

**CALIFORNIA ALTERNATIVE  
ENERGY AND ADVANCED  
TRANSPORTATION  
FINANCING AUTHORITY  
BOND PROGRAM**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
JUNE 30, 2013 AND 2012**

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY  
BOND PROGRAM**

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JUNE 30, 2013 AND 2012**

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## INDEPENDENT AUDITOR'S REPORT

**Members of the Board  
California Alternative Energy and  
Advanced Transportation Financing Authority**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Bond Program of the California Alternative Energy and Advanced Transportation Financing Authority (the Authority or CAEATFA), as of and for the years ended June 30, 2013 and 2012, 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.

***Auditor's Responsibility***

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 the Bond Program of the Authority, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Bond Program of the Authority and do not purport to, and do not, present fairly the financial position of the Authority nor the State of California, as of June 30, 2013 and 2012, and the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's Bond Program's basic financial statements. The Schedules of Bonds and Collateralized Notes Authorized, Issued, and Outstanding (Supplemental Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the Authority's Bond Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." The signature is written in black ink and is positioned above the printed name of the company.

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**December 19, 2013**

# **CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY BOND PROGRAM**

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

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This section of the financial statements of the Authority's Bond Program presents the analysis of the financial performance of the Authority's Bond Program during the fiscal years that ended on June 30, 2013 and 2012. Please read it in conjunction with the financial statements that follow this section.

### **GENERAL BACKGROUND, OVERVIEW AND PROGRAMS**

The California Alternative Energy and Advanced Transportation Financing Authority, a public instrumentality, was created in 1980 to assist specified entities by providing credit enhancements, access to low-cost financing through private activity tax-exempt bonds, loans, and other forms of financial assistance.

CAEATFA provides financial assistance for facilities that manufacture alternative energy products, components or systems or use alternative energy sources and technologies. CAEATFA also provides financial assistance for facilities needed to develop and commercialize advanced transportation technologies that conserve energy, reduce air pollution, and promote economic development and jobs.

The Authority, in conjunction with other State agencies, including but not limited to the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC), from time to time develops new and innovative programs.

#### **Conduit Financing Activity**

During the fiscal years ended June 30, 2013 and 2012, the Authority did not issue any tax exempt bonds. As of June 30, 2013, the Authority's total conduit debt issued was approximately \$212 million and total conduit debt outstanding was approximately \$72.77 million. As of June 30, 2012, the Authority's total conduit debt issued was approximately \$212 million and total conduit debt outstanding was approximately \$74.9 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements of the Authority's Bond Program include the Independent Auditors' Report, Management Discussion & Analysis (MD&A), basic financial statements, accompanying notes and supplemental information.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Authority's Bond Program report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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BOND PROGRAM**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

The *Balance Sheets* include all of the assets and liabilities of the Authority's Bond Program for the years ended June 30, 2013 and 2012 and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rates of return, evaluating the capital structure of the Bond Program and assessing the liquidity and financial flexibility of the Authority's Bond Program (see Table 1).

<b>Table 1</b>			
Balance Sheets			
	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2013</b></u>
<i><b>Assets</b></i>			
Current Assets	\$ 33,817	\$ 7,558	\$ _____
Total Assets	<u>\$ 33,817</u>	<u>\$ 7,558</u>	<u>\$ _____</u>
<i><b>Liabilities</b></i>			
Current Liabilities	\$ 237,786	\$ 243,520	\$ 267,430
Total Liabilities	<u>237,786</u>	<u>243,520</u>	<u>267,430</u>
Net Position	<u>(203,969)</u>	<u>(235,962)</u>	<u>(267,430)</u>
Total Net Position	<u>(203,969)</u>	<u>(235,962)</u>	<u>(267,430)</u>
Total Liabilities and Net Position	<u>\$ 33,817</u>	<u>\$ 7,558</u>	<u>\$ _____</u>

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY  
BOND PROGRAM**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

The *Statements of Revenues, Expenses, and Changes in Net Position* accounts for all of the revenue and expenses of the Authority's Bond Program for the years ended June 30, 2013 and 2012. These statements reflect the results of the Bond Program's operations over the year and can be used to determine the credit worthiness and its ability to successfully recover all its costs through fees, investment income and other revenues (see Table 2).

