

**CALIFORNIA STATE UNIVERSITY
CHANNEL ISLANDS
SITE AUTHORITY**

**Financial Statements and Supplementary
Information for the Year Ended June 30, 2013
and Independent Auditors' Report**

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS
SITE AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University Channel Islands
Site Authority
Camarillo, California

We have audited the accompanying financial statements of California State University Channel Islands Site Authority, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University Channel Islands Site Authority as of June 30, 2013, and the respective changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT - Continued

Report on Summarized Comparative Information

Another auditor previously audited the California State University, Channel Islands Site Authority's 2012 financial statements, and a report dated September 28, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of California State University, Channel Islands Site Authority.

Other Matters

Required Supplementary Information

The California State University Channel Islands Site Authority's management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of California State University, Site Authority. The Schedule 1 – Supplementary Schedule of Net Position (Deficit) by Program – (Unaudited), and Schedule 2 – Supplementary Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) by Program (Unaudited) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule 1 – Supplementary Schedule of Net Position (Deficit) by Program – (Unaudited), and Schedule 2 – Supplementary Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) by Program (Unaudited) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule 1 – Supplementary Schedule of Net Position (Deficit) by Program – (Unaudited), and Schedule 2 – Supplementary Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) by Program (Unaudited) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vorlein, Hagen + Co.

Calabasas, California
September 10, 2013

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,631,988	\$ 4,596,635
Accounts receivable	2,979,291	2,300,625
Related party receivables	1,336,621	62,806
Due from CSUCI Financing Authority – restricted	6,053	231,859
Total current assets	10,953,953	7,191,925
Noncurrent assets:		
Restricted cash	3,065,059	2,875,552
Real estate inventory	4,953,413	5,220,958
Capital assets, net	115,136,910	119,860,845
Total assets	\$ 134,109,335	\$ 135,149,280
Liabilities Net Deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,691,586	\$ 2,170,945
Interest payable to CSU Systemwide Revenue Bond Program	2,057,585	2,067,388
Deferred revenue	2,822	10,672
Related party payables	2,549,676	3,076,396
Capitalized lease obligations, current portion	1,060,000	770,000
Loans payable – current portion	690,000	560,000
Total current liabilities	10,051,669	8,655,401
Noncurrent liabilities:		
Security deposit	274,339	303,911
Capitalized lease obligations, net of current portion	136,736,222	137,796,870
Loans payable, net of current portion	67,030,000	67,720,000
Total liabilities	214,092,230	214,476,182
Net position (deficit):		
Invested in capital assets, net of related debt	(17,705,899)	(18,706,025)
Restricted for:		
Debt service	42,232	310,471
Maintenance reserves	3,022,827	2,565,081
Unrestricted	(65,342,055)	(63,496,429)
Total net deficit	(79,982,895)	(79,326,902)
Total liabilities and net deficit	\$ 134,109,335	\$ 135,149,280

See accompanying auditors' report and notes to financial statements.

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Home sales	\$ 47,188	22,160
Energy Sales	16,008,499	14,529,182
Rental income	8,316,381	8,008,338
Miscellaneous revenues	566,652	584,020
Maintenance rent	609,480	542,840
	<u>25,548,200</u>	<u>23,686,540</u>
Total operating revenues		
Operating expenses:		
Cost of energy sales	12,693,586	11,391,153
Rental housing operations	3,684,730	3,177,377
Depreciation and amortization	4,723,935	4,735,253
General, administrative, and other operating costs	(140,079)	839,740
	<u>20,962,172</u>	<u>20,143,523</u>
Total operating expenses		
Operating surplus/(loss)	<u>4,586,028</u>	<u>3,543,017</u>
Nonoperating revenue (expense):		
Interest, net	(6,753,063)	(6,757,243)
Property taxes	1,595,284	1,377,969
Sales taxes	42,362	42,644
Contributions for debt service from CSU Chancellor's Office	2,576,074	2,147,160
Interest on loan payable to CSU Channel Islands	(3,121,568)	(3,145,004)
Special taxes	470,146	464,230
Other expense	(51,256)	-
	<u>(5,242,021)</u>	<u>(5,870,244)</u>
Total nonoperating expense, net		
Changes in net deficit	<u>(655,993)</u>	<u>(2,327,227)</u>
Net deficit, beginning of year	<u>(79,326,902)</u>	<u>(76,999,675)</u>
Net deficit, end of year	\$ <u>(79,982,895)</u>	<u>(79,326,902)</u>

See accompanying auditors' report and notes to financial statements.

