

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2010

(AUDITED)



CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP
Certified Public Accountants

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
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June 30, 2010 and 2009

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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 (a California organization created under the provision of the Joint Exercise of Powers Act of the Government Code of State of California) as of June 30, 2010 and 2009, 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 audit 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, 2010 and 2009, 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
September 21, 2010

CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	\$ 1,363,210	\$ 1,324,640
Accounts Receivable (Notes A & B)	33,313	9,238
Prepaid Expenses	<u>3,600</u>	<u>2,417</u>
 TOTAL CURRENT ASSETS	 1,400,123	 1,336,295
OTHER ASSETS		
Lease Receivable (Note H)	<u>15,000,000</u>	<u>15,000,000</u>
 TOTAL ASSETS	 <u><u>\$ 16,400,123</u></u>	 <u><u>\$ 16,336,295</u></u>

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



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Accrued Expenses	\$ 55,961	\$ 15,066
Refundable Deposits (Note C)	<u>636,349</u>	<u>822,811</u>
TOTAL CURRENT LIABILITIES	692,310	837,877
NON-CURRENT LIABILITIES		
Long Term Debt (Note H)	<u>15,000,000</u>	<u>15,000,000</u>
TOTAL LIABILITIES	15,692,310	15,837,877
NET ASSETS		
Unrestricted	<u>707,813</u>	<u>498,418</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,400,123</u></u>	<u><u>\$ 16,336,295</u></u>

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



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Annual Fees	\$ 991,994	\$ 828,296
Application Fees	77,500	70,000
Issuance Fees	707,675	782,197
Investment Income	4,388	17,652
Services	66,000	-
Other Income (Notes H)	<u>511,250</u>	<u>615,000</u>
 TOTAL REVENUES	 2,358,807	 2,313,145
EXPENSES		
Advertising (Note A)	16,000	13,000
Member Distributions	181,546	246,759
Charitable Contributions (Note D)	458,284	589,843
Outside Consultants	967,779	868,940
General & Administrative	14,553	15,658
Interest Expense (Note H)	<u>511,250</u>	<u>615,000</u>
 TOTAL EXPENSES	 <u>2,149,412</u>	 <u>2,349,200</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 \$ 209,395	 \$ (36,055)
 NET ASSETS - BEGINNING OF YEAR	 <u>498,418</u>	 <u>534,473</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 707,813</u></u>	 <u><u>\$ 498,418</u></u>

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



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in unrestricted net assets	\$ 209,395	\$ (36,055)
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	(24,075)	762
Prepaid Expenses	(1,183)	(1,315)
Accounts Payable and Accrued Expenses	40,895	(22,881)
Refundable Deposits	<u>(186,462)</u>	<u>(164,597)</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	38,570	(224,086)
Cash and Cash Equivalents at Beginning of Year	<u>1,324,640</u>	<u>1,548,726</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,363,210</u></u>	<u><u>\$ 1,324,640</u></u>

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



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 communities 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. Members of the authority include 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 & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.
4. Accounts Receivable are issuance and annual fees receivable which are reported at the amount management expects to collect from outstanding balances. Difference between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
5. Revenue Recognition-Fees from the origination of issuance services are recognized when transactions are closed.
6. Reclassifications-Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.
7. 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.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

8. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.
9. Concentration of Cash and Credit Risk-The Authority maintains corporate cash balances which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At year end, based on current FDIC deposit insurance coverage, the Company has no uninsured cash balances.
10. Advertising Costs are expensed in the year incurred. The Authority incurred \$16,000 and \$13,000 in advertising expenses in the years ended June 30, 2010 and 2009, respectively.

NOTE B-ADVISORY FEES:

The Authority has entered into a professional services agreement with an advisory company on May 18, 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. Total refundable deposit at year end was \$636,349.

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 ended June 30, 2010, \$458,284 was distributed to California Foundation for Stronger Communities as donations.

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.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

The carrying amounts and fair values of the Company's financial instruments as of June 30, 2010 are as follows:

	<u>CARRYING AMOUNTS</u>	<u>FAIR VALUE</u>
Cash and Cash Equivalents	\$ 1,363,210	\$ 1,363,210
Accounts Receivable	33,313	33,313

NOTE G-RETIREMENT PLAN:

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

NOTE H-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.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE H-LEASING ARRANGEMENTS/LONG TERM DEBT-CON'T:

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.

On September 1, 2009, the revenue bonds were remarketed (series 2009). Interest on the bonds is calculated on a term interest rate as determined the remarketing agent. The current interest rate as of June 30, 2010 is 3.00% per annum.

NOTE I-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 non financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted SFAS No. 157 effective January 1, 2008. The adoption of the new pronouncements does not 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 Company has not elected to implement the fair value option for any of its financial instruments, other than those required.