<b>Table 2</b>			
Statements of Revenues, Expenses, and Changes In Net Position			
	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><i>Operating Revenues</i></b>			
Application Fees	\$ 20,000		
Agent For Sale Fees	3,500		
Administration Fees	31,681		
Annual Fees		\$ 2,168	\$ 2,168
Total Operating Revenues	<u>55,181</u>	<u>2,168</u>	<u>2,168</u>
<b><i>Operating Expenses</i></b>			
Operating Expenses	<u>32,626</u>	<u>28,750</u>	<u>33,668</u>
Total Operating Expenses	<u>32,626</u>	<u>28,750</u>	<u>33,668</u>
Operating Loss	22,555	(26,582)	(31,500)
<b><i>Non-Operating Revenues</i></b>			
Interest Income	<u>148</u>	<u>27</u>	<u>32</u>
Change in Net Position	22,703	(26,555)	(31,468)
Net Position – Beginning	<u>(226,672)</u>	<u>(209,407)</u>	<u>(235,962)</u>
Net Position – Ending	<u>\$ (203,969)</u>	<u>\$ (235,962)</u>	<u>\$ (267,430)</u>

The *Statements of Cash Flows* provide information about the Authority's Bond Program's cash receipts and cash payments during the year ended June 30, 2013 and 2012. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statements provide answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

The accompanying *Notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, the final section in this report also presents certain *supplementary information*. This supplementary information section contains the detail of conduit bonds issued and conduit bonds outstanding as of June 30, 2013 and 2012.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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BOND PROGRAM**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

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**ANALYSIS OF FISCAL YEAR 2012/2013 ACTIVITIES**

**Applications received in FY 2012/2013 - None**

**Initial Resolutions (IR) Adopted in FY 2012/2013 - None**

**Final Resolutions (FR) Adopted in FY 2012/2013 - None**

**Bonds Sold in FY 2012/2013 - None**

**ANALYSIS OF FISCAL YEAR 2011/2012 ACTIVITIES**

**Applications received in FY 2011/2012 - None**

**Initial Resolutions (IR) Adopted in FY 2011/2012 - None**

**Final Resolutions (FR) Adopted in FY 2011/2012 - None**

**Bonds Sold in FY 2011/2012 - None**

**ANALYSIS OF CHANGE IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2013**

As of June 30, 2013, the Bond Program of CAEATFA has a deficit in net position of \$267,430.

During the year ended June 30, 2013, the net position of the Authority's Bond Program decreased by \$31,468 from the previous fiscal year. The Authority's Bond Program had \$2,200 in revenues during the fiscal year while its operating expenses were \$33,668.

**ANALYSIS OF CHANGE IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2012**

As of June 30, 2012, the Bond Program of CAEATFA has a deficit in net position of \$235,962.

During the year ended June 30, 2012, the net position of the Authority's Bond Program decreased by \$26,555 from the previous fiscal year. The Authority's Bond Program had \$2,195 in revenues during the fiscal year while its operating expenses were \$28,750.

