

**CALIFORNIA STATE UNIVERSITY
CHANNEL ISLANDS
FINANCING AUTHORITY**

**Financial Statements for the
Year Ended June 30, 2014
and Independent Auditors' Report**

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS
FINANCING AUTHORITY
TABLE OF CONTENTS**

Page

FINANCIAL STATEMENTS

| | |
|--|---|
| Independent Auditors' Report | 1 |
| Statement of Net Position | 3 |
| Statement of Revenues, Expenses, and Changes in Net Position | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of California State University Channel Islands Financing Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

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.

INDEPENDENT AUDITORS' REPORT - Continued

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 Financing Authority as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited California State University Channel Islands Financing Authority's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 Financing Authority.

Other Matters

Required Supplementary Information

The California State University Channel Islands Financing Authority's management has omitted the 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.

Vorwin, Hays + Co.

Calabasas, California
September 4, 2014

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

| | <u>2014</u> | <u>2013</u> |
|---|------------------|-----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,575 | \$ - |
| Accounts receivable - property taxes | <u>14,246</u> | <u>6,053</u> |
| Total current assets | <u>17,821</u> | <u>6,053</u> |
| | | |
| Total assets | 17,821 | 6,053 |
| LIABILITIES | | |
| Current liabilities | | |
| Due to California State University Channel Islands Site Authority | <u>17,821</u> | <u>6,053</u> |
| Total current liabilities | <u>17,821</u> | <u>6,053</u> |
| | | |
| Total liabilities | <u>17,821</u> | <u>6,053</u> |
| NET POSITION | | |
| Net position | <u>-</u> | <u>-</u> |
| Total net position | <u>\$ -</u> | <u>-</u> |
| | | |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 17,821</u> | <u>\$ 6,053</u> |

See accompanying auditors' report and notes to financial statements.

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

| | <u>2014</u> | <u>2013</u> |
|--|------------------------|------------------------|
| General, administrative, and other costs | \$ 1,196 | \$ (1,189) |
| Total operating expenses | <u>1,196</u> | <u>(1,189)</u> |
| Operating loss | (1,196) | 1,189 |
| Nonoperating revenues | | |
| Special taxes | <u>486,553</u> | <u>468,957</u> |
| Income before transfers | 485,357 | 470,146 |
| Transfer to California State University Channel Islands | | |
| Site Authority - special tax - Community Facilities District | <u>(485,357)</u> | <u>(470,146)</u> |
| Change in net position | - | - |
| NET POSITION - beginning of year | <u>-</u> | <u>-</u> |
| NET POSITION - end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See accompanying auditors' report and notes to financial statements.

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS FINANCING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash paid to suppliers | \$ (1,196) | \$ 1,189 |
| Net cash used in operating activities | <u>(1,196)</u> | <u>1,189</u> |
| Cash flows from noncapital financing activities: | | |
| Tax receipts | \$ 472,307 | \$ 462,904 |
| Special taxes | <u>(485,357)</u> | <u>(470,146)</u> |
| Net cash provided by (used in) noncapital financing activities | (13,050) | (7,242) |
| Cash flows from capital and related financing activities: | | |
| Funding provided to California State University, Channel Islands Site Authority | <u>17,821</u> | <u>(216,083)</u> |
| Net cash used in capital and related financing activities | 17,821 | (216,083) |
| Net increase(decrease) in cash and cash equivalents | 3,575 | (222,136) |
| Cash and cash equivalents at beginning of year | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at end of year | <u>\$ 3,575</u> | <u>\$ (222,136)</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (1,196) | \$ 1,189 |
| Net cash used in operating activities | <u>\$ (1,196)</u> | <u>\$ 1,189</u> |

See accompanying auditors' report and notes to financial statements.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. ORGANIZATION

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 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 of 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 have been built.

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.

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements of 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 include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The Financing Authority is considered a special-purpose government. 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 statement of cash flows using the direct method.

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 our 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.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity

The financial statements include the accounts of Financing Authority. Financing 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. Financing Authority has chosen to use the reporting model for special-purpose governments engage only in business type activities.

Classification of Revenues and Expenses

The Financing Authority considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position 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 requirements. These nonoperating activities are primarily transfers to the Site Authority and collection of special tax revenues.

Cash and Cash Equivalents

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

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 government entity, is not subject to federal or state income taxes.

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.

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.

**CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

2. SUMMARY OF 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 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 lieu 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.

Subsequent Events

The Financing Authority has evaluated events subsequent to June 30, 2014, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 4, 2014, 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 FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

3. CASH AND CASH EQUIVALENTS

The Financing Authority's cash and cash equivalents as of June 30, 2014 is classified in the accompanying financial statements as follows:

| | |
|---------------------------|----------|
| Cash and cash equivalents | \$ 3,575 |
|---------------------------|----------|

At June 30, 2014, cash and cash equivalents consisted of deposits held with fiscal agents. The bank balance and the carrying value of this cash was \$3,575.

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 as the Financing Authority's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law. The cash balance held at June 30, 2014 was \$3,575.

4. 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. Amount due to the Site Authority at June 30, 2014 was \$17,821 and consists of special tax receipts yet to transfer, which will be used for upcoming capitalized lease payments.

5. RELATED PARTY TRANSACTIONS

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