CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY BOND PROGRAM

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2012

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY BOND PROGRAM

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JUNE 30, 2012

Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Bond Program of the California Alternative Energy and Advanced Transportation Financing Authority (the Authority or CAEATFA), as of and for the fiscal year ended June 30, 2012. 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 of the Authority and do not purport to, and do not, present fairly the financial position of the Authority nor the State of California, as of June 30, 2012, and the changes in its financial position 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 of the Authority as of June 30, 2012, and the changes in financial position 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 our report dated March 21, 2013, on our consideration of the Authority's Bond Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on 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.

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Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's Bond Program's basic financial statements as a whole. The Supplemental Information, as described in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

March 21, 2013

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
BOND PROGRAM

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

This section of the financial statements of the Authority's Bond Program presents the analysis of the financial performance of the Authority's Bond Program during the fiscal year that ended on June 30, 2012. 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, 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, 2012, the Authority did not issue any tax exempt bonds. As of June 30, 2012, the Authority's total conduit debt issued was approximately $212 million and total conduit debt outstanding was approximately $74.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority's Bond Program 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 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 ***Balance Sheet*** includes all of the assets and liabilities of the Authority's Bond Program for the year ended June 30, 2012 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 (see Table 1).

Table 1
Balance Sheet

		2011	2012
Assets			
Current Assets		$ 33,817	$ 7,558
	Total Assets	$ 33,817	$ 7,558
Liabilities			
Current Liabilities		$ 237,786	$ 243,520
	Total Liabilities	237,786	243,520
Net Assets		(203,969)	(235,962)
	Total Net Assets	(203,969)	(235,962)
	Total Liabilities and Net Assets	$ 33,817	$ 7,558

The ***Statement of Revenues, Expenses, and Changes in Net Assets*** accounts for all of the revenue and expenses of the Authority's Bond Program for the year ended June 30, 2012. This statement reflects the results of the Bond Program'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 (see Table 2).

Table 2

Statement of Revenues, Expenses, and Changes In Net Assets

		2011	2012
Operating Revenues			
Application Fees		$ 20,000	
Agent For Sale Fees		3,500	
Administration Fees		31,681	
Annual Fees			$ 2,168
	Total Operating Revenues	55,181	2,168
Operating Expenses			
Operating Expenses		32,626	28,750
	Total Operating Expenses	32,626	28,750
Operating Income (Loss)		22,555	(26,582)
Non-Operating Revenues			
Interest Income		148	27
Change in Net Assets		22,703	(26,555)
Net Assets – Beginning		(226,672)	(209,407)
Net Assets – Ending		$ (203,969)	$ (235,962)

The ***Statement of Cash Flows*** provides information about the Authority's Bond Program's cash receipts and cash payments during the year ended June 30, 2012. 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.

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
BOND PROGRAM

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

ANALYSIS OF FISCAL YEAR 2011/2012 ACTIVITIES

Applications received in FY 2011/2012 - None

Initial Resolutions (IR) Adopted in FY 2011/2012 - None

Final Resolutions (FR) Adopted in FY 2011/2012 - None

Bonds Sold in FY 2011/2012 - None

ANALYSIS OF CHANGE IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

As of June 30, 2012, the Bond Program of CAEATFA has a deficit in net assets of $235,962.

During the year ended June 30, 2012, the net assets of the Authority's Bond Program decreased by $26,555 from the previous fiscal year. The Authority's Bond Program had $2,195 in revenues during the fiscal year while its operating expenses were $28,750.

The Bond Program's net assets at June 30, 2011 have been restated to reflect the accrual of a liability due to another agency in the State of California. The correction of this error decreased net assets and increased liabilities by $5,438 at June 30, 2011.