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Home sales	\$ 47,188	\$ 22,160
Rental income	8,305,660	7,987,170
Energy Sales	15,335,791	15,439,634
Miscellaneous revenue	574,256	584,020
Payments to vendors	(13,893,359)	(17,534,105)
Maintenance rent	<u>31,253</u>	<u>542,840</u>
Net cash provided by operating activities	<u>10,400,789</u>	<u>7,041,719</u>
Cash flows from noncapital financing activities:		
Proceeds from CSUCI Financing Authority		
Interest paid	(7,540,506)	(8,505,721)
Property and sales taxes	1,593,696	1,492,531
Interest on loan payable to CSU, Channel Islands	(3,131,371)	(862,407)
Contributions to Debt Service	1,313,550	2,147,160
Other Income (expense)	<u>(46,546)</u>	<u>75,559</u>
Net cash used in noncapital financing activities	<u>(7,811,177)</u>	<u>(5,652,878)</u>
Cash flows from capital and related financing activities:		
Receipts of amounts due from CSUCI Financing Authority	698,351	453,227
Payments on long-term debt obligations	(1,330,648)	(970,000)
Capital Expenditures	<u>267,545</u>	<u>(267,545)</u>
Net cash used in capital and related financing activities	<u>(364,752)</u>	<u>(784,318)</u>
Net decrease in cash and cash equivalents	2,224,860	604,523
Cash and cash equivalents at beginning of year	<u>7,472,187</u>	<u>6,867,664</u>
Cash and cash equivalents at end of year	<u>\$ 9,697,047</u>	<u>\$ 7,472,187</u>
Reconciliation of net operating Income to net cash provided by operating activities:		
Operating profit/(loss)	\$ 4,586,028	\$ 3,543,017
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	4,723,935	4,735,253
Change in assets and liabilities:		
Accounts receivable	(634,715)	884,117
Due from related party	(11,291)	-
Accounts payable	1,520,641	(1,537,197)
Due to related party	253,614	(588,638)
Security deposit	(29,572)	5,919
Deferred revenue	<u>(7,850)</u>	<u>(752)</u>
Net cash provided by operating activities	<u>\$ 10,400,790</u>	<u>\$ 7,041,719</u>

See accompanying auditors' report and notes to financial statements.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. ORGANIZATION

The California State University Channel Islands Site Authority (the Site Authority) was formed on September 28, 1998 for the purpose of providing a specific reuse plan that will finance and support the transition of the property previously known as the Camarillo State Hospital (the Property) from its former use to the California State University campus and other compatible uses. The Site Authority is governed by a board of seven members comprising four representatives of the trustees of the California State University and three representatives from the County of Ventura.

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 California State University Channel Islands (the Campuses). 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 retail space has been built.

The Site Authority is an integral part of the California State University Channel Islands (CSUCI), and the financial transactions of the Site Authority are also included in the financial statements of the CSUCI as a discretely presented component unit.

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The accompanying financial statements for the Site 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.

Financial Statement Presentation

The financial statements include a statement of net position (deficit), a statement of revenues, expenses, and changes in net position (deficit), and a statement of cash flows. The Site Authority is considered a special-purpose government under the provisions of GASB Statement No. 34. The Site Authority records revenue primarily from housing sales, apartment rentals, and tax increment revenues and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments. This model allows all financial information for the Site Authority to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, the Site Authority prepares its statement of cash flows using the direct method.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Election of Applicable FASB Statements

The Site 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 Site Authority also has the option of following subsequent private-sector guidance subject to the same limitation. The Site Authority has elected not to follow subsequent private-sector guidance.

Financial Reporting Entity

The financial statements include the accounts of the Site Authority. The Site Authority is a government organization under accounting principles generally accepted in the United States of America and is also a component unit of the University, a public university under the California State University system. The Foundation has chosen to use the reporting model for special-purpose governments engage only in business type activities.

