



STOCKTON CENTER SITE AUTHORITY
A Component Unit of the California State University

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

STOCKTON CENTER SITE AUTHORITY
A Component Unit of the California State University

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
Stockton Center Site Authority:

We have audited the accompanying financial statements of the Stockton Center Site Authority (the Site Authority), a component unit of the California State University, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stockton Center Site Authority as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

KPMG LLP

Irvine, California
September 18, 2015

STOCKTON CENTER SITE AUTHORITY
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Statements of Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets:		
Investments	\$ 1,601,978	1,534,009
Prepaid expense	9,494	9,521
Total current assets	<u>1,611,472</u>	<u>1,543,530</u>
Noncurrent assets:		
Capital assets, net	4,113,261	4,247,034
Total assets	<u>5,724,733</u>	<u>5,790,564</u>
Liabilities:		
Current liabilities:		
Accounts payable	—	39,567
Total liabilities	<u>—</u>	<u>39,567</u>
Net position:		
Net investment in capital assets	4,113,261	4,247,034
Unrestricted	<u>1,611,472</u>	<u>1,503,963</u>
Total net position	<u>\$ 5,724,733</u>	<u>5,750,997</u>

See accompanying notes to financial statements.

STOCKTON CENTER SITE AUTHORITY
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Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2015 and 2014

	2015	2014
Operating revenues	\$ —	—
Operating expenses:		
Contractual services	1,384,280	1,413,980
Depreciation	258,271	253,214
Insurance	68,987	93,264
General and administrative	20,004	21,004
Total operating expenses	1,731,542	1,781,462
Operating loss	(1,731,542)	(1,781,462)
Nonoperating revenues:		
State appropriations, noncapital	1,700,000	1,700,000
Investment income, net	5,278	10,838
Total nonoperating revenues	1,705,278	1,710,838
Decrease in net position	(26,264)	(70,624)
Net position, beginning of year	5,750,997	5,821,621
Net position, end of year	\$ 5,724,733	5,750,997

See accompanying notes to financial statements.

STOCKTON CENTER SITE AUTHORITY
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Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activity:		
Payments to suppliers	\$ (1,512,811)	(1,492,641)
Net cash used in operating activity	(1,512,811)	(1,492,641)
Cash flows from noncapital financing activity:		
State appropriations, noncapital	1,700,000	1,700,000
Net cash provided by noncapital financing activity	1,700,000	1,700,000
Cash flows from capital and related financing activity:		
Acquisition of capital assets	(124,498)	(294,502)
Net cash used in capital and related financing activity	(124,498)	(294,502)
Cash flows from investing activities:		
Purchases of investments	(1,794,557)	(2,032,699)
Proceeds from sale of investments	1,728,573	2,111,295
Investment income, net	5,278	10,838
Unrealized gains	(1,985)	(2,291)
Net cash (used in) provided by investing activities	(62,691)	87,143
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	\$ —	—
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,731,542)	(1,781,462)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	258,271	253,214
Changes in assets and liabilities:		
Decrease in other receivables	—	438
(Decrease) increase in accounts payable	(39,567)	36,147
Decrease (increase) in prepaid expense	27	(978)
Net cash used in operating activities	\$ (1,512,811)	(1,492,641)

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2015 and 2014

(1) Description of Reporting Entity

The Stockton Center Site Authority (the Site Authority) was formed on September 26, 2000 under and pursuant to a Joint Powers Agreement between the trustees of the California State University (the CSU Trustees) and the City of Stockton to create a mixed use development of the property previously known as the Stockton Developmental Center (the Property) with a focus on providing educational, commercial, and residential opportunities. The Site Authority is governed by a board of seven members comprising three Stockton City Council members, three appointees of the California State University (the CSU), and one member jointly appointed by the Mayor of the City of Stockton and the CSU.

The Property is located in the central portion of the City of Stockton in San Joaquin County and is surrounded by developed lands. Development of the 102 acre property entails the continued use, renovation, or demolition of existing buildings in addition to construction of new buildings. Full build out of the proposed project would consist of 359 residential units and result in approximately 640,000 square feet of commercial and educational space. Construction will occur in phases, whose timing and content will be determined by market conditions.