REQUESTS FOR INFORMATION

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

BALANCE SHEET
JUNE 30, 2012

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	7,558
TOTAL ASSETS	$	7,558
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$	15,438
Due to CPCFA		224,875
Other liabilities - accrued leave		3,207
Total current liabilities		243,520
NET ASSETS:		
Restricted for purposes specified in enabling legislations		(235,962)
TOTAL LIABILITIES AND NET ASSETS	$	7,558

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

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
BOND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

OPERATING REVENUE:	
Annual fees	$ 2,168
OPERATING EXPENSES:	
Salaries, wages, and benefits	13,013
Professional fees	12,361
Services and supplies	878
Other operating expenses	2,498
Total operating expenses	28,750
OPERATING LOSS	(26,582)
NON-OPERATING REVENUE:	
Interest income	27
CHANGE IN NET ASSETS	(26,555)
NET ASSETS, Beginning of year, as restated (Note 2)	(209,407)
NET ASSETS, End of year	$ (235,962)

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
BOND PROGRAM

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt of annual fees	$	2,168
Payments to employees and suppliers		(28,454)
Net cash and cash equivalents used by operating activities		(26,286)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		148
NET DECREASE IN CASH AND CASH EQUIVALENTS		(26,138)
CASH AND CASH EQUIVALENTS, Beginning of year		33,696
CASH AND CASH EQUIVALENTS, End of year	$	7,558
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$	(26,582)
Changes in:		
Other liabilities - accrued leave		296
Net cash used by operating activities	$	(26,286)

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

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL 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.

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 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.

B. REPORTING ENTITY

These financial statements present information on the financial activities of the Bond Program of the California Alternative Energy and Advanced Transportation Financing Authority, State of California. The financial information is included in the State of California's Comprehensive Annual Financial Report and presented as a Business-Type Activity. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of the Bond Program.

C. BASIS OF PRESENTATION

The accrual basis of accounting is utilized whereby revenues are recorded when earned and expenses are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, the Authority's Bond Program follows the accounting standard hierarchy established by the GASB. However, since the Bond Program operates proprietary activities, which are usually thought to be business-type activities (enterprise fund accounting), applicable statements and interpretations of the Financial

Accounting Standards Board (FASB) issued on or before November 30, 1989, may apply unless they conflict with or contradict GASB pronouncements. The Bond Program has elected not to apply FASB pronouncements issued after November 30, 1989.

D. OTHER LIABILITIES (ACCRUED LEAVE)

Accrued leave includes vested and unpaid compensated absences. 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, 2012.

E. NET ASSETS

Net assets of the Bond Program are restricted by enabling legislation for the purpose of assisting specified entities access to low-cost financing through private activity tax-exempt bonds.

F. REVENUES

The Authority's Bond Program charges fees to institutions for assistance in bond financing as follows:

Application Fee – .0005 (one twentieth of one percent) of the principal amount of financing for each project to be considered for financing. The fee shall be a minimum of $250 but not to exceed $5,000. This shall be paid at the time the formal application is submitted. The application fee is deducted from the administrative fee.

Administrative Fee – The Authority charges a one-time administrative fee due at closing of the financing. For all projects the following apply:

- If the financial assistance requested is up to $5,000,000 then the fee will be .005 (five tenths of one percent) of the principal amount of financing.

- If the financial assistance requested is greater than $5,000,000 and up to $25,000,000 then the fee will be $25,000 plus .003 (three tenths of one percent) of the principal amount of financing over $5,000,000.

- If the financial assistance requested is greater than $25,000,000 then the fee will be $85,000 plus .0025 (twenty-five one hundredths of one percent) of the principal amount of financing over $25,000,000.

- In no case shall the fee be less than $15,000 nor more than $250,000.

The applicant shall also reimburse the Authority for all reasonable and necessary out of pocket expenses the Authority may incur at the applicant's request, and all other direct or indirect expenses properly allocable to the proposed financing unless paid out of the proceeds of the bond issue. All fees for a particular proposed financing shall be paid by the applicant and deposited in the Authority fund.

Annual Fee – The Authority shall assess an annual fee each year for the life of the financial assistance in the amount of .0003 (three one-hundredths of one percent) of the approved financial assistance amount with a minimum fee of $500 and a maximum fee of $10,000. This fee is effective for bonds issued after October 28, 2009.

During the year ended June 30, 2012, the bond Program earned $2,168 in annual fee revenue. The fees are used to cover operating costs such as general communications, printing, professional services (both internal and external), facilities operations, and other miscellaneous operating expenses.