Classification of Current and Noncurrent Assets (Other Than Investments) and Liabilities

The Site Authority considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Net Position (Deficit)

The Site Authority's net assets are classified into the following categories:

Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Site Authority or the passage of time.

Unrestricted - All other categories of net assets (deficit). In addition, unrestricted net assets may be designated for use by the Site Authority.

The Site Authority has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash Equivalents

The Site Authority considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Real Estate Inventory

Real estate inventory is stated at cost. These costs include capitalized interest related to a project until development is substantially complete; such costs are charged to cost of home sales at the time residential units are sold. Additionally, the real estate inventory balance includes costs related to the purchase of real estate, which is carried at the lower of cost or fair market value.

Revenue Recognition

Revenues from home sales are recognized as homes are sold, title passes, and escrow closes. Rental revenues are recognized as amounts are earned and coincide with the lease agreement. Maintenance rent is recognized monthly upon receipt from homeowners and retail tenants. Tax increment revenues are recognized when the taxes are levied and sales tax revenues are recognized upon receipt. Energy sales are recognized as energy is provided to customers.

Classification of Revenues and Expenses

The Site Authority considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position (deficit) to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Site Authority's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Nonexchange transactions include the collection of tax increment and sales tax revenues, which are reported as nonoperating revenues and expenses. Certain other transactions are reported as nonoperating activities and primarily include the Site Authority's investment income, interest expense, pass-through agency taxes, contribution for debt service, and transfers between the Site Authority and the CSUCI Financing Authority and other California State University (CSU) funds.

Property and Equipment

Capital assets are stated at cost and are capitalized over \$5,000, and depreciation is calculated using the straight-line method over the following estimated useful lives of the respective assets:

Infrastructure	40 years
Buildings and building improvements	30 years
Improvement other than buildings	10 years
Equipment	5 years

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Code 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 Community Development Area Specific Reuse Plan adopted June 5, 2000, the Site Authority is permitted to collect a maximum of \$250,000,000 of tax increment revenues. Tax increment revenues are derived from property taxes that result from increases in assessed property values. The Site Authority is required to deposit 20% of the tax increment revenues into a Low and Moderate Income Housing Fund to provide affordable housing for households with moderate and low incomes. The tax increment revenues required to be deposited in the Low and Moderate Income Housing Fund may be pledged to repay that portion of the capitalized lease obligation to Systemwide Revenue Bonds (SRB) related to infrastructure construction financing, and accordingly, all of the tax increment revenues are pledged to repay this portion of the capitalized lease.

Property taxes are levied on both real and personal property. The County Assessor levies taxes on all property developed by the Site Authority, including rental units. 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 payment is generally due on November 1 and delinquent with penalties after December 10; the second payment is generally due on February 1 and delinquent with penalties after April 10. Tax increment 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.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Maintenance Reserves

Maintenance reserve activities are based on the various ground subleases and retail leases reserve payments come from three sources: (1) homeowners, (2) leased units, and (3) retail tenants. Reserve contribution amounts are determined after review of the reserve study conducted by an outside firm every two to three years. Reserve expenditures consist of nonoperating and major repairs, which extend the life of an asset. Some examples include street repairs, roof replacement, and major repairs to the exteriors of townhomes and rental properties.

Income Taxes

The Site 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.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows.

Subsequent Events

The Site Authority has evaluated events subsequent to June 30, 2013, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 10, 2013, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013
 (CONTINUED)**

3. CASH AND CASH EQUIVALENTS

The Site Authority's cash and cash equivalents as of June 30, 2013 are classified in the accompanying statement of net position as follows:

	<u>Total</u>
Cash and cash equivalents	\$ 6,631,988
Restricted cash and cash equivalents	<u>3,065,059</u>
Total cash and cash equivalents	<u>\$ 9,697,047</u>

(a) Cash and Cash Equivalents

The Site Authority's total cash at June 30, 2013 was \$9,697,047 and consisted of demand deposits held at financial institutions. The bank balance was \$8,401,022 at June 30, 2013. The Site Authority's cash balance includes \$6,631,988 in unrestricted cash and \$3,065,059 in restricted cash for debt service and maintenance reserves. The difference is primarily related to deposit in transit of \$1,222,062.