The Site Authority is a component unit of the CSU and the financial transactions of the Site Authority are also included in the financial statements of the CSU.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements for the Site Authority have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The Site Authority is considered a special purpose government. The Site Authority records revenue primarily from state appropriations, and investment income and, accordingly, has chosen to present its financial statements using the reporting model for special purpose governments engaged only in business type activities. This model allows all financial information for the Site Authority to be reported in a single column in each of the financial statements.

(b) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The Site Authority considers assets to be current when they can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Site Authority business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

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Notes to Financial Statements

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(c) Cash and Cash Equivalents and Statements of Cash Flows

The Site Authority considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The Site Authority considers amounts included in the CSU Consolidated Investment Pool (the Investment Pool) to be investments. Certain transactions recorded as revenue or expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position include transactions between entities that are also participants in the Investment Pool. The Site Authority considers changes in the respective participants' equity in the Investment Pool resulting from these transactions to represent cash flows of the Site Authority in the accompanying Statements of Cash Flows.

(d) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, or restricted as to the liquidity of the investments are classified as other long-term investments.

As the participant in the Investment Pool, the Site Authority changed its interest rate risk measurement from weighted average maturity to duration as of fiscal year 2014–2015 for its consolidated investment pool as allowed by Statement No. 40 of Governmental Accounting Standards Board (GASB 40), *Deposit and Investment Risk Disclosures*. Duration is an accepted method of measuring interest rate risk for investment portfolios that contain bonds with embedded options such as calls, puts, or prepayments. This change more closely aligns to the CSU's approach to managing interest rate risk inherent in its investment pool which contains bonds with embedded options. There was no effect on beginning net assets or beginning net position.

(e) Capital Assets

Capital assets are stated at cost or estimated historical cost if transferred. Capital assets, including infrastructure, with an original value of \$5,000 or more and with a useful life of one year or more, are capitalized. Capital assets, with the exception of land and land improvements and construction work in progress, are depreciated on a straight line basis over their estimated useful lives, which range from 5 to 40 years.

Depreciation expense is shown separately in the Statements of Revenues, Expenses, and Changes in Net Position rather than being allocated among other categories of operating expenses.

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June 30, 2015 and 2014

(f) Net Position

The Site Authority's net position is classified into the following net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation.

Unrestricted: All other categories of net position. In addition, unrestricted net position may be designated for use by the Site Authority.

The Site Authority has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

(g) Classification of Revenues and Expenses

The Site Authority considers operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Site Authority's primary functions. Exchange transactions include the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB requirements. These nonoperating activities include the Site Authority's receipt of funding from the CSU and investment income.

The CSU allocates funding to the Site Authority on an annual basis for management and operating expenses. The CSU's funding source is from State Appropriations, which are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

(h) Income Taxes

The Site Authority was formed pursuant to Articles 1–4, Chapter 5, division 7, title 1 of the Government Code of the State of California and, as a governmental entity, is not subject to federal or state income taxes under §115 of the Internal Revenue Code of 1986.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

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Notes to Financial Statements

June 30, 2015 and 2014

(3) Cash and Cash Equivalents, Investments, and Investment Income, Net

The Site Authority's cash and cash equivalents and investments as of June 30, 2015 and 2014 are classified in the accompanying financial statements as follows:

	2015	2014
Cash and cash equivalents	\$ —	—
Investments	1,601,978	1,534,009
Total cash, cash equivalents, and investments	\$ 1,601,978	1,534,009

(a) Cash and Cash Equivalents

The Site Authority maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis. There were no cash and cash equivalents as of June 30, 2015 and 2014.

(b) Investments

At June 30, 2015 and 2014, the Site Authority's investment portfolio consists of investments held in the CSU Consolidated Investment Pool. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

Investment Policy

State law and regulations require that surplus monies of the Site Authority must be invested. The primary objective of the Investment Pool's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Site Authority. The third objective is to return an acceptable yield.

