

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

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

**BOND PROGRAM FUND**

JUNE 30, 2011

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

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## 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, 2011, 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, 2011 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, 2011 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 June 19, 2012 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 pages 21 through 23 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  
June 19, 2012

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2011

This section of the financial statements of the Authority's Bond Program Fund presents the analysis of the financial performance of the Authority's Bond Program Fund during the fiscal year that ended on June 30, 2011. 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, 2011, the Authority issued tax exempt bonds for one project. As of June 30, 2011, the Authority's total conduit debt issued was approximately \$212 million and total conduit debt outstanding was approximately \$77 million.

**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.

**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.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2011 - CONTINUED

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, 2011 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, 2011. 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, 2011. 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, 2011.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2011 - CONTINUED

**ANALYSIS OF FISCAL YEAR 2010/2011 ACTIVITIES**

**Applications received in FY 2010/2011:**

The following schedule presents the applications received during the fiscal year 2010/2011:

Application Number	Date Received	Applicant Name	Project Type	Amount
10-008	11/5/2010	Yuba Community College District	Solar	<u>\$ 20,500,000</u>

**Initial Resolutions (IR) Adopted in FY 2010/2011:**

The following schedule presents the Initial Resolutions adopted during the fiscal year 2010/2011:

IR No.	Date Approved	Applicant Name	Project Type	Amount
10-008	11/17/2010	Yuba Community College District	Solar	<u>\$ 20,500,000</u>

**Final Resolutions (FR) Adopted in FY 2010/2011:**

The following schedule presents the Final Resolutions adopted during the fiscal year 2010/2011:

FR No.	Date Approved	Applicant Name	Project Type	Amount
10-001	10/27/2010	Fallbrook Public Utility District	Solar	<u>\$ 7,227,000</u>

**Bonds Sold in FY 2010/2011:**

The following schedule presents a summary of the bonds sold during the fiscal year 2010/2011:

Closing Date	Applicant Name	Project Type	Amount
11/18/2010	Fallbrook Public Utility District	Solar	<u>\$ 7,227,000</u>

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2011 - CONTINUED

**ANALYSIS OF CHANGE IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2011**

As of June 30, 2011, the Bond program Fund of CAEATFA has a deficit in net assets of \$203,969.

During the year ended June 30, 2011, the net assets of the Authority's Bond Program Fund increased by \$22,703 from the previous fiscal year. CAEATFA Bond Program had \$55,329 in revenues during the fiscal year while its operating expenses were \$32,626.

**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, 2011

ASSETS

Current assets	
Cash	\$ 33,696
Due from other funds	85
SMIF interest receivable	<u>36</u>
 Total assets	 \$ <u><u>33,817</u></u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 10,000
Due to CPCFA	224,875
Other liabilities - accrued leave	<u>2,911</u>
 Total current liabilities	 <u>237,786</u>

NET ASSETS

Restricted for purposes specified in enabling legislations	<u>(203,969)</u>
 Total net assets	 <u>(203,969)</u>
 Total liabilities and net assets	 \$ <u><u>33,817</u></u>

See notes to financial statements

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

STATEMENT OF ACTIVITIES

Year ended June 30, 2011

Operating revenues	
Application fees	\$ 20,000
Administration fees	31,681
Agent for sale fees	<u>3,500</u>
Total operating revenues	<u>55,181</u>
Operating expenses	
Salaries, wages and benefits	9,251
Services and supplies	4,052
Consultant services	10,000
Legal fees	5,823
Other agent fees	<u>3,500</u>
Total operating expenses	<u>32,626</u>
Operating income	<u>22,555</u>
Nonoperating revenues (expenses)	
Interest and investment income	<u>148</u>
Total nonoperating revenues	<u>148</u>
Changes in net assets	22,703
Total net assets, beginning of year	<u>(226,672)</u>
Total net assets, end of year	<u><u>\$ (203,969)</u></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, 2011

Cash flows from operating activities:	
Collection of fees	\$ 55,181
Payments to employees and suppliers	<u>(24,427)</u>
Net cash provided by operating activities	<u>30,754</u>
Cash flows from investing activities	
Receipts from Surplus Money Investment Fund	<u>127</u>
Net cash provided by investing activities	<u>127</u>
Net increase in cash and cash equivalents	30,881
Cash and cash equivalents, beginning	<u>2,815</u>
Cash and cash equivalents, ending	<u><u>\$ 33,696</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 22,555
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in:	
Due from other funds	(85)
Accounts payable	5,986
Due to other funds	(444)
Accrued leave	<u>2,742</u>
Net cash provided by operating activities	<u><u>\$ 30,754</u></u>

See notes to financial statements

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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. 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.

