

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2008

(AUDITED)



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CALIFORNIA MUNICIPAL FINANCE AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Municipal Finance Authority

We have audited the accompanying statements of financial position of California Municipal Finance Authority as of June 30, 2008 and 2007, and the related statement of activities and statement of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Municipal Finance Authority as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cashuk, Wiseman, Goldberg, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California
August 22, 2008

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	\$ 1,548,726	\$ 1,158,192
Accounts Receivable (Notes A & B)	10,000	58,914
Prepaid Expenses	1,102	-
TOTAL CURRENT ASSETS	1,559,828	1,217,106
OTHER ASSETS		
Lease Receivable (Note H)	15,000,000	15,000,000
TOTAL ASSETS	\$ 16,559,828	\$ 16,217,106

LIABILITIES AND NET ASSETS

	2008	2007
CURRENT LIABILITIES		
Accrued Expenses	\$ 37,947	\$ 67,344
Refundable Deposits (Note C)	987,408	860,978
TOTAL CURRENT LIABILITIES	1,025,355	928,322
NON-CURRENT LIABILITIES		
Long Term Debt (Note H)	15,000,000	15,000,000
TOTAL LIABILITIES	16,025,355	15,928,322
NET ASSETS		
Unrestricted	534,473	288,784
TOTAL LIABILITIES AND NET ASSETS	\$ 16,559,828	\$ 16,217,106

The accompanying notes are an integral part of these financial statements.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007

	2008	2007
REVENUES		
Annual Fees	\$ 607,044	\$ 288,639
Application Fees	137,500	90,000
Issuance Fees	981,515	590,607
Investment Income	24,605	14,583
Other Income (Notes H & I)	615,000	615,000
 TOTAL REVENUES	 2,365,664	 1,598,829
EXPENSES		
Advertising (Note A)	5,500	7,329
Member Distributions	281,772	201,407
Charitable Contributions (Note D)	319,058	156,564
Outside Consultants	887,580	469,439
General & Administrative	11,065	24,840
Interest Expense (Notes H & I)	615,000	615,000
 TOTAL EXPENSES	 2,119,975	 1,474,579
 INCREASE IN UNRESTRICTED NET ASSETS	 \$ 245,689	 \$ 124,250
 NET ASSETS - BEGINNING OF YEAR (Note I)	 288,784	 164,534
 NET ASSETS - END OF YEAR	 \$ 534,473	 \$ 288,784

The accompanying notes are an integral part of these financial statements.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 245,689	\$ 124,250
Adjustments to Reconcile Net Income to Net Cash Provided(Used) by Operating Activities:		
Depreciation	-	-
Cash Provided(Used) by Changes in Operating Assets and Liabilities:		
Receivables	48,914	(58,914)
Prepaid Expenses	(1,102)	1,034
Current Liabilities	97,033	463,597
CASH PROVIDED BY OPERATING ACTIVITIES	390,534	529,967
Cash and Cash Equivalents at Beginning of Year	1,158,192	628,225
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,548,726	\$ 1,158,192

The accompanying notes are an integral part of these financial statements.



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CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. California Municipal Finance Authority (CMFA) ("the Authority") was organized on August 12, 2004 under the provision of the Joint Exercise of Powers Act of the Government Code of State of California. CMFA is a joint powers authority created to strengthen local community by promoting economic development and charitable activities throughout the state of California. With the goal of giving back to the California communities, the CMFA assists local governments, non-profits and business with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California. Member of the authority includes towns, cities, counties and special districts within California.

CMFA is committed to promoting economic and social programs in its member communities. CMFA shares 25% of all issuance fees directly with its member communities and donates another 25% to the California Foundation for Stronger Communities for the support of local charities designated by its member communities.

2. Basis of Presentation The authority's financial statements are presented on the accrual basis of accounting. The accounting policies conform to the accounting standard generally accepted in the United States of America.
3. Cash and Cash Equivalents for purposes of reporting cash flows, cash and cash equivalents include cash in checking and savings accounts with banks.
4. Accounts Receivables are primarily issuance fees receivable which are determined to be 100% collectible by management.
5. Revenue Recognition-Fees from the origination of issuance services are recognized when the transactions are closed.
6. Leases that meet the criteria for capitalization are classified as capital leases. As of year end there were no such leases. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred. As of year end there were no such leases.
7. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. Concentration of Cash and Credit Risk-The foundation maintains cash balance in one bank in California. Cash balances at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of year end, virtually all the cash balance was uninsured.
12. Advertising Costs are expensed in the year incurred. The Company incurred \$5,500 and \$7,329 in advertising expenses in the years ended June 30, 2008 and 2007.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE B-ADVISORY FEES:

The Authority has entered into a professional services agreement with an advisory company on February 25, 2005 to manage the operations of the authority with respects to taxable and tax-exempt financing for corporations, governmental entities and non-for-profit institutions. The authority pays the advisory company a certain percentage of its revenue.