G. OPERATING 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). The Authority records these costs as invoiced by STO for the fiscal year and allocates the costs to its programs.

The Authority allocates all operating expenses to its different programs based upon the employee head count of each program being administered and under development. A portion equal to approximately 3% of payroll and related costs of the Authority is allocated to the Authority's Bond Program. This portion may vary from year to year dependent on its programs from year to year. This percentage which is 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 all other operating expenses to the Bond Program.

H. USE OF ESTIMATES

The preparation of the Bond Program's 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.

I. RISK MANAGEMENT

The Authority is self-insured against loss or liability through the State of California. The State of California generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. The Authority's Bond Program has not had any claims subject to this coverage. Additional disclosures related to risk of loss are presented in the basic financial statements of the State of California.

2. PRIOR PERIOD ADJUSTMENT

The Bond Program's net assets at June 30, 2011 have been restated to reflect the accrual of a liability due to another agency in the State of California. The correction of this error decreased net assets and increased liabilities by $5,438 at June 30, 2011.

3. CASH AND CASH EQUIVALENTS

The Bond Program considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2012, are classified in the accompanying financial statements as follows:

Deposits in SMIF	$	7,000
Cash in State Treasury		558
Total Cash and Cash Equivalents	$	7,558

The Bond Program invests excess cash funds in the Surplus Money Investment Fund (SMIF). All of the resources of SMIF are invested through the Pooled Money Investment Account (PMIA). The PMIA investment program is designated by the Pooled Money Investment Board and is administered by the office of the State Treasurer. As of June 30, 2012, the Bond Program invested funds in SMIF in the amount of $7,000.

Additional detailed disclosure required by GASB, regarding cash deposits and investments, is presented in the financial statements of the State of California for the year ended June 30, 2012.

4. DUE TO OTHER STATE AGENCY

The Authority entered into multiple loan agreements with the California Pollution Control Financing Authority (CPCFA) for amounts up to $549,500. The loans are due on demand. As of June 30, 2012, outstanding loans used for the Bond Program 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, 2012.

5. CONDUIT FINANCE ACTIVITY

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

As a conduit debt provider, there was $74,877,941 in conduit financings outstanding at June 30, 2012. The Authority's Bond Program did not assist with the issuance of any financings during the year ended June 30, 2012 and there were not any unissued authorized bonds as of June 30, 2012.

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.

The Bond Program's contribution to CalPERS for the year ended June 30, 2012 was $1,459. 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, 2012 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 Q Street, Sacramento, California 95811.

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, 2012.

7. FINANCIAL CONDITION

The Authority's Bond Program generated a net loss of $26,555 and has a deficit in fund balance of $235,962 as of June 30, 2012. The Authority has received funds loaned or provided by other state agencies and such financial support from other programs or state agencies will be necessary for the Authority's Bond Program to continue to accomplish its mission.

SUPPLEMENTAL INFORMATION

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
BOND PROGRAM

STATEMENT OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING
JUNE 30, 2012