(b) Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the Site 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 as the Site Authority's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

4. REAL ESTATE INVENTORY

Real estate inventory at June 30, 2013 consists of the following:

Construction in progress	<u>\$ 4,953,413</u>
	<u>\$ 4,953,413</u>

The construction in progress relates to site development and infrastructure improvements for the as-yet-unbuilt 242 residential units.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)**

5. DUE FROM CSUCI FINANCING AUTHORITY

The due from CSUCI Financing Authority balance at June 30, 2013, \$6,053 consists of special tax receipts yet to be transferred to the Site Authority to ultimately be used for capitalized lease payments.

6. PROPERTY AND EQUIPMENT

Property and equipment for the year ended June 30, 2013 consists of the following:

Buildings and Improvements	\$ 95,146,529
Other Improvements	43,641
Infrastructure	58,975,759
Personal Property and Equipment	<u>611,908</u>
	154,777,837
Accumulated depreciation	<u>(39,640,927)</u>
Net Property and Equipment	<u>\$ 115,136,910</u>

Depreciation expense for the year ended June 30, 2013 was \$4,723,935.

7. CAPITALIZED LEASE OBLIGATIONS

On March 14, 2007, the California State University (CSU) Trustees (the Trustees), Site Authority, and Financing Authority authorized the use of the Systemwide Revenue Bonds (SRB) Program to provide funds to refinance certain of the outstanding Financing Authority Bonds.

Concurrent with the defeasance of the bonds, the Site Authority entered into a capitalized lease arrangement with the Trustees of the CSU on March 14, 2007. The lease of \$139,670,000 will be repaid from revenues received by the Site Authority. Interest ranging from original 4.00% to 5.45% is paid semiannually on May 1 and November 1. The principal payments are paid on November 1 of each year beginning November 1, 2009 with the final payment due November 1, 2044.

In connection with the issuance of the lease, the Site Authority recorded a lease premium of \$6,424,084, which is being amortized on a straight-line basis over the life of the leases. At June 30, 2013, \$1,567,047 has been amortized.

The Site Authority incurred a loss on refunding of the bonds of \$6,268,778, which is being amortized on a straight-line basis over the life of the leases. At June 30, 2013, \$1,562,963 has been amortized.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

7. CAPITALIZED LEASE OBLIGATIONS - Continued

Future minimum lease payments under capital leases having remaining terms as of June 30, 2013 are as follows:

Year ending June 30,	
2014	\$ 7,777,739
2015	8,046,806
2016	8,306,239
2017	8,442,822
2018	8,756,406
2019-2023	47,345,112
2024-2028	54,886,279
2029-2033	52,912,563
2034-2038	21,718,489
2039-2043	22,329,074
2044-2048	<u>8,921,700</u>
Total Minimum Lease Payments	249,443,229
Less Interest	<u>(111,798,229)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 137,645,000</u>

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)**

8. LOANS PAYABLE

Loans payable for the year ended June 30, 2013 are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding June 30, 2013</u>
Other:				
Office of the Chancellor California State University, Channel Islands	0.11%	2014	\$ 4,825,000	\$ 4,825,000
	3.00%-5.00%	2038	<u>64,655,000</u>	<u>62,895,000</u>
Total debt:			<u>\$ 69,480,000</u>	<u>\$ 67,720,000</u>

In December 2008, the Site Authority received a loan from California State University, Office of the Chancellor of \$4,825,000. The loan proceeds were used to pay off a loan from California State University Risk Management Authority. The loan will be repaid through future bond proceeds or surplus funds of the Site Authority. The interest rate to be paid on this loan is the stated Systemwide Investment Fund-Trust (SWIFT) rate of return earned by California State University, Office of the Chancellor (0.11% at June 30, 2013). The loan is to be repaid on December 31, 2013. The loan is secured by equity proceeds and rental revenues from rental housing phases 1A, 1B, 1C, and 2A/B.

On April 1, 2005, the Site Authority entered into an agreement with the Campus to pay the Campus's debt service on revenue bonds issued to build and renovate certain Campus buildings. The original loan amount was \$64,655,000. Interest ranging from 3.0% to 5.0% is paid semiannually on May 1 and November 1. The principal payments are paid on November 1 of each year beginning November 1, 2009 with the final payment due November 1, 2037.

