payroll**
State Miscellaneous Plan:						
2023	$ 1,667		$ 1,667	$ -	$ 5,676.00	29.369%
2022	(36,072)		-	(36,072)	(123,619)	0.0000%
2021	15,490		15,490	-	52,741	29.370%
2020	38,599		38,599	-	125,252	30.817%
2019	27,098		27,098	-	92,358	29.340%
2018	(1,583)	***	1,417	(3,000)	(6,103)	-23.218%
2017	2,188		2,188	-	8,125	26.929%
2016	1,207		1,207	-	4,602	26.228%
2015	6,826		6,826	-	28,070	24.318%
State Safety Plan:						
2023	$ 9,828,074		$ 9,828,074	$ -	$ 49,263,529	19.950%
2022	8,196,674		8,196,674	-	44,815,057	18.290%
2021	7,429,397		7,429,397	-	37,240,085	19.950%
2020	9,772,292		9,772,292	-	43,602,945	22.412%
2019	8,817,667		8,817,667	-	40,960,033	21.527%
2018	7,292,266		11,473,266	(4,181,000)	35,438,271	32.375%
2017	6,020,902		6,020,902	-	30,222,045	19.922%
2016	5,208,565		5,208,565	-	27,038,787	19.263%
2015	4,806,036		4,806,036	-	24,815,521	18.770%
State Industrial Plan:						
2023	$ 4,326,275		$ 4,326,275	$ -	$ 23,783,810	18.190%
2022	3,524,157		3,524,157	-	21,410,431	16.460%
2021	3,161,112		3,161,112	-	17,378,296	18.190%
2020	4,301,766		4,301,766	-	20,231,228	21.263%
2019	3,744,052		3,744,052	-	18,345,922	20.408%
2018	3,340,373		5,527,373	(2,187,000)	16,354,682	33.797%
2017	2,707,009		2,707,009	-	14,054,888	19.260%
2016	2,449,020		2,449,020	-	13,145,123	18.631%
2015	1,900,138		1,900,138	-	10,472,208	18.772%

Notes to Schedule:

The actuarial methods and assumptions used to determine contributions for the fiscal year ended June 30, 2023 were from the June 30, 2021 valuation reports as follows:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation	2.50%
Salary increase	Various
Discount rate	7.15%
Mortality Rate Table (1)	CalPERS membership Data
Post Retirement Benefit increase	The lesser of contract COLA or

1 The mortality table used was developed based on CalPERS – specific data. The table includes 15 years of projected mortality improvements using the Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

* GASB 68 was implemented in 2015.

** GASB 82 was implemented in 2017 for reporting periods beginning after June 15, 2016. This changed covered-employee payroll to covered payroll. Prior year amounts were not restated.

*** The negative contractually required contribution for the Miscellaneous Plan for fiscal year 2018 reflects adjustments made for employees that were misclassified in prior years.

CALIFORNIA PRISON INDUSTRY AUTHORITY

Required Supplementary Information - Unaudited

Schedule of CALPIA's Proportionate Share

of the Net OPEB Liability

Last Six Years*

Fiscal Year	Measurement Period	CALPIA's Proportion of the Net OPEB Liability	CALPIA's Proportionate Share of the Net OPEB Liability	CALPIA's Covered-Employee Payroll	CALPIA's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	2022	0.58583%	$ 202,081,000	63,601,980	317.73%	5.55%
2022	2021	0.63663%	283,968,000	55,542,633	511.26%	3.32%
2021	2020	0.68004%	306,480,000	62,163,225	493.02%	1.98%
2020	2019	0.67810%	299,482,000	57,869,047	517.52%	0.82%
2019	2018	0.66917%	256,771,000	51,648,486	497.15%	0.29%
2018	2017	0.67925%	279,150,000	44,863,249	622.22%	0.14%

Notes to Schedule:

Changes of benefit terms:

For 2023, 2022, 2021, 2020, and 2019, there were no changes to the benefit terms.

Changes in assumptions:

For 2020 and 2019, the blended discount rates used in the actuarial assumptions changed from the prior year. For 2018, healthcare related assumptions were updated based on experience through June 30, 2017.

* GASB 75 was implemented in 2018 (2017 measurement period).

CALIFORNIA PRISON INDUSTRY AUTHORITY

Required Supplementary Information - Unaudited

Schedule of CALPIA's OPEB Contributions

Last Five Years*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	CALPIA's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2023	$ 11,758,000	$ 11,758,000	$ -	$ 64,343,749	18.274%
2022	11,631,000	11,631,000	-	63,601,980	18.287%
2021	11,070,000	11,070,000	-	55,542,633	19.931%
2020	10,780,000	10,780,000	-	62,163,225	17.341%
2019	9,297,000	9,297,000	-	57,869,047	16.066%
2018	6,563,000	6,563,000	-	51,648,486	12.707%

Notes to Schedule:

* GASB 75 was implemented in 2018.

