

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

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

BOND PROGRAM FUND

JUNE 30, 2010

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED JUNE 30, 2010	5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12
SUPPLEMENTAL INFORMATION	
SCHEDULE OF OUTSTANDING BONDS	21
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	22
SCHEDULE OF FINDINGS AND RESPONSES	24

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Bond Program Fund of the California Alternative Energy and Advanced Transportation Financing Authority (the Authority) as of and for the year ended June 30, 2010, as listed on the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 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.

As discussed in Note 1, the financial statements present only the Bond Program Fund and do not purport to, and do not, present fairly the financial position of the California Alternative Energy and Advanced Transportation Financing Authority as of June 30, 2010 and the changes in its net assets and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Program Fund of the California Alternative Energy and Advanced Transportation Financing Authority as of June 30, 2010 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 6, 2011 on our consideration of the Authority's Bond Program Fund's internal control over financial reporting and 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority's Bond Program Fund. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Reznick Group, P.C.

Sacramento, California
October 6, 2011

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010

This section of the financial statements of the Authority's Bond Program Funds presents the analysis of the financial performance of the Authority's Bond Program Funds during the fiscal year that ended on June 30, 2010. 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 (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 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 year ended June 30, 2010, the Authority did not issue any new tax exempt bonds. As of June 30, 2010, the Authority's total conduit debt issued was approximately \$205 million and total conduit debt outstanding was approximately \$71 million. During the fiscal year ended June 30, 2010, six applications were received and approved for Initial Resolutions. Bonds were issued for one of the applications in fiscal year 2010/2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010 - CONTINUED

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority's Bond Program Fund 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.

The *Statement of Net Assets* include all of the assets and liabilities of the Authority's Bond Program Fund for the year ended June 30, 2010 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 Authority and assessing the liquidity and financial flexibility of the Authority's Bond Program Fund.

The *Statement of Activities* accounts for all of the revenue and expenses of the Authority's Bond Program Fund for the year ended June 30, 2010. This statement reflects the results of the Bond Program Fund'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.

The *Statement of Cash Flows* provides information about the Authority's Bond Program Fund's cash receipts and cash payments during the year ended June 30, 2010. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statement provides 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, 2010.

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010 - CONTINUED

ANALYSIS OF 2010 ACTIVITIES

Applications received in FY 2009/2010:

The following schedule presents a summary of the applications received during the fiscal year ended June 30, 2010:

Application Number	Date Received	Applicant Name	Project Type	Amount
10-001	4/2/2010	Castaic Lake Water Agency	SOLAR	\$ 7,600,000
10-002	4/2/2010	Fallbrook Public Utility District	SOLAR	7,227,000
10-003	4/2/2010	Oakland Unified School District	SOLAR	7,500,000
10-004	4/2/2010	Rancho California Water District	SOLAR	11,500,000
10-005	4/2/2010	Oxnard Union High School District	SOLAR	25,148,709
10-006	4/2/2010	Lodi Unified School District	SOLAR	16,900,000
Total				<u><u>\$ 75,875,709</u></u>

Initial Resolutions (IR) Adopted in FY 2009/2010:

The following schedule presents a summary of the Initial Resolutions adopted during the fiscal year ended June 30, 2010:

IR No.	Date Approved	Applicant Name	Project Type	Amount
10-001	4/6/2010	Castaic Lake Water Agency	SOLAR	\$ 7,600,000
10-002	4/6/2010	Fallbrook Public Utility District	SOLAR	7,227,000
10-003	4/6/2010	Oakland Unified School District	SOLAR	7,500,000
10-004	4/6/2010	Rancho California Water District	SOLAR	11,500,000
10-005	4/6/2010	Oxnard Union High School District	SOLAR	25,148,709
10-006	4/6/2010	Lodi Unified School District	SOLAR	16,900,000
Total				<u><u>\$ 75,875,709</u></u>

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010 - CONTINUED

ANALYSIS OF CHANGE IN FUND BALANCE FOR FISCAL YEAR ENDED JUNE 30, 2010.