The Bond Program's net position at June 30, 2011 has been restated to reflect the accrual of a liability due to another agency in the State of California. The correction of this error decreased net position and increased liabilities by \$5,438 at June 30, 2011.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's Bond Program's financial position and is intended for distribution to a variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, California Alternative Energy and Advanced Transportation Financing Authority, 915 Capitol Mall, Sacramento, California 95814.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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BOND PROGRAM**

**BALANCE SHEETS  
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ _____	\$ 7,558
<b>TOTAL ASSETS</b>	<u>\$ _____</u>	<u>\$ 7,558</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Due to other funds	\$ 41,186	
Accounts payable	101	\$ 15,438
Due to CPCFA	224,875	224,875
Other liabilities - accrued leave	<u>1,268</u>	<u>3,207</u>
Total current liabilities	<u>267,430</u>	<u>243,520</u>
 <b>NET POSITION:</b>		
Restricted for purposes specified in enabling legislations	<u>(267,430)</u>	<u>(235,962)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ _____</u>	<u>\$ 7,558</u>

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUE:</b>		
Annual fees	\$ 2,168	\$ 2,168
<b>OPERATING EXPENSES:</b>		
Professional fees	15,079	12,361
Salaries, wages, and benefits	13,273	13,013
Services and supplies	4,536	878
Other operating expenses	<u>780</u>	<u>2,498</u>
Total operating expenses	<u>33,668</u>	<u>28,750</u>
<b>OPERATING LOSS</b>	<u>(31,500)</u>	<u>(26,582)</u>
<b>NON-OPERATING REVENUE:</b>		
Interest income	<u>32</u>	<u>27</u>
<b>CHANGE IN NET POSITION</b>	(31,468)	(26,555)
<b>NET POSITION, Beginning of year</b>	<u>(235,962)</u>	<u>(209,407)</u>
<b>NET POSITION, End of year</b>	<u>\$ (267,430)</u>	<u>\$ (235,962)</u>

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipt of annual fees	\$ 2,168	\$ 2,168
Payments to employees and suppliers	<u>(9,758)</u>	<u>(28,454)</u>
Net cash used by operating activities	(7,590)	(26,286)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	<u>32</u>	<u>148</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(7,558)	(26,138)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>7,558</u>	<u>33,696</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ -</u>	<u>\$ 7,558</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (31,500)	\$ (26,582)
Changes in:		
Due to other funds	41,186	
Accounts payable	(15,337)	
Other liabilities - accrued leave	<u>(1,939)</u>	<u>296</u>
Net cash used by operating activities	<u>\$ (7,590)</u>	<u>\$ (26,286)</u>

# **CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY BOND PROGRAM**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012**

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### **1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. GENERAL OPERATIONS**

The California Alternative Energy and Advanced Transportation Financing Authority (the Authority or CAEATFA), a public instrumentality, was created in 1980 to assist specified entities by providing credit enhancements, access to low-cost financing through private activity tax-exempt bonds, loans, and other forms of financial assistance.

CAEATFA provides financial assistance for facilities that manufacture alternative energy products, components or systems or use alternative energy sources and technologies. CAEATFA also provides financial assistance for facilities needed to develop and commercialize advanced transportation technologies that conserve energy, reduce air pollution, and promote economic development and jobs.

The Bond Program is one of many programs administered by the Authority. Other State agencies, such as the State Treasurer's Office and the State Controller's Office support the Authority by providing services and thus allocate a portion of their expenses to the Authority. Then, the Authority allocates its portion of such expenses to its different programs along with any direct costs associated with each program. Thus, the accompanying financial statements of the Authority's Bond Program are not indicative of the Authority's financial position or net position as a whole.

The Authority contracts with the State Treasurer's Office to provide administrative support including, but not limited to accounting, budgets, data processing, personnel and business services.

#### **B. REPORTING ENTITY**

These financial statements present information on the financial activities of the Bond Program of the California Alternative Energy and Advanced Transportation Financing Authority, State of California. The financial information is included in the State of California's Comprehensive Annual Financial Report and presented as a Business-Type Activity. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of the Bond Program.