The Investment Pool's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the Investment Pool's investment policy permits investments in obligations of the Federal and California state governments, certificates of deposit, high quality domestic corporate and fixed income securities and certain other investment instruments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian the investments may not be returned to the Site Authority. Substantially all of the Site Authority's securities are registered in the California State University's name by the custodial bank as an agent for the Site Authority. The Site Authority's deposits are maintained at financial institutions that are FDIC insured. As a result, custodial credit risk for such investments and deposits is remote.

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Interest Rate Risk

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to fluctuations in market interest rates. The Investment Pool's investment guidelines measure interest rate risk by limiting an eligible investment to a maximum effective maturity and by limiting the average duration of the portfolio. The effective maturity date reflects a bond with embedded options such as a call, put, reset date, and prepayment speed resulting in the maturity of a bond being less than its final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates.

Durations of the Site Authority's investment portfolio for each investment type as of June 30, 2015 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset backed securities	\$ 107,914	1.18643
Certificates of deposit	74,321	0.19372
Corporate bonds	468,051	1.12087
Money market funds	12,967	—
Mortgage backed securities	799	2.40316
Municipal bonds	11,158	1.00814
Repurchase agreements	4,106	0.00274
U.S. Agency securities	562,193	1.60424
U.S. Treasury securities	360,469	1.51918
Total investments	<u>\$ 1,601,978</u>	

Durations of the Site Authority's investment portfolio for each investment type as of June 30, 2014 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset backed securities	\$ 105,482	1.05244
Certificates of deposit	100,629	0.18786
Commercial paper	2,036	0.02466
Corporate bonds	459,342	1.35027
Money market funds	4,216	—
Mortgage backed securities	1,282	2.35592
Municipal bonds	12,206	1.99440
Repurchase agreements	1,270	0.00274
U.S. Agency securities	414,883	1.38092
U.S. Treasury securities	432,663	1.56960
Total investments	<u>\$ 1,534,009</u>	

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Another way the Site Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

By law, the Site Authority invests in low credit risk securities such as: U.S. government securities; securities of federally-sponsored agencies; highly rated domestic corporate bonds; prime-rated commercial paper, repurchase and reverse repurchase agreements; banker's acceptances; and negotiable certificates of deposit. Therefore, the occurrence of credit risk is remote. Ratings of the Site Authority's investment portfolio for each investment type as of June 30, 2015 are presented in the table below:

Investment type	Fair value	Rating as of June 30, 2015			
		AAA	Aa	A	Not rated
Asset backed securities	\$ 107,914	\$ 107,914	—	—	—
Certificates of deposit	74,321	—	5,339	68,982	—
Corporate bonds	468,051	12,211	102,170	353,670	—
Money market funds	12,967	—	—	—	12,967
Mortgage backed securities	799	—	799	—	—
Municipal bonds	11,158	—	11,158	—	—
Repurchase agreements	4,106	—	—	2,611	1,495
U.S. Agency securities	562,193	—	562,193	—	—
Total	<u>1,241,509</u>	<u>\$ 120,125</u>	<u>681,659</u>	<u>425,263</u>	<u>14,462</u>
Not subject to rating:					
U.S. Treasury securities	<u>360,469</u>				
Total investments \$	<u><u>1,601,978</u></u>				

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Ratings of the Site Authority's investment portfolio for each investment type as of June 30, 2014 are presented in the table below:

Investment type	Fair value	Rating as of June 30, 2014			
		AAA	Aa	A	Not rated
Asset backed securities	\$ 105,482	\$ 105,482	—	—	—
Certificates of deposit	100,629	—	10,104	90,525	—
Commercial paper	2,036	—	—	2,036	—
Corporate bonds	459,342	11,851	123,943	323,548	—
Money market funds	4,216	—	—	—	4,216
Mortgage backed securities	1,282	—	1,282	—	—
Municipal bonds	12,206	—	12,206	—	—
Repurchase agreements	1,270	—	—	1,140	130
U.S. Agency securities	414,883	—	414,883	—	—
Total	<u>1,101,346</u>	<u>\$ 117,333</u>	<u>562,418</u>	<u>417,249</u>	<u>4,346</u>
Not subject to rating:					
U.S. Treasury securities	<u>432,663</u>				
Total investments	<u>\$ 1,534,009</u>				