At the beginning of fiscal year 2010, CAEATFA had a deficit in net assets in excess of \$473,000 which represented the aggregate net assets of all the CAEATFA programs. Because of the requirement to present specific financial statements for the Bond Program Funds, the management of CAEATFA performed an analysis of the transactions and activities that lead to its deficit in net assets and determined that the portion of its deficit in net assets that should be allocated to the Bond Program Funds effective July 1, 2009 was \$170,331.

During fiscal year 2010, the deficit in net assets of the Authority's Bond Program Funds increased by \$56,341 from the previous fiscal year. CAEATFA Bond Program had no operating revenues during the fiscal year while its operating expenses were \$56,915.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's Bond Program Fund'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 Transportation Financing Authority
Bond Program Fund

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS

Current assets	
Cash	\$ 2,815
SMIF interest receivable	15
	<hr/>
Total assets	\$ 2,830
	<hr/> <hr/>

LIABILITIES

Current liabilities	
Accounts payable	\$ 4,014
Due to CPCFA	224,875
Due to other funds	444
Other liabilities - accrued leave	169
	<hr/>
Total current liabilities	229,502
	<hr/> <hr/>

NET ASSETS

Unrestricted	<hr/> (226,672)
Total net assets	<hr/> (226,672)
Total liabilities and net assets	<hr/> \$ 2,830
	<hr/> <hr/>

See notes to financial statements

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

Operating expenses	
Salaries, wages and benefits	\$ 36,674
Services and supplies	<u>20,241</u>
Total operating expenses	<u>56,915</u>
Operating loss	<u>(56,915)</u>
Nonoperating revenues (expenses)	
Interest and investment income	<u>138</u>
Total nonoperating revenues	<u>138</u>
Transfers in	<u>436</u>
Changes in net assets	(56,341)
Total net assets, beginning of year	<u>(170,331)</u>
Total net assets, end of year	<u>\$ (226,672)</u>

See notes to financial statements

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

STATEMENT OF CASH FLOWS

Year ended June 30, 2010

Cash flows from operating activities:	
Collection of prior year receivables	\$ 5,395
Payments to employees and suppliers	<u>(53,242)</u>
Net cash used in operating activities	<u>(47,847)</u>
Cash flows from noncapital financing activities	
Advance from CPCFA	11,111
Transfers	<u>436</u>
Net cash provided by noncapital financing activities	<u>11,547</u>
Cash flows from investing activities	
Receipts from Surplus Money Investment Fund	<u>185</u>
Net cash provided by investing activities	<u>185</u>
Net decrease in cash and cash equivalents	(36,115)
Cash and cash equivalents, beginning	<u>38,930</u>
Cash and cash equivalents, ending	<u><u>\$ 2,815</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (56,915)
Adjustments to reconcile operating loss to net cash used in operating	
Changes in:	
Other receivable	5,395
Accounts payable	3,856
Due to other funds	235
Accrued leave	<u>(418)</u>
Net cash used in operating activities	<u><u>\$ (47,847)</u></u>

See notes to financial statements

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - ORGANIZATION AND NATURE OF 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.

Effective January 1, 2010, legislation (Senate Bill 99, which added Chapter 10.7 of Division 6 of Title 1, commencing with section 5870, to the Government Code) increased the reporting and auditing requirements for conduit issuers. The focus of the legislation was on the joint powers authorities that frequently issue bonds and also requires the inclusion of state finance authorities; the legislation was written to include the finance authorities chaired by the Treasurer. As a result, the Authority must comply with the same reporting/auditing requirements imposed on the joint powers authorities.

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. The Bond Program had no direct employees and was entirely supported by the Executive Director of the Authority to perform all necessary functions. Thus, the accompanying financial statements of the Authority's Bond Program Fund are not indicative of the Authority's financial position or net assets as a whole.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements

The basic financial statements of the Authority's Bond Program Fund (i.e. the Statement of Net Assets, the Statement of Activities and the Statement of Cash Flows) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

governmental units. The financial statements report information on the Authority's Bond Program and are presented in accordance with standards established by the Governmental Accounting Standards Board (GASB).

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Operating expenses include the cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB, the Authority has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, which are not inconsistent with GASB pronouncements. Subsequent to this date, the Authority accounts for its proprietary funds as required by GASB.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered cash and short term investments that are held on deposit with the State Controller's Office. Cash receipts and disbursements of the Authority are made through a cash pool maintained by the State Controller.