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.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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 governmental units. The financial statements report information on all of the enterprise activities of the Authority's Bond Program Fund 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. 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 Bond Program Fund'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 Bond Program Fund are made through a cash pool maintained by the State Controller.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Accounts Receivable

Accounts receivable consist of application, administration and agent for sale fees receivable on conduit bond financing programs. As of June 30, 2011, there were no accounts receivable and no allowance for doubtful accounts was recorded.

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 provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years. As of June 30, 2011, there are no capital assets.

Other Liabilities - Accrued Leave

Other Liabilities - Accrued Leave on the statement of net assets include vested and unpaid vacation and annual leave. 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, 2011.

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."

As of June 30, 2011, all of the net assets of the Bond Program Fund are classified as restricted by enabling legislation for purposes specified in the Act as described in Note 1.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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 Bond Program Fund'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 and allocates the costs to its programs. 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 being administered and under development. A portion equal to 3% 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 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 IN STATE TREASURY

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, 2011, the Authority's Bond Program has invested funds in SMIF in the amount of \$36,696. During the year ended June 30, 2011, the Authority's Bond Program earned interest in the amount of \$148, of which \$36 is receivable as of June 30, 2011.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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, 2011.

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, 2011, 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, 2011.

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, 2011, the aggregate amount of the Bond Program Fund's conduit debt obligations outstanding issued on behalf of program participants totaled \$76,895,333.



California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The Authority's conduit finance activity for the year ended June 30, 2011 is as follows:

Qualified Private Activity Debt	Debt issued during fiscal year 2011 (third party debt)	Total debt outstanding at end of fiscal year 2011 (third party debt)
Cogeneration Facility Revenue Bonds	\$ -	\$ 52,335,000
Clean Renewable Energy Bonds	-	17,333,333
Qualified Energy Conservation Bonds	7,227,000	7,227,000
Total Conduit Debt Issued and Outstanding	\$ 7,227,000	\$ 76,895,333

NOTE 6 - 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 Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The Bond Program Fund's contribution to CalPERS for the year ended June 30, 2011 was \$949. 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, 2011 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, 2011.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Upon retirement, the State of California provides health care benefits to the participants in the retirement systems to which the State contributes as an employer. A portion of the costs associated with the State's other post-employment benefits is allocated to the Program.

Additional detailed disclosure required by GASB, regarding other post employment benefits are presented in the financial statements of the State of California for the year ended June 30, 2011.

NOTE 8 - FINANCIAL CONDITION

The Authority's Bond Program has a deficit in fund balance of \$203,969 as of June 30, 2011. The Bond Program generated a net income of \$22,703 during the year ended June 30, 2011; however, its net assets remain 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.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 9 - RECONCILIATION WITH FINANCIAL TRANSACTION REPORT SUBMITTED  
TO THE STATE CONTROLLER'S OFFICE

On October 18, 2011, the Authority submitted to the State Controller's office its unaudited Financial Transactions Report as of and for the year ended June 30, 2011. The following schedule summarizes the differences between the audited financial statements and the unaudited information as of June 30, 2011:

<u>Statement of net assets</u>	<u>Audited financial statements</u>	<u>Unaudited report submitted</u>	<u>Differences</u>
Total assets	\$ 33,817	\$ 36,728	\$ (2,911)
Total liabilities	<u>237,786</u>	<u>237,786</u>	<u>-</u>
Net assets	<u>\$ (203,969)</u>	<u>\$ (201,058)</u>	<u>\$ (2,911)</u>

The decrease in total assets was due to a misallocation to other programs of funds attributable to the Bond Program.

The net assets were reported as unrestricted on the unaudited Financial Transaction Report, however, the audited financial statements correctly reports the net assets as restricted for purposes specified in enabling legislations.