#### **C. BASIS OF PRESENTATION**

The accompanying financial statements are presented on the accrual basis of accounting whereby revenues and the related assets are recognized when earned, and expenses and the related liabilities are recognized when the obligation is incurred (when goods are received or services rendered). The financial statements of the Bond Program have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

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D. OTHER LIABILITIES (ACCRUED LEAVE)

Accrued leave includes vested and unpaid compensated absences. It is anticipated that compensated absences will generally not be used in excess of a normal year's accumulation. Unused sick leave balances are not included in the liability because they do not vest to employees. For further information, refer to the financial statements of the State of California for the year ended June 30, 2013 and 2012.

E. NET POSITION

Net position of the Bond Program are restricted by enabling legislation for the purpose of assisting specified entities access to low-cost financing through private activity tax-exempt bonds.

F. REVENUES

The Authority's Bond Program charges fees to institutions for assistance in bond financing as follows:

*Application Fee* – .0005 (one twentieth of one percent) of the principal amount of financing for each project to be considered for financing. The fee shall be a minimum of \$250 but not to exceed \$5,000. This shall be paid at the time the formal application is submitted. The application fee is deducted from the administrative fee.

*Administrative Fee* – The Authority charges a one-time administrative fee due at closing of the financing. For all projects the following apply:

- If the financial assistance requested is up to \$5,000,000 then the fee will be .005 (five tenths of one percent) of the principal amount of financing.
- If the financial assistance requested is greater than \$5,000,000 and up to \$25,000,000 then the fee will be \$25,000 plus .003 (three tenths of one percent) of the principal amount of financing over \$5,000,000.
- If the financial assistance requested is greater than \$25,000,000 then the fee will be \$85,000 plus .0025 (twenty-five one hundredths of one percent) of the principal amount of financing over \$25,000,000.
- In no case shall the fee be less than \$15,000 nor more than \$250,000.

The applicant shall also reimburse the Authority for all reasonable and necessary out of pocket expenses the Authority may incur at the applicant's request, and all other direct or indirect expenses properly allocable to the proposed financing unless paid out of the proceeds of the bond issue. All fees for a particular proposed financing shall be paid by the applicant and deposited in the Authority fund.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

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*Annual Fee* – The Authority shall assess an annual fee each year for the life of the financial assistance in the amount of .0003 (three one-hundredths of one percent) of the approved financial assistance amount with a minimum fee of \$500 and a maximum fee of \$10,000. This fee is effective for bonds issued after October 28, 2009.

During the years ended June 30, 2013 and 2012, the bond Program earned \$2,168 in annual fee revenue. The fees are used to cover operating costs such as general communications, printing, professional services (both internal and external), facilities operations, and other miscellaneous operating expenses.

**G. OPERATING EXPENSES**

The Authority is subject to an allocation of intradepartmental support costs in accordance with an agreement between the Authority and the State Treasurer’s Office (STO). The Authority records these costs as invoiced by STO for the fiscal year and allocates the costs to its programs.

The Authority allocates all operating expenses to its different programs based upon the employee head count of each program being administered and under development. A portion equal to approximately 3% of payroll and related costs of the Authority is allocated to the Authority’s Bond Program. This portion may vary from year to year dependent on its programs from year to year. This percentage which is derived from total payroll and related costs allocated to the Bond Program over the total payroll and related costs of the Authority, has been used to allocate all other operating expenses to the Bond Program.

**H. USE OF ESTIMATES**

The preparation of the Bond Program’s financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**I. RISK MANAGEMENT**

The Authority is self-insured against loss or liability through the State of California. The State of California generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. The Authority’s Bond Program has not had any claims subject to this coverage. Additional disclosures related to risk of loss are presented in the basic financial statements of the State of California.



# CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY BOND PROGRAM

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

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### 3. DUE TO OTHER STATE AGENCY

The Authority entered into multiple loan agreements with the California Pollution Control Financing Authority (CPCFA) for amounts up to \$549,500. The loans are due on demand. As of June 30, 2013 and 2012, outstanding loans used for the Bond Program amounting to \$224,875 are due to CPCFA and are included in current liabilities on the balance sheet. Under the terms of the contract approving the loans between the two agencies, the loans are to bear interest at the SMIF rate. However, the understanding among the two agencies is that interest will only be assessed and computed up to the amounts that the two parties will agree on at the time of repayment of the loans. Therefore, no interest has been accrued as of June 30, 2013 and 2012.