Accounts Receivable

Accounts receivable consist of application, initial and annual administrative fees receivable on conduit bond financing programs. As of June 30, 2010, there were no accounts receivable and no allowance for doubtful accounts was recorded.

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Capital Assets

Capital assets are recorded at cost and consist of furniture, fixtures and equipment. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years. As of June 30, 2010, there are no capital assets.

Net Assets

In the statement of net assets, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition or improvement of the assets.

Restricted Net Assets - This amount is restricted by external contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

General and Administrative 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). Such costs could affect the Authority's financial position or operating results in a manner that differs from those that might have been obtained if the Authority was autonomous. The Authority records these costs as invoiced by STO for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year-end. Any adjustment is included on invoices and recorded in the period in which the adjustment is identified.

Cost Allocation within the Authority

The Authority also allocates its general and administrative expenses to its different programs based upon the employee head count of each program under development. A portion equal to 25% of payroll and related costs of the Authority is allocated to the Bond Program. The percentage derived from total payroll and related costs allocated to the Bond Program over

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

the total payroll and related costs of the Authority, has been used to allocate other general and administrative expenses.

Use of Estimates

The preparation of 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.

NOTE 3 - CASH AND INVESTMENTS

Deposits with State Controller

The Authority invests excess cash funds in the Surplus Money Investment Fund (SMIF). All of the resources of SMIF are invested through the Pooled Money Investment Board and is administered by the office of the State Controller. As of June 30, 2010, the Authority's Bond Program has invested funds in SMIF in the amount of \$2,815. During the year ended June 30, 2010, the Authority's Bond Program earned interest in the amount of \$138, of which \$15 is receivable as of June 30, 2010.

Disclosures regarding interest rate risk, credit risk, concentration of credit risk, custodial risk and other additional detailed disclosures required by GASB regarding cash deposits and investments, are presented in the financial statements of the State of California for the year ended June 30, 2010.

NOTE 4 - DUE TO OTHER STATE AGENCY

The Authority entered into multiple loan agreements with California Pollution Control Financing Authority (CPCFA) for amounts up to \$849,500. The loans are due on demand. As of June 30, 2010, outstanding loans used for the Bond Program Fund amounting to \$224,875 are due to CPCFA and are included in current liabilities on the statement of net assets. 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, 2010.

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 5 - CONDUIT FINANCE ACTIVITY

The Authority 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 institutions, and the Authority is not responsible for payment in any financing. As a result, the financing obligations are not recorded in the Authority's financial statements. The borrowers' obligations generally are, but need not be, secured by insurance, a letter of credit or guaranty.

At June 30, 2010, the aggregate amount of the Authority's conduit debt obligations outstanding issued on behalf of program participants totaled \$71,201,667.

The Authority's conduit finance activity for the year ended June 30, 2010 is as follows:

	Debt issued during fiscal year 2010 (third party debt)	Total debt outstanding as of fiscal year 2010 (third party debt)
	<u> </u>	<u> </u>
Qualified Private Activity Debt		
Cogeneration Facility Revenue Bonds	\$ -	\$ 52,535,000
Clean Renewable Energy Bonds	<u>-</u>	<u>18,666,667</u>
Total Conduit Debt Issued and Outstanding	<u>\$ -</u>	<u>\$ 71,201,667</u>

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Authority is a participant in the State of California's Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provide 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.

The Bond Program Fund's contribution to CalPERS for the year ended June 30, 2010 was \$17,815. 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, 2010 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 P Street, Sacramento, California 95814.

Additional detailed disclosure required by GASB, regarding the defined benefit plan are presented in the financial statements of the State of California for the year ended June 30, 2010.

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 7 - FINANCIAL CONDITION

The Authority's Bond Program had no revenue during the year ended June 30, 2010. The Bond Program generated losses and as of June 30, 2010, its net assets are negative. The Authority received funds loaned or provided by other state agencies and such financial support from other state agencies will be critical for the Authority and its Bond Program to continue to accomplish its mission. Application fees in the amount of \$26,163 were not collected during the fiscal year ended June 30, 2010. A portion of this amount was collected during the fiscal year ended June 30, 2011.