NOTE 10 - 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 June 19, 2012 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'

**Quarterly Outstanding Bond Report**

				AS 6/30/2011							
Year	Authority	Closing Date	Pgm Type	Bond Name	Final Maturity	Comments	Principal Issued	Principal Paid	Outstanding Debt	Outstanding Bond	
19822	CAEATFA	09/15/1982	LB	INDIAN VALLEY HYDROELECTRIC PARTNERSHIP PROJECT	08/01/2004	OPTIONAL REDEMPTION BEGINS 08/01/92	\$ 5,000,000	\$ 5,000,000	\$ 0	\$ 0	
19822	CAEATFA	12/20/1982	LB	LITCHFIELD DEVELOPERS SERIES 1982	01/01/1992		\$ 810,000	\$ 810,000	\$ 0	\$ 0	
<b>Six Months Total:</b>							<b>\$ 5,810,000</b>	<b>\$ 5,810,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Running Total:</b>							<b>\$ 5,810,000</b>	<b>\$ 5,810,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
19832	CAEATFA	09/27/1983	LB	CATALYST/IPT COGEN. PARTNERSHIP SERIES 1983		MANDATORY REDEMPTION BEGINS 03/01/85	\$ 4,400,000	\$ 4,400,000	\$ 0	\$ 0	
19832	CAEATFA	09/27/1983	LB	LEVER BROTHERS COMPANY SERIES 1983	12/01/1991		\$ 1,000,000	\$ 1,000,000	\$ 0	\$ 0	
19832	CAEATFA	12/21/1983	LB	JELD-WEN INC, SERIES 1983	12/01/1995		\$ 3,100,000	\$ 3,100,000	\$ 0	\$ 0	
<b>Six Months Total:</b>							<b>\$ 8,500,000</b>	<b>\$ 8,500,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Running Total:</b>							<b>\$ 14,310,000</b>	<b>\$ 14,310,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
19841	CAEATFA	05/16/1984	LB	SOLEDAD COGENERATION ASSOCIATES SERIES 1984	05/01/2003		\$ 4,120,000	\$ 4,120,000	\$ 0	\$ 0	
<b>Six Months Total:</b>							<b>\$ 4,120,000</b>	<b>\$ 4,120,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Running Total:</b>							<b>\$ 18,430,000</b>	<b>\$ 18,430,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
19842	CAEATFA	07/24/1984	LB	SANTA CRUZ COGENERATION ASSOCIATES SERIES 1984	06/01/1995		\$ 3,820,000	\$ 3,820,000	\$ 0	\$ 0	
19842	CAEATFA	11/30/1984	LB	SVERDRUP HYDRO PROJECTS SERIES 1984	11/01/2014		\$ 6,000,000	\$ 6,000,000	\$ 0	\$ 0	
19842	CAEATFA	12/01/1984	LB	WEST COAST BASIN BARRIER SERIES 1984	01/01/2005	OPTIONAL REDEMPTION BEGINS 01/01/95	\$ 2,100,000	\$ 2,100,000	\$ 0	\$ 0	
<b>Six Months Total:</b>							<b>\$ 11,920,000</b>	<b>\$ 11,920,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Running Total:</b>							<b>\$ 30,350,000</b>	<b>\$ 30,350,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	