Concentration Risk

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counter-party, or sovereign nation and is best mitigated by diversification. The Investment Pool's investment policy has concentration limits that provide sufficient diversification. Therefore, the occurrence of concentration risk is remote.

As of June 30, 2015, the following investments of the CSU Consolidated Investment Pool (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Site Authority's total investment portfolio: Federal Home Loan Banks totaling \$241,450 or 15%, Federal National Mortgage Association (Fannie Mac) totaling \$126,896 or 8%, Federal Home Loan Mortgage Corporation (Freddie Mac) totaling \$102,792 or 6%, and Federal Farm Credit Banks Funding Corporation totaling \$91,515 or 6%. As of June 30, 2014, the following investments of CSU Consolidated Investment Pool (other than investments in U.S. government, mutual funds, and external investment pools) represented 5% or more of the Site Authority's investment portfolio: Federal National Mortgage Association (Fannie Mac) totaling \$142,218 or 9%, Federal Home Loan Mortgage Corporation (Freddie Mac) totaling \$126,932 or 8%, and Federal Home Loan Banks Office of Finance totaling \$76,908 or 5%.

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(c) **Investment Income, Net**

Investment income net, included within the Statements of Revenues, Expenses, and Changes in Net Position, is comprised of unrealized gains of \$1,985 and \$2,291 and interest and dividend income of \$3,293 and \$8,547 for the years ended June 30, 2015 and 2014, respectively.

(4) **Capital Assets**

Capital asset activities for the year ended June 30, 2015 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land and land improvements	\$ 255,419	—	—	255,419
Construction work in progress	—	—	—	—
Total nondepreciable capital assets	<u>255,419</u>	<u>—</u>	<u>—</u>	<u>255,419</u>
Depreciable capital assets:				
Buildings and building improvements	12,253,910	115,834	—	12,369,744
Improvements other than buildings	727,581	—	—	727,581
Infrastructure	1,127,119	—	—	1,127,119
Personal property:				
Equipment	175,505	8,664	—	184,169
Total depreciable capital assets	<u>14,284,115</u>	<u>124,498</u>	<u>—</u>	<u>14,408,613</u>
Total cost	<u>14,539,534</u>	<u>124,498</u>	<u>—</u>	<u>14,664,032</u>
Less accumulated depreciation:				
Buildings and building improvements	(9,431,104)	(153,727)	—	(9,584,831)
Improvements other than buildings	(529,534)	(65,901)	—	(595,435)
Infrastructure	(196,181)	(28,178)	—	(224,359)
Personal property:				
Equipment	(135,681)	(10,465)	—	(146,146)
Total accumulated depreciation	<u>(10,292,500)</u>	<u>(258,271)</u>	<u>—</u>	<u>(10,550,771)</u>
Net capital assets	<u>\$ 4,247,034</u>	<u>(133,773)</u>	<u>—</u>	<u>4,113,261</u>