Long-term debt activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance as of July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance as of June 30, 2013</u>	<u>Current Portion</u>
Capitalized lease obligations:					
Gross balance	\$138,415,000	\$ -	\$ (770,000)	\$137,645,000	\$1,060,000
Unamortized lease premium	5,106,103	-	(249,066)	4,857,037	-
Unamortized loss on refunding	<u>(4,954,233)</u>	<u>-</u>	<u>248,418</u>	<u>(4,705,815)</u>	<u>-</u>
Total capitalized lease obligations:	138,566,870	-	(770,648)	137,796,222	1,060,000
Loans:					
CSU CDPC	4,825,000	-	-	4,825,000	-
CSU Channel Islands	<u>63,455,000</u>	<u>-</u>	<u>(560,000)</u>	<u>62,895,000</u>	<u>690,000</u>
Total loans, net	<u>68,280,000</u>	<u>-</u>	<u>(560,000)</u>	<u>67,720,000</u>	<u>690,000</u>
Total long-term debt obligations, net	<u>\$206,846,870</u>	<u>\$ -</u>	<u>\$ (1,330,648)</u>	<u>\$ 205,516,222</u>	<u>\$1,750,000</u>

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

8. LOANS PAYABLE – Continued

The loans mature as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,515,000	\$ 3,094,988
2015	830,000	3,056,988
2016	960,000	3,012,238
2017	1,340,000	2,954,738
2018	1,420,000	2,885,738
2019-2023	9,430,000	13,132,188
2024-2028	12,270,000	10,421,188
2029-2033	15,755,000	6,935,563
2034-2038	<u>20,200,000</u>	<u>2,930,988</u>
Total	<u>\$ 67,720,000</u>	<u>\$ 48,424,617</u>

9. NET POSITION

The Site Authority has a total net deficit of \$79,982,895 as of June 30, 2013. The net deficit is due to a net deficit in net position - invested in capital assets, net of related debt of \$17,705,899 and an unrestricted net deficit of \$65,342,055. The net deficit in net position invested in capital assets, net of related debt, is driven by the differences in timing of the depreciation of the assets as compared to the timing of the payments to liquidate the capital lease liability related to those assets. The Site Authority generates sufficient cash flows to support debt service payments on its capital lease liabilities. In 2005, the Site Authority agreed to pay the Campus's debt-service on certain revenue bonds to renovate certain campus buildings, but the ownership of the said assets was not transferred to the Site Authority. The amount outstanding on the loan payable to the Campus as of June 30, 2013 is \$67,720,000 resulting in the net deficit. Although the Site Authority has not generated sufficient cash flows to satisfy the debt-service obligations for this loan, the CSU Chancellor's Office and has funded the shortfall in payment. Further, in the prior year, the Site Authority leased the Campus's cogeneration plant and signed an energy service agreement with the Campus, entitling the Site Authority to the net revenues of the cogeneration plan primarily to assist with those debt-services payments. As a result, there is not a significant risk of the Site Authority's ability to continue as a going concern.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)**

10. RELATED PARTY

The Site Authority receives its financing and contributions from the CSU Trustees and the Financing Authority and has also entered into certain transactions with the Campus and recognized auxiliary organizations of the Campus relating to infrastructure, residential, commercial developments, and personnel cost reimbursement. The accompanying financial statements include the transaction with the CSU Trustees, the Financing Authority, the Campus and a recognized auxiliary organization of the Campus as of and for the year ended June 30, 2013:

Related party receivables consist of the following:

	<u>June 30, 2013</u>
Associated Students Incorporated	\$ 3,101
California State University Channel Islands	1,320,894
CSUCI Financing Authority	6,053
University Glen Corporation	<u>12,626</u>
Total	<u>\$ 1,342,674</u>

Related party payables consist of the following:

	<u>June 30, 2013</u>
Associated Students Incorporated	\$ 1,500
California State University Channel Islands	2,332,993
University Glen Corporation	<u>215,183</u>
Total:	<u>\$ 2,549,676</u>

Net amounts payable at June 30, 2013 was \$(1,207,002).