### 4. CONDUIT FINANCE ACTIVITY

The Authority's Bond Program acts as a conduit by assisting eligible borrowers with access to low interest rate capital markets through the issuance of bonds and other forms of financial assistance. The financings are secured by the full faith and credit of the participating party or borrower, and the Authority's Bond Program is not responsible for payment in any financing. As a result, the financing obligations are not recorded in the Bond Program financial statements. The borrowers' obligations generally are, but need not be, secured by insurance, a letter of credit or guaranty.

As a conduit debt provider, there was \$72,768,863 and \$74,877,941 in conduit financings outstanding at June 30, 2013 and 2012, respectively. The Authority's Bond Program did not assist with the issuance of any financings during the years ended June 30, 2013 and 2012 and there were not any unissued authorized bonds as of June 30, 2013 and 2012.

### 5. EMPLOYEE RETIREMENT PLAN

The Authority is a participant in the State of California's Public Employees' Retirement System (CalPERS), which is a defined benefit contributory retirement plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Since all State agencies are considered collectively to be a single employer, the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Authority's employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined State contribution requirements are the same as those used to compute the State pension benefit obligation as defined by CalPERS. Generally, fulltime and permanent part-time employees are eligible to participate in CalPERS. Depending upon the plan option selection, benefits vest after five to ten years of service. Participants are eligible for service retirement after age 50 or 55 and must have five to ten years of CalPERS credited service, depending upon the tier of participation. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The amount of pension contributions by the Authority to CalPERS is actuarially determined under a program where contributions plus the expected earnings of CalPERS will provide the necessary funds to pay the earned benefits of the employees when due. The total payroll of the Authority is covered.

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
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BOND PROGRAM**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

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The Bond Program's contribution to CalPERS for the years ended June 30, 2013 and 2012 was \$1,723 and \$1,459, respectively. Participant contributions range from zero to six percent of their salary depending on the tier of participation. The excess of plan assets over vested and unvested benefits at June 30, 2013 and 2012 was not available. Such information is available for CalPERS as a whole, which is audited annually by other independent auditors. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Additional detailed disclosure required by GASB, regarding the defined benefit plan, are presented in the financial statements of the State of California for the years ended June 30, 2013 and 2012.

**6. FINANCIAL CONDITION**

As of June 30, 2013 and 2012 the Authority's Bond Program generated a net loss of \$31,468 and \$26,555, respectively, and had a deficit in fund balance of \$267,430 and \$235,962, respectively. The Authority has received funds loaned or provided by other state agencies and such financial support from other programs or state agencies will be necessary for the Authority's Bond Program to continue to accomplish its mission.