Bonds	Date Issued	Date of Final Maturity	Amounts Issued	Amount of Bonds Retired	Bonds Outstanding as of June 30, 2012
Indian Valley Hydroelectric Partnership Project	September 15, 1982	August 1, 2004	$ 5,000,000	$ 5,000,000	-
Litchfield Developers 1982	December 20, 1982	January 1, 1992	810,000	810,000	-
Catalyst/IPT Cogen. Partnership 1983	September 27, 1983	September 1, 2003	4,400,000	4,400,000	-
Lever Brothers Company 1983	September 27, 1983	December 1, 1991	1,000,000	1,000,000	-
JELD-WEN Inc. 1983	December 21, 1983	December 1, 1995	3,100,000	3,100,000	-
Soledad Cogeneration Associates 1984	May 16, 1984	May 1, 2003	4,120,000	4,120,000	-
Santa Cruz Cogeneration Associates 1984	July 24, 1984	June 1, 1995	3,820,000	3,820,000	-
Sverdrup Hydro Projects 1984	November 30, 1984	November 1, 2014	6,000,000	6,000,000	-
West Coast Basin Barrier 1984	December 1, 1984	January 1, 2005	2,100,000	2,100,000	-
Veterans Home of California 1985	April 18, 1985	May 1, 2008	5,700,000	5,700,000	-
D'Arrigo Bros. Project 1985	June 24, 1985	June 1, 1991	1,935,000	1,935,000	-
California Cedar Products Company Project 1985A	June 26, 1985	June 1, 1990	1,300,000	1,300,000	-
Fairhaven Power Company 1985	September 12, 1985	September 1, 2005	20,000,000	20,000,000	-
SRI International Project 1985	December 16, 1985	December 1, 2005	11,250,000	11,250,000	-
University of San Francisco 1985	December 17, 1985	December 1, 2005	4,000,000	4,000,000	-
Modesto Energy Project 1985A	December 30, 1985	December 1, 2005	30,000,000	30,000,000	-
Santa Cruz Cogeneration Associates 1986	October 7, 1986	October 1, 2016	3,295,000	3,295,000	-
Nove Investments Project 1986	November 20, 1986	December 1, 1994	3,000,000	3,000,000	-
Rock Creek Limited Partnership Project 1986	November 20, 1986	November 1, 2016	5,600,000	5,600,000	-
University of San Francisco Refunding 1987	July 14, 1987	July 1, 2007	3,575,000	3,575,000	-
Veterans Home of California Project Refunding 1988	May 27, 1988	May 1, 2008	5,365,000	5,365,000	-
Arroyo Energy Project 1993A	October 1, 1993	October 1, 2020	27,500,000	2,170,000	$ 25,330,000
Arroyo Energy Project 1993B	October 1, 1993	October 1, 2020	27,500,000	2,170,000	25,330,000
SRI International Project 1985	October 31, 1995	December 1, 2020	4,475,000	3,000,000	1,475,000
Caltrans 2009	June 10, 2009	December 15, 2023	20,000,000	4,000,000	16,000,000
Fallbrook Public Utility District Solar Project 2010	November 18, 2010	November 18, 2027	7,227,000	484,059	6,742,941
TOTAL			$ 212,072,000	$ 137,194,059	$ 74,877,941

ADDITIONAL INFORMATION

Gilbert Associates, Inc.
CPAs and Advisors

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 of the California Alternative Energy and Advanced Transportation Financing Authority (the Authority or CAEATFA), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations that we consider to be a significant deficiency in internal control over financial reporting, see finding 12-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's Bond Program financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 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 finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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 Authority's management and its Members, and the Office of Controller, State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

March 21, 2013

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY BOND PROGRAM

SCHEDULE OF FINDINGS AND RECOMMENDATIONS JUNE 30, 2012

FINANCIAL STATEMENT FINDINGS

12-1. FINANCIAL REPORTING AND CLOSING PROCESS – SIGNIFICANT DEFICIENCY

Condition and Criteria:

The Authority was still working to maintain a separate set of books and accounting records within the CAEATFA Fund for the Bond Program.

Cause:

CAEATFA began to utilize a PCA Code within the CAEATFA Fund to track current year activity for each of its programs separately; however, the beginning balances for the Bond Program were not appropriately segregated to ensure a complete trial balance for the Bond Program could be provided.

Effect:

An initial trial balance that isolated the bond program was not available and manual adjustments had to be made to properly segregate the program financial information from the Authority's fund.

Recommendation:

The Authority should fully 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 during fiscal year 2012 by tracking the majority of the current year activity separately. However, the Authority needs to continue to implement a segregation of the accounting records to separately identify the beginning balances of the assets, liabilities, and net assets of the Bond Program.

Management's Response:

The Authority has been working with the accounting division of the State Treasurer's Office in implementing a tracking system that segregates the Authority's bond program costs within the Authority's fund in the State's CALSTARS Accounting System. Progress was made toward that effort in FY 11-12, and will be completed in FY 12-13.

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY
BOND PROGRAM

STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

FINANCIAL STATEMENT FINDINGS

11-1. FINANCIAL REPORTING AND CLOSING PROCESS

Condition and Criteria:

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

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.

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.

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 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 the Bond Program.

Status:

This recommendation was not fully implemented. See finding 12-1.