OTHER INFORMATION

CALIFORNIA PRISON INDUSTRY AUTHORITY

Internal Service Fund

Statements of Net Position

Classified In Accordance with the State Controller's Instructions

June 30, 2023 and 2022

(in thousands)

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and pooled investments	$ 15,911	$ 20,799
Receivables, (net)	6,216	6,476
Due from other funds	12,748	11,912
Due from other governments	197	244
Prepaid items	1,426	3,225
Inventories, at cost	58,671	57,780
TOTAL CURRENT ASSETS	95,169	100,436
NONCURRENT ASSETS		
Nondepreciable capital assets:		
Construction in process	11,310	12,649
Depreciable capital assets:		
Buildings	12,873	12,873
Leasehold improvements	43,365	41,343
Equipment	161,506	160,786
Orchards	2,135	2,113
Intangible assets	7,564	5,819
TOTAL CAPITAL ASSETS	238,753	235,584
Accumulated depreciation:		
Buildings	(6,093)	(5,599)
Leasehold improvements	(32,631)	(31,686)
Equipment	(122,501)	(117,135)
Orchards	(967)	(954)
Intangible assets	(4,365)	(4,223)
TOTAL ACCUMULATED DEPRECIATION	(166,557)	(159,597)
TOTAL NONCURRENT ASSETS	72,196	75,987
TOTAL ASSETS	167,365	176,423
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	41,108	15,498
Deferred outflows of resources related to OPEB	33,693	33,239
TOTAL DEFERRED OUTFLOWS OF RESOURCES	74,801	48,737
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 242,166	$ 225,160
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and other	7,049	13,453
Due to other funds	5,655	3,943
Revenues received in advance	2,934	3,178
Other current liabilities	2,946	4,949
TOTAL CURRENT LIABILITIES	18,584	25,522
NONCURRENT LIABILITIES		
Compensated absences payable	14,534	15,456
Advances from other funds	15	2,234
Net OPEB liability	202,081	283,968
Net pension liability	81,596	27,216
Other non-current liabilities	20,580	20,794
TOTAL NONCURRENT LIABILITIES	318,806	349,667
TOTAL LIABILITIES	337,390	375,189
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	8,159	37,537
Deferred inflows of resources related to OPEB	114,247	50,142
TOTAL DEFERRED INFLOWS OF RESOURCES	122,406	87,679
NET POSITION		
Investment in capital assets	72,196	75,987
Unrestricted	(289,826)	(313,695)
TOTAL NET POSITION	(217,630)	(237,708)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 242,166	$ 225,160

CALIFORNIA PRISON INDUSTRY AUTHORITY

Internal Service Fund

Statements of Revenues, Expenses and Changes in Net Position

Classified in Accordance with the State Controller's Instructions

Years Ended June 30, 2023 and 2022

(in thousands)

	2023	2022
OPERATING REVENUES		
Services and sales	$ 273,122	$ 246,581
OPERATING EXPENSES		
Personal services	(95,922)	(104,167)
Supplies	(2,565)	(3,129)
Services and charges	(143,843)	(127,378)
Depreciation	(10,140)	(10,052)
Total operating expenses	(252,470)	(244,726)
OPERATING INCOME (LOSS)	20,652	1,855
NONOPERATING REVENUES (EXPENSES)		
Interest income	270	50
Interest expense	(96)	(61)
Gain (loss) on disposal and impairment of capital assets	(694)	(118)
Other expense/income	(54)	45
Total nonoperating revenues (expenses)	(574)	(84)
Change in net position	20,078	1,771
NET POSITION, BEGINNING OF YEAR	(237,708)	(239,480)
NET POSITION, END OF YEAR	$ (217,630)	$ (237,708)

CALIFORNIA PRISON INDUSTRY AUTHORITY

Internal Service Fund

Statement of Cash Flows

Classified in Accordance with the State Controller's Instructions

Years Ended June 30, 2023 and 2022

(in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 272,437	$ 249,547
Receipts from interfund services provided	6,576	6,965
Payments for interfund services used	(17,505)	(19,114)
Payments to employees	(113,905)	(111,399)
Payments to suppliers	(144,388)	(125,580)
Payments for other services	(54)	45
Net cash provided by operating activities	3,161	465
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of SB 84 pension contribution advanced from State	(1,092)	(1,149)
Interest paid	(96)	(61)
Net cash flows used in noncapital financing activities	(1,188)	(1,210)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of capital assets	(7,057)	(9,887)
Proceeds from sale of capital assets	15	252
Net cash flows used in capital and related financing activities	(7,042)	(9,635)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	182	55
Net increase (decrease) in cash and pooled investments	(4,887)	(10,325)
Cash and pooled investments, beginning of year	20,798	31,123
Cash and pooled investments, end of year	$ 15,911	$ 20,798
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 20,652	$ 1,855
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	10,140	10,052
Other fees	(54)	45
Change in account balances:		
Receivables	260	(1,220)
Due from other funds	(747)	3,903
Due from other governments	47	(90)
Prepaid items	1,799	(2,182)
Inventories	(891)	(6,012)
Accounts payable and other	(6,404)	(1,870)
Due to other funds	585	(1,055)
Unearned revenue	(244)	372
Other current liabilities	(2,003)	1,533
Compensated absences payable	(922)	(821)
Other liabilities and deferred outflows/inflows	(19,057)	(4,045)
Total adjustments	(17,491)	(1,390)
Net cash provided by operating activities	$ 3,161	$ 465
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Interest accrued on loan payable	$ 87	31

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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 Prison Industry Board
Folsom, California

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 (*Government Auditing Standards*), the financial statements of the California Prison Industry Authority (CALPIA), a component unit of the State of California, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CALPIA's basic financial statements, and have issued our report thereon dated December 6, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CALPIA's internal control over financial reporting (internal control) as a basis for designing 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 CALPIA's internal control. Accordingly, we do not express an opinion on the effectiveness of CALPIA'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CALPIA'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

Sacramento, California
December 6, 2024