



CSUCI FINANCING AUTHORITY
(A Discretely Presented Component Unit of
California State University, Channel Islands)

Financial Statements and
Supplementary Information

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

CSUCI FINANCING AUTHORITY
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Independent Auditors' Report

The Board of Directors
CSUCI Financing Authority:

We have audited the accompanying financial statements of the CSUCI Financing Authority (the Financing Authority), a component unit of the California State University, as of and for the years ended June 30, 2009 and 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Financing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Financing Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Financing Authority has not presented the management's discussion and analysis that U.S. generally accepted accounting principles require to supplement, although not be part of, the financial statements.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules 1 and 2 on pages 11 and 12, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

October 7, 2009

CSUCI FINANCING AUTHORITY
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Statements of Net Assets

June 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash held with fiscal agents	\$ —	28
Investments	212,020	268,603
Total cash, cash equivalents, and investments	212,020	268,631
Accounts receivable	26,158	11,172
Total assets	238,178	279,803
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	—	2,500
Due to California State University, Channel Islands Site Authority	238,178	277,303
Total liabilities	238,178	279,803
Total net assets	\$ —	—

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Investment income	\$ 2,503	244,802
Operating expenses:		
Interest expense	—	92,708
General, administrative, and other costs	8,630	13,358
Total operating expenses	8,630	106,066
Operating income (loss)	(6,127)	138,736
Nonoperating revenues (expenses):		
Property taxes	453,009	433,971
Special taxes	(446,882)	(572,707)
Total nonoperating revenues (expenses)	6,127	(138,736)
Change in net assets	—	—
Net assets, beginning of year	—	—
Net assets, end of year	\$ —	—

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Investment income	\$ 2,503	708,344
Interest expense	—	(556,250)
Cash paid to suppliers	(8,630)	(13,358)
Net cash provided by (used in) operating activities	(6,127)	138,736
Cash flows from noncapital financing activities:		
Tax receipts	438,023	439,838
Special taxes	(446,882)	(572,707)
Net cash provided by (used in) noncapital financing activities	(8,859)	(132,869)
Cash flows from capital and related financing activities:		
Proceeds from repayments of loans receivable	—	44,500,000
Principal payments of bonds	—	(44,500,000)
Funding provided to California State University, Channel Islands Site Authority	(41,625)	(52,482,565)
Net cash provided by (used in) capital financing activities	(41,625)	(52,482,565)
Cash flows from investing activities:		
Sales of investments	496,787	48,872,887
Purchases of investments	(440,204)	(674,689)
Net cash provided by (used in) investing activities	56,583	48,198,198
Net decrease in cash and cash equivalents	(28)	(4,278,500)
Cash and cash equivalents at beginning of year	28	4,278,528
Cash and cash equivalents at end of year	\$ —	28
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (6,127)	138,736
Net cash provided by (used in) operating activities	\$ (6,127)	138,736

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2009 and 2008

(1) Description of Reporting Entity and Summary of Significant Accounting Policies

(a) Reporting Entity

The CSUCI Financing Authority (the Financing Authority) was formed on May 10, 2000 under and pursuant to a Joint Powers Authority formed by and between the Trustees of the California State University (the CSU Trustees) and the California State University, Channel Islands Site Authority (the Site Authority). The Financing Authority's purpose is to provide financing for public capital improvements serving the California State University, Channel Islands (the Campus).

The proceeds of the revenue bonds will be used to finance and refinance the cost of constructing various public improvements on property transferred to the CSU Trustees and will be managed by the Site Authority. The property is comprised two major sectors: the West Campus and East Campus. The West Campus consists of developed space on 42 acres of the property previously known as the Camarillo State Hospital. This portion of the Campus is centered on academic uses and houses the Campus. The East Campus comprises 162 acres of developable land, which is expected to contain 900 residential units and approximately 31,000 square feet of retail commercial uses. The development of the East Campus began in October 2000 and is projected to be completed by early 2010.

The Financing Authority is an integral part of the Campus, and the financial transactions of the Financing Authority are also included in the financial statements of the Campus as a discretely presented component unit.

(b) Basis of Presentation

The accompanying financial statements for the Financing Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The Financing Authority is considered a special-purpose government under the provisions of GASB Statement No. 34. The Financing Authority records revenue primarily from special taxes and interest collected from the Site Authority, as well as interest earned on cash held with fiscal agents, and accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the Financing Authority to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, the Financing Authority prepares its statements of cash flows using the direct method.