NOTE 8 - RECONCILIATION WITH FINANCIAL TRANSACTION REPORT SUBMITTED TO THE STATE CONTROLLER'S OFFICE

On October 18, 2010, the Authority submitted to the State Controller's office its unaudited Financial Transactions Report as of and for the year ended June 30, 2010. The following schedule summarizes the differences between the audited financial statements and the unaudited information as of June 30, 2010:

<u>Statement of net assets</u>	<u>Audited financial statements</u>	<u>Unaudited report submitted</u>	<u>Differences</u>
Total assets	\$ 2,830	\$ 20,916	\$ (18,086)
Total liabilities	<u>229,502</u>	<u>17,151</u>	<u>212,351</u>
Net assets	<u>\$ (226,672)</u>	<u>\$ 3,765</u>	<u>\$ (230,437)</u>

The decrease in total assets was due to a misallocation of funds attributable to another program.

The increase in liabilities of \$212,351 results from the recording of the loans payable to CPCFA of \$224,875 and the decrease of accounts payable by \$12,524 for liabilities that are not related to the Bond Program.

The net assets at the beginning of the year have been adjusted from a positive \$38,722 as reported at page 4 of the unaudited Financial Transactions Report submitted to the State Controller's Office to a deficit of \$170,331 per the accompanying financial statements. The differences were mainly due to the fact that the amount included in the unaudited Financial

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Transactions Report did not include the deficit in net assets and the increase in loans payable to CPCFA at the beginning of the year of \$213,764.

NOTE 9 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of the Authority through October 6, 2011 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

SUPPLEMENTAL INFORMATION

CAEATFA BOND REPORT AS OF JUNE 30, 2010

Closing Date	Name of Project	Principal Amount	Redeemed	Bonds Outstanding	Outstanding Debt	COMMENTS	MATURITY
09/15/82	Indian Valley Hydroelectric Partnership	\$5,000,000.00	\$5,000,000.00	\$0.00	\$0.00	LITIGATION SETTLEMEN	08/01/04
01/20/82	Litchfield Developers (Carson Development)	\$810,000.00	\$810,000.00	\$0.00	\$0.00	MATURED	01/01/92
09/27/83	Catalyst/IPT Cogeneration Partnership	\$4,400,000.00	\$4,400,000.00	\$0.00	\$0.00	REDEEMED 09/30/1991	09/01/07
09/27/83	Lever Brothers Company	\$1,000,000.00	\$1,000,000.00	\$0.00	\$0.00	MATURED	12/01/91
12/21/83	Jeld-Wen, Inc	\$3,100,000.00	\$3,100,000.00	\$0.00	\$0.00	MATURED	12/01/95
05/16/84	Soledad Cogeneration Associates	\$4,120,000.00	\$4,120,000.00	\$0.00	\$0.00	PAID BY LOC 11/08/93	05/01/03
07/24/84	Santa Cruz Cogeneration Associates 1984	\$3,820,000.00	\$3,820,000.00	\$0.00	\$0.00	REDEEMED 06/01/91	06/01/95
11/30/84	Sverdrup Hydro Projects, Inc	\$6,000,000.00	\$6,000,000.00	\$0.00	\$0.00	EARLY REDEMP 11/94	11/01/14
12/27/84	West Coast Basin Barrier	\$2,100,000.00	\$2,100,000.00	\$0.00	\$0.00	DEFEASED 07/20/92	01/01/05
04/18/85	Veterans' Home of California (Yountville)	\$5,700,000.00	\$5,700,000.00	\$0.00	\$0.00	REFUNDED 05/27/88	05/01/08
06/24/85	D'Arngo Bros. Company of California	\$1,935,000.00	\$1,935,000.00	\$0.00	\$0.00	MATURED	06/01/91
06/24/85	California Cedar Products	\$1,300,000.00	\$1,300,000.00	\$0.00	\$0.00	MATURED	06/01/90
09/12/85	Fairhaven Power Company	\$20,000,000.00	\$20,000,000.00	\$0.00	\$0.00	MATURED	09/01/95
12/16/85	SRI International	\$11,250,000.00	\$11,250,000.00	\$0.00	\$0.00	REFUNDED BY 10/01/95 IS	12/01/05
12/17/85	University of San Francisco	\$4,000,000.00	\$4,000,000.00	\$0.00	\$0.00	REFUNDED BY 7/14/87 IS	12/01/95
12/30/85	Modesto Energy Company	\$30,000,000.00	\$30,000,000.00	\$0.00	\$0.00	REDEEMED 07/01/1997	12/01/07
10/07/86	Santa Cruz Cogeneration Associates 1986	\$3,295,000.00	\$3,295,000.00	\$0.00	\$0.00	REDEEMED 06/01/1991	06/01/95
11/20/86	Rock Creek Limited Partnership	\$5,600,000.00	\$5,600,000.00	\$0.00	\$0.00	PAID BY LOC 11/14/2003	11/01/16
11/20/86	Nove Investments	\$3,000,000.00	\$3,000,000.00	\$0.00	\$0.00	MATURED	12/01/94
07/14/87	University of San Francisco 1987 Series A (Refunding)	\$3,575,000.00	\$3,575,000.00	\$0.00	\$0.00	MATURED	12/01/95
05/27/88	Veterans' Home of California (Yountville) 1988 Series A (Refunding)	\$5,365,000.00	\$5,365,000.00	\$0.00	\$0.00	REDEEMED 05/01/93	05/01/08
09/24/93	Arroyo Energy	\$55,000,000.00	\$4,340,000.00	\$50,660,000.00	\$50,660,000.00	OP RED BEGAN 03/01/94	10/01/20
10/01/95	SRI International*	\$4,475,000.00	\$2,600,000.00	\$1,875,000.00	\$1,875,000.00	REFINANCED 1985 SRI BC	12/01/20
06/10/09	Clean Renewable Energy Bonds (CalTrans Projects) Series 2009	\$19,999,999.95	\$1,333,333.33	\$18,666,666.62	\$18,666,666.62		12/09/23
	TOTALS	\$204,844,999.95	\$133,643,333.33	\$71,201,666.62	\$71,201,666.62		