NOTE C-REFUNDABLE DEPOSITS:

The Authority, on behalf of Project Sponsors (Borrowers) who are requesting a Qualified Private Activity Bond Allocations, collects performance deposits for the California Debt Limit Allocation Committee. These deposits are either released to the borrowers when bonds are issued or they are forfeited and sent to the California Debt Limit Allocation Committee for non-performance.

NOTE D-RELATED PARTY TRANSACTIONS:

The Authority allocates 25% of its issuance fees to the California Foundation for Stronger Communities. CMFA and California Foundation for Stronger Communities share common board members. During the year, \$319,058 was distributed to California Foundation for Stronger Communities as donation.

NOTE E-INCOME TAXES:

As an organization created under the provision of the Joint Exercise of Powers Act of the Government Code of State of California, CMFA is not required to file income tax returns.

NOTE F-FAIR VALUES OF FINANCIAL INSTRUMENTS:

Disclosure of fair value information about certain financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value is required by SFAS 107 and SFAS 115. The following methods were used in estimating fair values:

Cash and Cash Equivalents-The carrying amount on the balance sheet approximates its fair value.

Accounts Receivable-The carrying amount on the balance sheet approximates its fair value.

Lease Receivable-The carrying amount on the balance sheet approximates its fair value.

Long-Term Debt-The carrying amount of the Company's borrowings under long-term borrowings approximate their fair values.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2008

NOTE F-FAIR VALUES OF FINANCIAL INSTRUMENTS-CON'T:

The carrying amounts and fair values of the Company's financial instruments as of June 30, 2008 are as follows:

	<u>CARRYING AMOUNTS</u>	<u>FAIR VALUE</u>
Cash and Cash Equivalents	\$ 1,548,726	\$ 1,548,726
Accounts Receivable	10,000	10,000
Lease Receivable	15,000,000	15,000,000
Bond Payable	15,000,000	15,000,000

NOTE G-RETIREMENT PLAN:

The Authority currently does not sponsor a retirement plan for its employee.

NOTE H- DESCRIPTION OF LEASING ARRANGEMENTS/LONG TERM DEBT:

The Company is the lessor in a capital lease agreement entered into in 2004 under which solid waste disposal vehicles and related equipment were leased for a term of 10 years. The acquisition of the equipment was furnished by a third-party financing in the form of a revenue bond. The Authority issued Solid Waste Disposal Revenue Bonds ("Waste Management, Inc. Project") series 2004 in an aggregate principal amount of \$15,000,000 to finance the acquisition of the equipment to be owned by the Authority and leased to Waste Management of California, Inc. ("Lessee") pursuant to a lease agreement between the two parties. The bond will mature in September 2014.

Under the terms of the lease, the Lessee is required to make rental payments sufficient to pay when due the principal of, premium, if any, and interest on, the Bonds and related expenses. At the end of the lease term, the lessee will obtain title to the leased vehicles and equipment. In accordance with SFAS No. 13 "Accounting for Leases", revenue from the lease is recorded as income and the payments made the Lessee are recorded as interest expense in the Authority's books.

The 2004 bonds are special limited obligations, for which the Authority is obligated, in the event of default, to pay back the liability to the extent of revenues generated from the lease arrangement, no revenue is generated from the lease arrangement. The bonds shall not be deemed to constitute an indebtedness or an obligation of the authority, any program participant of the Authority, the state or any political subdivision of the state within the purview of any constitutional limitation or provision. No holder of the bonds shall have any right to compel any exercise of the taxing power of the state or any political subdivision of the state to pay the principal or purchase price of the bonds or the interest premium, if any, thereon. Pursuant to SFAS No. 6 "Accounting for Long-Term Debt" and SFAS No. 47 "Disclosure of Long-Term Obligations", the bond is classified as a long-term debt.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE I – PRIOR PERIOD ADJUSTMENT AND FINANCIAL STATEMENT RESTATEMENT:

A prior period adjustment was made to the Authority's statement of activities to report the revenue and the interest expenses related to the leasing arrangement described in Note H. Accordingly, the statement of financial position was also restated to recognize the lease receivable and the long term debt associated with the lease and the revenue bonds issued to acquire the vehicles and equipment.

The prior period adjustments increased both gross revenue and interest expense for \$615,000 and had no effect in the net assets balance as of June 30, 2007.

NOTE J- NEW ACCOUNTING PRONOUNCEMENTS:

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS 157"). This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for financial statements issued for fiscal year beginning after November 15, 2007 and interim periods within those fiscal years. However, the FASB agreed to defer the effective date of SFAS 157 for one year for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of SFAS 157 is not expected to have a material impact on the Company's results of operations, cash flows and financial position.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS 159"). SFAS 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. SFA 159 also establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company's results of operations, cash flows and financial position.