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(c) *Election of Applicable FASB Statements*

The Financing Authority has elected to follow private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Financing Authority also has the option of following subsequent private-sector guidance subject to the same limitation. The Financing Authority has elected not to follow subsequent private-sector guidance.

(d) *Classification of Revenues and Expenses*

The Financing Authority considers operating revenues and expenses in the statements of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange and nonexchange transactions or other activities that are connected directly to the Financing Authority's primary functions. Exchange transactions primarily include interest income and interest expense. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 34. These nonoperating activities are primarily collection of special tax revenues (see note 1(h)) and special taxes which are transferred to the Site Authority for capitalized lease payments (see note 1 (i)).

(e) *Cash and Cash Equivalents and Statements of Cash Flows*

The Financing Authority considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The Financing Authority considers amounts included in the California State University investment pool to be investments.

(f) *Investments*

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statements of revenues, expenses, and changes in net assets as interest revenue.

(g) *Income Taxes*

The Financing Authority was formed pursuant to Articles 1-4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California and, as a governmental entity, is not subject to federal or state income taxes.

(h) *Property Taxes*

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Property is originally assessed at 100% of full cash or market value at the date of transfer or completion of construction pursuant to Article XIII (A) of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the Financing Authority formed Community Facilities District No. 2000-1 (the District) on November 6, 2000 to assist in financing

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the development of the Campus. The District is authorized to incur a maximum of \$50,000,000 of indebtedness to provide for the cost of certain public facilities and services. The District may levy and collect a special tax within the District to repay such indebtedness. The special taxes are payable and are collected in the same manner and time as are general and *ad valorem* taxes on real property.

Property taxes are levied on both real and personal property. Secured property taxes become a lien on the property on January 1 or the date on which title to the property transfers or improvements to the property are completed. Secured property taxes are levied July 1 and payable in two equal installments; the first is generally due on November 1 and delinquent with penalties after December 10; the second is generally due on February 1 and delinquent with penalties after April 10. Special tax revenues are recognized in the period in which they are levied, net of amounts determined to be uncollectible.

Supplemental property tax assessments/refunds associated with changes in assessed valuations due to transfers of title and completed property improvements are levied in two equal installments and have variable due dates based on the date of title transfer and/or completion of the property improvements.

(i) Special Taxes

The Financing Authority transfers special tax receipts along with any interest earned after paying any related fees to the Site Authority. The transferred amount is used to pay the capitalized lease obligations.

(j) Use of Estimates

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

(2) Cash and Cash Equivalents and Investments

The Financing Authority's cash and cash equivalents and investments at June 30, 2009 and 2008 are classified in the accompanying financial statements as follows:

	2009	2008
Cash and cash equivalents	\$ —	28
Investments	212,020	268,603
Total cash and cash equivalents and investments	\$ 212,020	268,631

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June 30, 2009 and 2008

(a) *Cash and Cash Equivalents*

At June 30, 2009 and 2008, cash and cash equivalents consisted of deposits held with fiscal agents. The bank balance and the carrying value of this cash was \$0 and \$28 at June 30, 2009 and 2008, respectively.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the Financing Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated in that the Financing Authority's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

(b) *Investments*

At June 30, 2009 and 2008, the Financing Authority's investment portfolio consists primarily of investments held in the California State University Investment Pool and Wells Fargo Stagecoach Sweep – Repurchase Agreement. For the California State University Investment Pool, separate accounting is maintained as to the amounts allocable to the various funds and programs.

Investment Policy

State law and regulations require that surplus moneys of the Financing Authority must be invested. The Financing Authority follows the investments authorized by Government Code 53601, subject to certain limitations. In general, the Government code permits investments in obligations of the federal and California state governments, certificates of deposit, repurchase agreements and certain other investment instruments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Financing Authority manages its exposure to interest rate risk is by purchasing a combination of short- and mid-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Financing Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The weighted average maturity of the Financing Authority's investment portfolio for each investment type as of June 30, 2009 and 2008 is presented in the table on the following page.