* Partial redemption dated June 1, 2009 for \$75,000

INDEPENDENT AUDITORS' 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

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

We have audited the financial statements of the Bond Program Fund of the California Alternative Energy and Advanced Transportation Financing Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the California Alternative Energy and Advanced Transportation Financing Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Authority's Bond Program Fund's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses as items 2010-1 and 2010-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Program Fund of the California Alternative Energy and Advanced Transportation Financing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and contracts, 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 and requirements 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.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the management and the Board members of the California Alternative Energy and Advanced Transportation Financing Authority and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Sacramento, California
October 6, 2011

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2010

Finding 2010-1

Condition and Criteria:

The Authority did not maintain a separate set of books and accounting records within the CAEATFA Fund for the Bond Program Funds.

Effect:

The Authority had to review the trial balances and general ledgers of the entire agency and determine the proper allocation of the different components to different programs. Consequently, significant adjustments had to be made during the audit in order to properly reflect the financial statements of the Bond Program Funds of the Authority.

Cause:

Separate accounts, books and records were not maintained for each specific fund.

Auditors' Recommendation:

The Authority should 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.

Authority's Response:

CAEATFA currently utilizes the State's CALSTARS Accounting System to track its accounting activities. CAEATFA will create and utilize unique PCA Codes within the CAEATFA Fund to account for the Bond Program activities.

California Alternative Energy and Advanced Transportation Financing Authority
Bond Program Fund

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

June 30, 2010

Finding 2010-2

Condition and Criteria:

The Authority did not follow its regulations regarding the collection of application fees prior to the processing of applications received.

Effect:

Application fees in the amount of \$26,163 were not collected during the fiscal year ended June 30, 2010.

Cause:

The Bond program had no direct employees to perform all necessary functions and there was a misapplication of the regulations regarding the collection of application fees.

Auditors' Recommendation:

The Authority should implement administrative procedures to ensure that the application fees are collected prior to the processing of any application received.

Authority's Response:

CAEATFA currently has six new staff to support its programs. Procedures for collection of application fees have been established.