## **SUPPLEMENTAL INFORMATION**

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY  
BOND PROGRAM**

**SCHEDULE OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING  
JUNE 30, 2013**

<b>Bonds</b>	<b>Date Issued</b>	<b>Date of Final Maturity</b>	<b>Amounts Issued</b>	<b>Amount of Bonds Retired</b>	<b>Bonds Outstanding as of June 30, 2013</b>
Indian Valley Hydroelectric Partnership Project	September 15, 1982	August 1, 2004	\$ 5,000,000	\$ 5,000,000	\$ -
Litchfield Developers 1982	December 20, 1982	January 1, 1992	810,000	810,000	-
Catalyst/IPT Cogen. Partnership 1983	September 27, 1983	September 1, 2003	4,400,000	4,400,000	-
Lever Brothers Company 1983	September 27, 1983	December 1, 1991	1,000,000	1,000,000	-
JELD-WEN Inc. 1983	December 21, 1983	December 1, 1995	3,100,000	3,100,000	-
Soledad Cogeneration Associates 1984	May 16, 1984	May 1, 2003	4,120,000	4,120,000	-
Santa Cruz Cogeneration Associates 1984	July 24, 1984	June 1, 1995	3,820,000	3,820,000	-
Sverdrup Hydro Projects 1984	November 30, 1984	November 1, 2014	6,000,000	6,000,000	-
West Coast Basin Barrier 1984	December 1, 1984	January 1, 2005	2,100,000	2,100,000	-
Veterans Home of California 1985	April 18, 1985	May 1, 2008	5,700,000	5,700,000	-
D'Arrigo Bros. Project 1985	June 24, 1985	June 1, 1991	1,935,000	1,935,000	-
California Cedar Products Company Project 1985A	June 26, 1985	June 1, 1990	1,300,000	1,300,000	-
Fairhaven Power Company 1985	September 12, 1985	September 1, 2005	20,000,000	20,000,000	-
SRI International Project 1985	December 16, 1985	December 1, 2005	11,250,000	11,250,000	-
University of San Francisco 1985	December 17, 1985	December 1, 2005	4,000,000	4,000,000	-
Modesto Energy Project 1985A	December 30, 1985	December 1, 2005	30,000,000	30,000,000	-
Santa Cruz Cogeneration Associates 1986	October 7, 1986	October 1, 2016	3,295,000	3,295,000	-
Nove Investments Project 1986	November 20, 1986	December 1, 1994	3,000,000	3,000,000	-
Rock Creek Limited Partnership Project 1986	November 20, 1986	November 1, 2016	5,600,000	5,600,000	-
University of San Francisco Refunding 1987	July 14, 1987	July 1, 2007	3,575,000	3,575,000	-
Veterans Home of California Project Refunding 1988	May 27, 1988	May 1, 2008	5,365,000	5,365,000	-
Arroyo Energy Project 1993A	October 1, 1993	October 1, 2020	27,500,000	2,170,000	25,330,000
Arroyo Energy Project 1993B	October 1, 1993	October 1, 2020	27,500,000	2,170,000	25,330,000
SRI International Project 1985	October 31, 1995	December 1, 2020	4,475,000	3,200,000	1,275,000
Caltrans 2009	June 10, 2009	December 15, 2023	20,000,000	5,333,333	14,666,667
Fallbrook Public Utility District Solar Project 2010	November 18, 2010	November 18, 2027	7,227,000	1,059,804	6,167,196
<b>TOTAL</b>			<u>\$ 212,072,000</u>	<u>\$ 139,303,137</u>	<u>\$ 72,768,863</u>