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Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Financing Authority's investment portfolio, including its participation in the California State University's Investment Pool as of June 30, 2009:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end					
			AAA	Aa	A	BBB	Not rated	
Repurchase agreements	\$ 212,020	—	\$ —	—	—	—	—	212,020
Total investments	212,020		\$ —	—	—	—	—	212,020
Not subject to ratings:								
U.S. Treasury securities	—							
Total investments	\$ 212,020							

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Financing Authority's investment portfolio, including its participation in the California State University's Investment Pool as of June 30, 2008:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end					
			AAA	Aa	A	BBB	Not rated	
Certificates of deposit	\$ 57,963	0.13	\$ —	—	57,963	—	—	
Money market	101	—	101	—	—	—	—	
Commercial paper	68,226	0.05	—	—	68,226	—	—	
U.S. agency securities	33,362	1.17	28,262	—	5,100	—	—	
Repurchase agreements	6,389	0.50	—	—	6,389	—	—	
Mortgage-backed securities	8,953	11.97	8,953	—	—	—	—	
Corporate and fixed income securities	92,971	1.68	28,670	30,652	31,443	776	1,430	
Total investments	267,965		\$ 65,986	30,652	169,121	776	1,430	
Not subject to ratings:								
U.S. Treasury securities	638							
Total investments	\$ 268,603							

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Concentration of Credit Risk

The Financing Authority follows the limitations stipulated in the California Government Code related to amounts that can be invested in any one type of issuer. As of June 30, 2009, there were no investments (other than U.S. Treasury securities, mutual funds, repurchase agreements, and external investment pools) which represented 5% or more of the Financial Authority's investment portfolio. As of June 30, 2008, the following investments (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5.0% or more of the Financing Authority's investment portfolio: Federal Home Loan Bank totaling \$18,824, or 7.0%; and Freddie Mac totaling \$15,785, or 5.9%.

Custodial Credit Risk

Custodial credit for investments is the risk that the Site Authority will not be able to recover the value of its investments or will not be able to recover collateral securities that are in possession of an outside party (e.g., repurchase agreements). Section 53601(j)(2) of the California Government Code permits investments in repurchase agreements on any investment authorized in Section 53601 when the term of the agreement does not exceed one year. The market value of the securities that underlay a repurchase agreement are to be valued at 102% or great of the funds borrowed against those securities and the value is to be adjusted no less than quarterly. All of the Financing Authority's \$212,020 investments in a repurchase agreement are held by the investment's counterparty, not in the name of the Site Authority. In compliance with the Government Code, the market value in the repurchase agreement securities that underlay the repurchase agreement are valued at 102% of the funds borrowed against those securities.

Risks and Uncertainties

The Financing Authority may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net assets.

(3) Due to CSUCI Site Authority

Pursuant to the terms of trust agreements with U.S. Bank and The Bank of New York (each a Trustee), the Financing Authority holds the cash from the sale of the Revenue Bonds with the Trustee for those Revenue Bonds, and the Trustee disburses cash to the Site Authority as expenses are incurred. Amounts due to the Site Authority at June 30, 2009 and 2008, \$238,178 and \$277,303, respectively, consist of special tax receipts yet to transfer, which will be used for upcoming capitalized lease payments.

(4) Related Party

Substantially, all of the transactions entered into by the Financing Authority are with the Site Authority.

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Supplementary Schedule of Net Assets by Program (Unaudited)

June 30, 2009

	<u>Infrastructure</u>	<u>Special Tax – Community Facilities District</u>	<u>Total</u>
Assets:			
Investments	\$ —	212,020	212,020
Accounts receivable	—	26,158	26,158
Special tax receivable due from (to) Community Facilities District	238,178	(238,178)	—
Total assets	<u>238,178</u>	<u>—</u>	<u>238,178</u>
Liabilities:			
Due to California State University, Channel Islands Site Authority	238,178	—	238,178
Total liabilities	<u>238,178</u>	<u>—</u>	<u>238,178</u>
Total net assets	<u>\$ —</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Schedule of Revenues, Expenses, and
Changes in Net Assets by Program (Unaudited)

Year ended June 30, 2009

	<u>Infrastructure</u>	<u>Special Tax – Community Facilities District</u>	<u>Total</u>
Operating revenues:			
Interest revenue	\$ (28)	2,531	2,503
Operating expenses:			
General, administrative, and other costs	—	8,630	8,630
Total operating expenses	—	8,630	8,630
Operating loss	(28)	(6,099)	(6,127)
Nonoperating revenues:			
Property taxes	—	453,009	453,009
Special taxes	28	(446,910)	(446,882)
Total nonoperating income (loss)	28	6,099	6,127
Change in net assets	—	—	—
Net assets, beginning of year	—	—	—
Net assets, end of year	\$ —	—	—

See accompanying independent auditors' report.