19851	CAEATFA	04/19/1985	LB	VETERANS HOME OF CALIFORNIA SERIES 1985	05/01/2008		\$	5,700,000	\$	5,700,000	\$	0	\$	0		
19851	CAEATFA	06/24/1985	LB	D'ARRIGO BROS. PROJECT SERIES 1985	06/01/1991		\$	1,935,000	\$	1,935,000	\$	0	\$	0		
19851	CAEATFA	06/26/1985	CLEEN	CALIFORNIA CEDAR PRODUCTS COMPANY PROJECT SERIES 1985A	06/01/1990		\$	1,300,000	\$	1,300,000	\$	0	\$	0		
								<b>Six Months Total:</b>	<b>\$</b>	<b>8,935,000</b>	<b>\$</b>	<b>8,935,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
								<b>Running Total:</b>	<b>\$</b>	<b>39,285,000</b>	<b>\$</b>	<b>39,285,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
19852	CAEATFA	09/12/1985	LB	FAIRHAVEN POWER COMPANY SERIES 1985			\$	20,000,000	\$	20,000,000	\$	0	\$	0		
19852	CAEATFA	12/16/1985	LB	SRI INTERNATIONAL PROJECT SERIES 1985	12/01/2005	OPTIONAL REDEMPTION BEGINS 12/01/95	\$	11,250,000	\$	11,250,000	\$	0	\$	0		
19852	CAEATFA	12/17/1985	LB	UNIVERSITY OF SAN FRANCISCO SERIES 1985			\$	4,000,000	\$	4,000,000	\$	0	\$	0		
19852	CAEATFA	12/30/1985	LB	MODESTO ENERGY PROJECT SERIES 1985A		OPTIONAL REDEMPTION BEGINS 06/01/92	\$	30,000,000	\$	30,000,000	\$	0	\$	0		
								<b>Six Months Total:</b>	<b>\$</b>	<b>65,250,000</b>	<b>\$</b>	<b>65,250,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
								<b>Running Total:</b>	<b>\$</b>	<b>104,535,000</b>	<b>\$</b>	<b>104,535,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
19862	CAEATFA	10/07/1986	LB	SANTA CRUZ COGENERATION ASSOCIATES SERIES 1986			\$	3,295,000	\$	3,295,000	\$	0	\$	0		
19862	CAEATFA	11/20/1986	LB	NOVE INVESTMENTS PROJECT SERIES 1986	12/01/1994		\$	3,000,000	\$	3,000,000	\$	0	\$	0		
19862	CAEATFA	11/20/1986	LB	ROCK CREEK LIMITED PARTNERSHIP PROJECT SERIES 1986	11/01/2016		\$	5,600,000	\$	5,600,000	\$	0	\$	0		
								<b>Six Months Total:</b>	<b>\$</b>	<b>11,895,000</b>	<b>\$</b>	<b>11,895,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
								<b>Running Total:</b>	<b>\$</b>	<b>116,430,000</b>	<b>\$</b>	<b>116,430,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
19872	CAEATFA	07/14/1987	LB	UNIVERSITY OF SAN FRANCISCO REFUNDING SERIES 1987			\$	3,575,000	\$	3,575,000	\$	0	\$	0		
								<b>Six Months Total:</b>	<b>\$</b>	<b>3,575,000</b>	<b>\$</b>	<b>3,575,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>
								<b>Running Total:</b>	<b>\$</b>	<b>120,005,000</b>	<b>\$</b>	<b>120,005,000</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>0</b>