11. RENTAL INCOME

The Site Authority leases its building and building improvements under operating lease agreements for residential and commercial purposes. Total rental income for the year ended June 30, 2013 amounted to \$8,316,381. The cost and carrying amount of building and building improvements at June 30, 2013 are \$95,146,529 and \$69,139,257, respectively. The carrying amount is net of accumulated depreciation of \$26,007,272. Minimum future rental payments to be received under the noncancelable leases for each of the next five years and thereafter are as follows:

Year ending June 30,:	<u>Amount</u>
2014	\$ 35,334
2015	27,417
2016	28,240
2017	29,087
2018	29,960
2019 - thereafter	<u>46,516</u>
Total lease payments due:	<u>\$ 196,554</u>

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)**

12. MAINTENANCE RENT

The CSUCI Site Authority manages the common area for homeowners, renters, and the Town Center tenants. Common area charges include all costs and expenses incurred by the CSUCI Site Authority in the operation, maintenance, replacement, and repair of the common areas during the term of the sublease. Common area expenses are allocated among all units based on type, such as single-family residence, townhome, rental property, or retail space. Maintenance rent for the year ended June 30, 2013 was \$609,480.

13. ENERGY SALES

In August 2010, the Site Authority subleased the Campus's cogeneration plant and entered into an energy services agreement with the Campus. The Site Authority makes quarterly payments of \$440,650 to the Campus to sublease the cogeneration plant. Under the terms of the agreement, the Site Authority is the operator of the plant, which includes being responsible for the costs of the plant's operations as well as entitling the Site Authority to the plant's net earnings. Revenue is recognized as energy is provided to the plant's customers, who primarily consist of Southern California Edison and the Campus. Total energy sales for the year ended June 30, 2013 are \$16,008,499.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
SCHEDULE 1 – SUPPLEMENTARY SCHEDULE OF
NET POSITION (DEFICIT) BY PROGRAM – (UNAUDITED)
JUNE 30, 2013

	All Other Funds	Low and Moderate Income Housing	Total
Assets:			
Cash and cash equivalents	\$ 9,688,188	\$ 8,859	\$ 9,697,047
Accounts receivable	4,315,649	263	4,315,912
Real estate inventory	4,953,413	-	4,953,413
Due from CSUCI Financing Authority – restricted	6,053	-	6,053
Capital assets, net	115,136,910	-	115,136,910
Total assets	<u>\$ 134,100,213</u>	<u>\$ 9,122</u>	<u>\$ 134,109,335</u>
Liabilities:			
Accounts payable	\$ 3,716,772	\$ -	\$ 3,716,772
Security Deposits	274,339	-	274,339
Interest payable to CSU Systemwide Revenue Bonds	2,057,585	-	2,057,585
Deferred Revenue	2,822	-	2,822
Due to CSU, Channel Islands	2,332,993	-	2,332,993
Due to University Glen Corporation	191,497	-	191,497
Loan from CSU Office of the Chancellor	67,720,000	-	67,720,000
Capitalized lease obligations, net	137,796,222	-	137,796,222
Total liabilities	<u>\$ 214,092,230</u>	<u>\$ -</u>	<u>\$ 214,092,230</u>
Net position (deficit)	<u>(79,992,017)</u>	<u>9,122</u>	<u>(79,982,895)</u>
Total liabilities and net assets	<u>\$ 134,100,213</u>	<u>\$ 9,122</u>	<u>\$ 134,109,335</u>

