



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

Financial Statements and
Supplementary Information

June 30, 2011 and 2010

(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 California State University Channel Islands as of and for the years ended June 30, 2011 and 2010, 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 CSUCI Financing Authority as of June 30, 2011 and 2010, 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 schedule of net assets by program (unaudited) and supplementary schedule of revenues, expenses, and changes in net assets by program (unaudited) on pages 9 and 10, 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 17, 2011

CSUCI FINANCING AUTHORITY
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Statements of Net Assets

June 30, 2011 and 2010

Assets	2011	2010
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 203,272	205,486
Accounts receivable – property taxes	<u>17,584</u>	<u>19,359</u>
Total assets	<u>220,856</u>	<u>224,845</u>
Liabilities and Net Assets		
Current liabilities:		
Due to California State University, Channel Islands Site Authority	<u>220,856</u>	<u>224,845</u>
Total liabilities	<u>220,856</u>	<u>224,845</u>
Total net assets	<u>\$ —</u>	<u>—</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating expenses:		
Interest expense	—	36
General, administrative, and other costs	637	6,180
Total operating expenses	637	6,216
Operating loss	(637)	(6,216)
Nonoperating revenues:		
Special taxes	472,937	440,951
Income before transfers	472,300	434,735
Transfer to California State University, Channel Islands Site Authority – special tax – Community Facilities District	(472,300)	(434,735)
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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Interest income	\$ —	(36)
Cash paid to suppliers	(637)	(6,180)
Net cash used in operating activities	(637)	(6,216)
Cash flows from noncapital financing activities:		
Tax receipts	474,712	447,750
Special Taxes	(472,300)	(434,735)
Net cash provided by noncapital financing activities	2,412	13,015
Cash flows from capital related financing activities:		
Channel Islands Site Authority	(3,989)	(13,333)
Net cash used in capital related financing activities	(3,989)	(13,333)
Cash flows from investing activity:		
Sales of investments	—	212,020
Net cash provided by investing activity	—	212,020
Net increase (decrease) in cash and cash equivalents	(2,214)	205,486
Cash and cash equivalents at beginning of year	205,486	—
Cash and cash equivalents at end of year	\$ 203,272	205,486
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (637)	(6,216)
Net cash used in operating activities	\$ (637)	(6,216)

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2011 and 2010

(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 Financing Authority is authorized to issue revenue bonds to 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 comprises two major sectors: the West Campus and East Campus. The West Campus consists of developed space on 42 acres of what was formerly 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. To date, 658 residential units and all rental space have been built.

The Financing Authority is an integral part of the California State University Channel Islands, and the financial transactions of the Financing Authority are also included in the financial statements of the California State University Channel Islands 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 property taxes, 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.

(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,

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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 transfers to the Site Authority and collection of special tax revenues (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.

(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 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

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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 (the Mello-Roos property tax receipts) along with any interest earned after paying any related fees to the Site Authority. The transferred amount is used to pay the Site Authority’s 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**

The Financing Authority’s cash and cash equivalents and investments as of June 30, 2011 and 2010 are classified in the accompanying financial statements as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 203,272	205,486

At June 30, 2011 and 2010, cash and cash equivalents consisted of deposits held with fiscal agents. The bank balance and the carrying value of this cash were \$203,272 and \$205,486 at June 30, 2011 and 2010, respectively.

The Financing Authority had no investments at June 30, 2011.

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

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Authority's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

(3) Due to CSUCI Site Authority

Pursuant to the terms of the 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, 2011 and 2010, \$220,856 and \$224,845, 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, 2011

	Infrastructure Program	Special Tax – Community Facilities District Program	Total
Assets:			
Cash and cash equivalents	\$ —	203,272	203,272
Accounts receivable – property taxes	17,584	—	17,584
Special tax receivable due from (to) Community Facilities District	203,272	(203,272)	—
Total assets	<u>220,856</u>	<u>—</u>	<u>220,856</u>
Liabilities:			
Due to California State University, Channel Islands Site Authority	220,856	—	220,856
Total liabilities	<u>220,856</u>	<u>—</u>	<u>220,856</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, 2011

	Special Tax – Community Facilities District Program	Total
Operating expenses:		
General, administrative, and other costs	637	637
Total operating expenses	637	637
Operating loss	(637)	(637)
Nonoperating revenues:		
Special taxes	472,937	472,937
Income before transfers	472,300	472,300
Transfer to California State University, Channel Islands Site Authority – special tax	(472,300)	(472,300)
Total transfers	(472,300)	(472,300)
Change in net assets	—	—
Net assets, beginning of year	—	—
Net assets, end of year	\$ —	—

See accompanying independent auditors' report.