19881	CAEATFA	05/27/1988	LB	VETERANS HOME OF CALIFORNIA PROJECT REFUNDING SERIES 1988	05/01/2008		\$	5,365,000	\$	5,365,000	\$	0	\$	0
						<b>Six Months Total:</b>	\$	<b>5,365,000</b>	\$	<b>5,365,000</b>	\$	<b>0</b>	\$	<b>0</b>
						<b>Running Total:</b>	\$	<b>125,370,000</b>	\$	<b>125,370,000</b>	\$	<b>0</b>	\$	<b>0</b>
						<b>Running Total:</b>	\$	<b>125,370,000</b>	\$	<b>125,370,000</b>	\$	<b>0</b>	\$	<b>0</b>
19932	CAEATFA	10/01/1993	LB	ARROYO ENERGY PROJECT SERIES 1993A	10/01/2020	OPTIONAL REDEMPTION BEGINS	\$	27,500,000	\$	2,170,000	\$	25,330,000	\$	25,330,000
19932	CAEATFA	10/01/1993	LB	ARROYO ENERGY PROJECT SERIES 1993B	10/01/2020	OPTIONAL REDEMPTION BEGINS	\$	27,500,000	\$	2,170,000	\$	25,330,000	\$	25,330,000
						<b>Six Months Total:</b>	\$	<b>55,000,000</b>	\$	<b>4,340,000</b>	\$	<b>50,660,000</b>	\$	<b>50,660,000</b>
						<b>Running Total:</b>	\$	<b>180,370,000</b>	\$	<b>129,710,000</b>	\$	<b>50,660,000</b>	\$	<b>50,660,000</b>
19952	CAEATFA	10/31/1995	LB	SRI INTERNATIONAL PROJECT SERIES 1985 REISSUE	12/01/2020	OPTIONAL REDEMPTION BEGINS 12/01/10	\$	4,475,000	\$	2,800,000	\$	1,675,000	\$	1,675,000
						<b>Six Months Total:</b>	\$	<b>4,475,000</b>	\$	<b>2,800,000</b>	\$	<b>1,675,000</b>	\$	<b>1,675,000</b>
						<b>Running Total:</b>	\$	<b>184,845,000</b>	\$	<b>132,510,000</b>	\$	<b>52,335,000</b>	\$	<b>52,335,000</b>
20091	CAEATFA	06/10/2009	CREB	CALTRANS PROJECTS SERIES 2009	12/15/2023	OPTIONAL REDEMPTION BEGINS 12/15/08	\$	20,000,000	\$	2,666,667	\$	17,333,333	\$	17,333,333
						<b>Six Months Total:</b>	\$	<b>20,000,000</b>	\$	<b>2,666,667</b>	\$	<b>17,333,333</b>	\$	<b>17,333,333</b>
						<b>Running Total:</b>	\$	<b>204,845,000</b>	\$	<b>135,176,667</b>	\$	<b>69,668,333</b>	\$	<b>69,668,333</b>
20102	CAEATFA	11/18/2010	QECB	FALLBROOK PUBLIC UTILITY DISTRICT SOLAR PROJECT SERIES 2010	11/18/2027		\$	7,227,000	\$	0	\$	7,227,000	\$	7,227,000
						<b>Six Months Total:</b>	\$	<b>7,227,000</b>	\$	<b>0</b>	\$	<b>7,227,000</b>	\$	<b>7,227,000</b>
						<b>Running Total:</b>	\$	<b>212,072,000</b>	\$	<b>135,176,667</b>	\$	<b>76,895,333</b>	\$	<b>76,895,333</b>

State Treasurer's Office

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, 2011, and have issued our report thereon dated June 19, 2012. 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 deficiency in internal control described in the accompanying schedule of findings and responses as items 2011-1 to be a material weakness.



### 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  
June 19, 2012

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2011

Finding 2011-1

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:

CAEATFA began to utilize the PCA Code within the CAEATFA Fund. However, separate accounts, books and records were not maintained for each program to allow for full accounting of the books and records.

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.

The Authority did improve on the accounting for the Bond Program fund during fiscal year 2011 by adopting unique PCA Code within the CAEATFA Fund to keep track of the expenses and revenue. However, the Authority needs to continue to implement a segregation of the accounting records to identify the assets and liabilities of each Fund.

Authority's Response:

CAEATFA began moving forward in 2010 with implementing a tracking system to segregate the Authority's bond program costs within the State's CALSTARS Accounting System. Currently, on an as-needed basis, CAEATFA determines the percentage of each staff's time (and related operating expenses and equipment) that are dedicated to working on the bond program. These individual percentage splits are then applied to the monthly expenditures generated by each CAEATFA staff member, as well as any direct bond program costs

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2011

identified within Operating Expenses & Equipment (OE&E). These monthly amounts are then used to track the Authority's bond program via unique Program Cost Account (PCA) codes that were specifically created to track Bond Program activities within the CAEATFA Fund. CAEATFA contracts with the State Treasurer's Office (STO) for administrative services, including full Accounting services which includes accessing and utilizing the State's CALSTARS Accounting System. STO has encountered workload difficulties with CAEATFA's current tracking system to isolate bond program costs as it is unnecessarily work intensive. Nevertheless, STO is vetting other alternatives to comply with all State accounting laws, rules and regulations. This includes working with the STO's Accounting Unit to establish a special index within the CALSTARS system that corresponds to the bond related PCAs which will enable these expenditures to be segregated from all other CAEATFA expenditures, and provide for a separate trial balance report for the bond program.

California Alternative Energy and Advanced Transportation Financing Authority  
Bond Program Fund

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2011

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.

Status:

Outstanding

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

Status:

Cleared