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS SITE AUTHORITY
SCHEDULE 2 – SUPPLEMENTARY SCHEDULE OF
REVENUES, EXPENSES, AND CHANGES IN
NET POSITION (DEFICIT) BY PROGRAM (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Common Area Maintenance</u>	<u>CI Power</u>	<u>For Sale Housing</u>	<u>General Operations</u>	<u>Maintenance Reserves</u>	<u>Rental Housing</u>	<u>Low and Moderate Income Housing</u>	<u>Total</u>
Operating revenues:								
Home sales	\$ -	\$ -	\$ 47,188	\$ -	\$ -	\$ -	\$ -	\$ 47,188
Energy Sales	-	16,008,499	-	-	-	-	-	16,008,499
Rental income	-	-	-	-	-	8,316,381	-	8,316,381
Miscellaneous revenues	14,877	-	-	-	8,429	543,346	-	566,652
Maintenance rent	609,480	-	-	-	-	-	-	609,480
Total operating revenues	<u>\$ 624,357</u>	<u>\$ 16,008,499</u>	<u>\$ 47,188</u>	<u>\$ -</u>	<u>\$ 8,429</u>	<u>\$ 8,859,727</u>	<u>\$ -</u>	<u>\$ 25,548,200</u>
Operating expenses:								
Cost of home sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of Energy Sales	-	12,693,586	-	-	-	-	-	12,693,586
Rental housing operations	-	-	-	-	-	3,684,730	-	3,684,730
Depreciation of capital assets	-	-	179,034	1,316,132	-	3,228,769	-	4,723,935
Amortization of debt expense	-	-	-	-	-	-	-	-
General, administrative, and other expenses	478,805	-	149,023	(767,907)	-	-	-	(140,079)
Total operating expenses	<u>\$ 478,805</u>	<u>\$ 12,693,586</u>	<u>\$ 328,057</u>	<u>\$ 548,225</u>	<u>\$ -</u>	<u>\$ 6,913,499</u>	<u>\$ -</u>	<u>\$ 20,962,172</u>
Operating income (loss)	<u>\$ 145,552</u>	<u>\$ 3,314,913</u>	<u>\$ (280,869)</u>	<u>\$ (548,225)</u>	<u>\$ 8,429</u>	<u>\$ 1,946,228</u>	<u>\$ -</u>	<u>\$ 4,586,028</u>
Nonoperating revenue (expense):								
Interest, net (expense)	\$ -	\$ -	\$ -	\$ (5,304,025)	\$ -	\$ (1,449,038)	\$ -	\$ (6,753,063)
Property taxes	-	-	-	1,595,284	-	-	-	1,595,284
Sales tax revenue	-	-	-	42,362	-	-	-	42,362
Contribution for debt service	-	(1,601,897)	-	4,177,971	-	-	-	2,576,074
Local agency pass-through taxes	-	-	-	-	-	-	-	-
Interest on loan payable to CSU, Channel Islands	-	-	-	(3,121,568)	-	-	-	(3,121,568)
Special taxes	-	-	-	470,146	-	-	-	470,146
Other expense	-	-	-	(51,256)	-	-	-	(51,256)
Total nonoperating revenue (expense)	<u>\$ -</u>	<u>\$ (1,601,897)</u>	<u>\$ -</u>	<u>\$ (2,191,086)</u>	<u>\$ -</u>	<u>\$ (1,449,038)</u>	<u>\$ -</u>	<u>\$ (5,242,021)</u>
Income (loss) before transfers (to) from other CSU funds	<u>\$ 145,552</u>	<u>\$ 1,713,016</u>	<u>\$ (280,869)</u>	<u>\$ (2,739,311)</u>	<u>\$ 8,429</u>	<u>\$ 497,190</u>	<u>\$ -</u>	<u>\$ (655,993)</u>
Transfer (to) from CSUCI Financing Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer (to) from other programs	-	-	-	58,819	-	-	(58,819)	-
Transfer (to) from reserves	(139,061)	-	-	51,256	518,735	(430,930)	-	-
Total transfers	<u>\$ (139,061)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,075</u>	<u>\$ 518,735</u>	<u>\$ (430,930)</u>	<u>\$ (58,819)</u>	<u>\$ -</u>
Changes in net assets	6,491	1,713,016	(280,869)	(2,629,236)	527,164	66,260	(58,819)	(655,993)
Net position (deficit), beginning of year	<u>\$ (92,700)</u>	<u>\$ 4,138,566</u>	<u>\$ 7,948,994</u>	<u>\$ (63,024,533)</u>	<u>\$ 2,688,898</u>	<u>\$ (31,054,067)</u>	<u>\$ 67,940</u>	<u>\$ (79,326,902)</u>
Net position (deficit), end of year	<u>\$ (86,209)</u>	<u>\$ 5,851,582</u>	<u>\$ 7,668,125</u>	<u>\$ (65,653,769)</u>	<u>\$ 3,216,062</u>	<u>\$ (30,987,807)</u>	<u>\$ 9,121</u>	<u>\$ (79,982,895)</u>