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June 30, 2015 and 2014

Capital asset activities for the year ended June 30, 2014 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land and land improvements	\$ 255,419	—	—	255,419
Construction work in progress	65,088	158,525	(223,613)	—
Total nondepreciable capital assets	<u>320,507</u>	<u>158,525</u>	<u>(223,613)</u>	<u>255,419</u>
Depreciable capital assets:				
Buildings and building improvements	11,975,510	96,410	181,990	12,253,910
Improvements other than buildings	727,581	—	—	727,581
Infrastructure	1,085,496	—	41,623	1,127,119
Personal property:				
Equipment	135,938	39,567	—	175,505
Total depreciable capital assets	<u>13,924,525</u>	<u>135,977</u>	<u>223,613</u>	<u>14,284,115</u>
Total cost	<u>14,245,032</u>	<u>294,502</u>	<u>—</u>	<u>14,539,534</u>
Less accumulated depreciation:				
Buildings and building improvements	(9,283,947)	(147,157)	—	(9,431,104)
Improvements other than buildings	(456,776)	(72,758)	—	(529,534)
Infrastructure	(168,523)	(27,658)	—	(196,181)
Personal property:				
Equipment	(130,040)	(5,641)	—	(135,681)
Total accumulated depreciation	<u>(10,039,286)</u>	<u>(253,214)</u>	<u>—</u>	<u>(10,292,500)</u>
Net capital assets	<u>\$ 4,205,746</u>	<u>41,288</u>	<u>—</u>	<u>4,247,034</u>

(5) Property Management

Effective October 23, 2002, the Site Authority entered into an Agreement (the Agreement) with a third party to manage and develop the property. The term of the Agreement is for 50 years, with four 10 year renewal options. The developer is responsible for property management and maintenance services, collections of rents, lease administration, and completion of a Master Development Plan for the Property. The Agreement provides for equal monthly payments by the Site Authority totaling \$1,350,000 annually, the availability of which is dependent on an annual appropriation by the California State Legislature. In the event the California State Legislature reduces its annual appropriation, the Agreement allows for corresponding reductions in the payment to the developer and the scope of services to be performed. For the fiscal years ended June 30, 2015

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and 2014, the Site Authority paid a total amount of \$1,350,000 each year to the property manager and is recorded as part of the Site Authority's contractual services operating expenses.

(6) Leases

On January 15, 2002, the Site Authority entered into a ground lease with the CSU Trustees for the Property. The term of the lease is for 50 years, with four 10-year renewal options. The annual lease payment of \$1 per year was paid in advance of the initial lease term, and will be due and payable in advance of each renewal option period.

On October 23, 2002, the Site Authority entered into a master ground sublease with the property management company for the Property. The term of the lease is for 50 years, with four 10-year renewal options. The annual lease payment of \$1 per year was received in advance of the initial lease term. If the property management company should wish to renew any of its options, the annual rental payment of \$1 per year will be due in advance of the beginning of each renewal option period. Commencing on the 26th year of the original lease agreement, the Master Developer shall pay an annual rental fee equal to 50% of the fair market value of the land excluding improvements. This amount increases to 90% for any renewal period beyond the original lease term.

(7) Related Party Transactions

In May 2011, the Site Authority Board approved \$300,000 funding to make improvements and purchase equipment for a permanent location within the Acacia building within the Site Authority. In July 2012 and May 2013, the Site Authority Board approved \$200,000 and \$150,000 funding for the Academic Technology Program Upgrade and Acacia building infrastructure repairs within the Site Authority for each year. The Site Authority utilizes the CSU Stanislaus Campus (the Campus) to oversee the projects.

As of June 30, 2015 and 2014, the Site Authority has depleted \$612,154 and \$413,808, respectively, of the approved funds respectively to pay for the related expenditures. These expenditures were either capitalized as part of capital assets (note 4) or expensed as part of Contractual Services. As of June 30, 2015 and 2014, the unspent funding commitments totaling \$37,846 and \$236,192, respectively, are included in investments (note 3).

(8) Pollution Remediation Obligations

Due to the previous excavation of underground storage tanks, the Site Authority has been obligated to pollution monitoring activities such as groundwater monitoring, investigation, and reporting in prior years. There has been no triggering event that mandates that the Site Authority remediate the soil. During year 2013-14, the monitoring wells were closed, as approved by the San Joaquin County Environmental Health Department, and thus monitoring is no longer required. The County provides for closure when it can be done in a manner that sufficiently protects human health and the environment.

(9) Subsequent Events

Subsequent events have been evaluated through September 18, 2015, which corresponds to the date when the financial statements were issued. There are no subsequent events that require disclosure.