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY  
BOND PROGRAM**

**SCHEDULE OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING  
JUNE 30, 2012**

<b>Bonds</b>	<b>Date Issued</b>	<b>Date of Final Maturity</b>	<b>Amounts Issued</b>	<b>Amount of Bonds Retired</b>	<b>Bonds Outstanding as of June 30, 2012</b>
Indian Valley Hydroelectric Partnership Project	September 15, 1982	August 1, 2004	\$ 5,000,000	\$ 5,000,000	\$ -
Litchfield Developers 1982	December 20, 1982	January 1, 1992	810,000	810,000	-
Catalyst/IPT Cogen. Partnership 1983	September 27, 1983	September 1, 2003	4,400,000	4,400,000	-
Lever Brothers Company 1983	September 27, 1983	December 1, 1991	1,000,000	1,000,000	-
JELD-WEN Inc. 1983	December 21, 1983	December 1, 1995	3,100,000	3,100,000	-
Soledad Cogeneration Associates 1984	May 16, 1984	May 1, 2003	4,120,000	4,120,000	-
Santa Cruz Cogeneration Associates 1984	July 24, 1984	June 1, 1995	3,820,000	3,820,000	-
Sverdrup Hydro Projects 1984	November 30, 1984	November 1, 2014	6,000,000	6,000,000	-
West Coast Basin Barrier 1984	December 1, 1984	January 1, 2005	2,100,000	2,100,000	-
Veterans Home of California 1985	April 18, 1985	May 1, 2008	5,700,000	5,700,000	-
D'Arrigo Bros. Project 1985	June 24, 1985	June 1, 1991	1,935,000	1,935,000	-
California Cedar Products Company Project 1985A	June 26, 1985	June 1, 1990	1,300,000	1,300,000	-
Fairhaven Power Company 1985	September 12, 1985	September 1, 2005	20,000,000	20,000,000	-
SRI International Project 1985	December 16, 1985	December 1, 2005	11,250,000	11,250,000	-
University of San Francisco 1985	December 17, 1985	December 1, 2005	4,000,000	4,000,000	-
Modesto Energy Project 1985A	December 30, 1985	December 1, 2005	30,000,000	30,000,000	-
Santa Cruz Cogeneration Associates 1986	October 7, 1986	October 1, 2016	3,295,000	3,295,000	-
Nove Investments Project 1986	November 20, 1986	December 1, 1994	3,000,000	3,000,000	-
Rock Creek Limited Partnership Project 1986	November 20, 1986	November 1, 2016	5,600,000	5,600,000	-
University of San Francisco Refunding 1987	July 14, 1987	July 1, 2007	3,575,000	3,575,000	-
Veterans Home of California Project Refunding 1988	May 27, 1988	May 1, 2008	5,365,000	5,365,000	-
Arroyo Energy Project 1993A	October 1, 1993	October 1, 2020	27,500,000	2,170,000	25,330,000
Arroyo Energy Project 1993B	October 1, 1993	October 1, 2020	27,500,000	2,170,000	25,330,000
SRI International Project 1985	October 31, 1995	December 1, 2020	4,475,000	3,000,000	1,475,000
Caltrans 2009	June 10, 2009	December 15, 2023	20,000,000	4,000,000	16,000,000
Fallbrook Public Utility District Solar Project 2010	November 18, 2010	November 18, 2027	7,227,000	484,059	6,742,941
<b>TOTAL</b>			<u>\$ 212,072,000</u>	<u>\$ 137,194,059</u>	<u>\$ 74,877,941</u>

## **ADDITIONAL INFORMATION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

**Members of the Board  
California Alternative Energy and  
Advanced Transportation Financing Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bond Program of the California Alternative Energy and Advanced Transportation Financing Authority (the Authority or CAEATFA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's Bond Program's basic financial statements, and have issued our report thereon dated December 19, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bond Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bond Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc.".

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**December 19, 2013**

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED  
TRANSPORTATION FINANCING AUTHORITY  
BOND PROGRAM**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013 AND 2012**

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**FINANCIAL STATEMENT FINDINGS**

**11-1. FINANCIAL REPORTING AND CLOSING PROCESS**

**Condition and Criteria:**

The Authority was still working to maintain a separate set of books and accounting records within the CAEATFA Fund for the Bond Program.

**Cause:**

CAEATFA began to utilize a PCA Code within the CAEATFA Fund to track current year activity for each of its programs separately; however, the beginning balances for the Bond Program were not appropriately segregated to ensure a complete trial balance for the Bond Program could be provided.

**Effect:**

An initial trial balance that isolated the bond program was not available and manual adjustments had to be made to properly segregate the program financial information from the Authority's fund.

**Recommendation:**

The Authority should fully implement a separate financial reporting and internal control system for the Bond Program within the CAEATFA Fund in order to keep track of the accounts and transactions related to this specific program.

The Authority did improve on the accounting for the Bond Program during fiscal year 2012 by tracking the majority of the current year activity separately. However, the Authority needs to continue to implement a segregation of the accounting records to separately identify the beginning balances of the assets, liabilities, and net position of the Bond Program.

**Status:**

This recommendation was fully implemented.