

# CALIFORNIA MUNICIPAL FINANCE AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2009

(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 (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, 2009 and 2008, 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, 2009 and 2008, 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 16, 2009

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

**ASSETS**

	2009	2008
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Note A)	\$ 1,324,640	\$ 1,548,726
Accounts Receivable (Notes A & B)	9,238	10,000
Prepaid Expenses	2,417	1,102
<b>TOTAL CURRENT ASSETS</b>	1,336,295	1,559,828
<b>OTHER ASSETS</b>		
Lease Receivable (Note H)	15,000,000	15,000,000
<b>TOTAL ASSETS</b>	<b>\$ 16,336,295</b>	<b>\$ 16,559,828</b>

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



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

**LIABILITIES AND NET ASSETS**

	2009	2008
<b>CURRENT LIABILITIES</b>		
Accrued Expenses	\$ 15,066	\$ 37,947
Refundable Deposits (Note C)	822,811	987,408
<b>TOTAL CURRENT LIABILITIES</b>	837,877	1,025,355
<b>NON-CURRENT LIABILITIES</b>		
Long Term Debt (Note H)	15,000,000	15,000,000
<b>TOTAL LIABILITIES</b>	15,837,877	16,025,355
<b>NET ASSETS</b>		
Unrestricted	498,418	534,473
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,336,295</b>	<b>\$ 16,559,828</b>

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**

	2009	2008
<b>REVENUES</b>		
Annual Fees	\$ 828,296	\$ 607,044
Application Fees	70,000	137,500
Issuance Fees	782,197	981,515
Investment Income	17,652	24,605
Other Income (Notes H)	615,000	615,000
 TOTAL REVENUES	 2,313,145	 2,365,664
<b>EXPENSES</b>		
Advertising (Note A)	13,000	5,500
Member Distributions	246,759	281,772
Charitable Contributions (Note D)	589,843	319,058
Outside Consultants	868,940	887,580
General & Administrative	15,658	11,065
Interest Expense (Note H)	615,000	615,000
 TOTAL EXPENSES	 2,349,200	 2,119,975
 <b>INCREASE IN UNRESTRICTED NET ASSETS</b>	 \$ (36,055)	 \$ 245,689
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 534,473	 288,784
 <b>NET ASSETS - END OF YEAR</b>	 \$ 498,418	 \$ 534,473

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**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in unrestricted net assets	\$ (36,055)	\$ 245,689
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	762	48,914
Prepaid Expenses	(1,315)	(1,102)
Current Liabilities	(187,478)	97,033
	(224,086)	390,534
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Cash and Cash Equivalents at Beginning of Year	1,548,726	1,158,192
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,324,640	\$ 1,548,726

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



CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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 & 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. 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 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.





CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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

11. 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's uninsured cash balances, totaled \$1,156,170.
12. Advertising Costs are expensed in the year incurred. The Authority incurred \$13,000 and \$5,500 in advertising expenses in the years ended June 30, 2009 and 2008.

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 \$822,811.

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, \$589,843 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.



CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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, 2009 are as follows:

	<u>CARRYING AMOUNTS</u>	<u>FAIR VALUE</u>
Cash and Cash Equivalents	\$ 1,324,640	\$ 1,324,640
Accounts Receivable	9,238	9,238

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. The interest rate on the bond is 4.1% per annum.

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, 2009

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.

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.

