



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

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements:	
Statements of Net Position – June 30, 2019 and 2018	3
Statements of Revenues, Expenses, and Changes in Net Position – Years ended June 30, 2019 and 2018	4
Statements of Cash Flows – Years ended June 30, 2019 and 2018	5
Notes to Financial Statements	6



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, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Site Authority's basic 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 financial 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, 2019 and 2018, 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 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. Our opinion on the basic financial statements is not affected by this missing information.

KPMG LLP

Irvine, California
September 30, 2019

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

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets:		
Current assets:		
Investments	\$ 2,670,698	2,409,458
Other receivables	20,171	—
Prepaid expense	9,624	9,425
Total current assets	2,700,493	2,418,883
Noncurrent assets:		
Capital assets, net	3,223,586	3,419,100
Total assets	5,924,079	5,837,983
Liabilities:		
Current liabilities:		
Accounts payable	3,825	—
Total liabilities	3,825	—
Net position:		
Net investment in capital assets	3,223,586	3,419,100
Unrestricted	2,696,668	2,418,883
Total net position	\$ 5,920,254	5,837,983

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2019 and 2018

	2019	2018
Operating revenues	\$ —	—
Operating expenses:		
Contractual services	1,387,050	1,350,000
Depreciation	195,514	225,094
Insurance	70,104	64,483
General and administrative	18,000	18,000
Total operating expenses	1,670,668	1,657,577
Operating loss	(1,670,668)	(1,657,577)
Nonoperating revenues:		
State appropriations, noncapital	1,700,000	1,700,000
Investment income, net	52,939	17,228
Total nonoperating revenues	1,752,939	1,717,228
Increase in net position	82,271	59,651
Net position, beginning of year	5,837,983	5,778,332
Net position, end of year	\$ 5,920,254	5,837,983

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activity:		
Payments to suppliers	\$ (1,491,699)	(1,432,509)
Net cash used in operating activity	<u>(1,491,699)</u>	<u>(1,432,509)</u>
Cash flows from noncapital financing activity:		
State appropriations, noncapital	<u>1,700,000</u>	<u>1,700,000</u>
Net cash provided by noncapital financing activity	<u>1,700,000</u>	<u>1,700,000</u>
Cash flows from investing activities:		
Purchases of investments	(1,878,870)	(1,814,399)
Proceeds from sale of investments	1,646,255	1,510,728
Investment income, net	<u>24,314</u>	<u>36,180</u>
Net cash used in investing activities	<u>(208,301)</u>	<u>(267,491)</u>
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	<u>—</u>	<u>—</u>
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>—</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,670,668)	(1,657,577)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	195,514	225,094
Changes in assets and liabilities:		
Increase in other receivables	(20,171)	—
Increase in accounts payable	3,825	—
Increase in prepaid expense	<u>(199)</u>	<u>(26)</u>
Net cash used in operating activities	<u>\$ (1,491,699)</u>	<u>(1,432,509)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2019 and 2018

(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 develop 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 comprised of 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, in which 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 the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements 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) New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the Site Authority's fiscal year beginning July 1, 2020. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Site Authority is evaluating the effect GASB Statement No. 87 will have on its financial statements.

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

Notes to Financial Statements

June 30, 2019 and 2018

(c) 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.

(d) 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.

(e) 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 current 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.

(f) 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, land improvements, and construction work in progress, are depreciated on a straight-line basis over their estimated useful lives. This can range from 5 to 40 years.

Depreciation expense is shown separately in the Statements of Revenues, Expenses, and Changes in Net Position.

(g) Net Position

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

(i) Net Investment in Capital Assets

Capital assets, net of accumulated depreciation.

STOCKTON CENTER SITE AUTHORITY
A Component Unit of the California State University
Notes to Financial Statements
June 30, 2019 and 2018

(ii) 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. There are no amounts required to be reported as restricted net position as of June 30, 2019 and 2018.

(h) 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 state appropriations 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.

(i) 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.

(j) 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.

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

(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 Investment Pool on a daily basis. There were no cash and cash equivalents as of June 30, 2019 and 2018.

STOCKTON CENTER SITE AUTHORITY
A Component Unit of the California State University
Notes to Financial Statements
June 30, 2019 and 2018

(b) Investments

At June 30, 2019 and 2018, the Site Authority's investment portfolio consists of investments held in the Investment Pool. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

(i) 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.

(ii) 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. All of the Site Authority's securities are registered in the CSU'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 Federal Deposit Insurance Corporation (FDIC) insured. As a result, custodial credit risk for such investments and deposits is remote.

(iii) Interest Rate Risk

Interest rate risk is the risk that fluctuations in interest rates that 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.

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

Notes to Financial Statements

June 30, 2019 and 2018

Durations of the Site Authority's investment portfolio for each investment type as of June 30, 2019 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 111,498	0.50418
Certificates of deposit	110,615	0.12452
Corporate bonds	738,316	1.02102
Money market funds	18,861	—
Mortgage-backed securities	148	1.99645
Municipal bonds	36,522	0.19506
Repurchase agreements	7,575	0.00268
U.S. agency securities	770,609	0.58573
U.S. Treasury securities	876,554	1.25118
Total investments	<u>\$ 2,670,698</u>	

Durations of the Site Authority's investment portfolio for each investment type as of June 30, 2018 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 175,448	1.05694
Certificates of deposit	121,151	0.20921
Corporate bonds	685,867	0.92657
Money market funds	5,852	—
Mortgage-backed securities	161	2.18645
Municipal bonds	31,070	1.15095
Mutual fund	76,641	5.68226
Repurchase agreements	6,128	0.00537
U.S. agency securities	708,153	0.96169
U.S. Treasury securities	598,987	1.20576
Total investments	<u>\$ 2,409,458</u>	

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 as needed for operations.

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

Notes to Financial Statements

June 30, 2019 and 2018

(iv) *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 considered remote.

Ratings of the Site Authority's investment portfolio for each investment type as of June 30, 2019 are presented in the table below:

Investment type	Fair value	Rating as of June 30, 2019					Not rated
		AAA	AA	A	BBB		
Asset-backed securities	\$ 111,498	111,498	—	—	—	—	—
Certificates of deposit	110,615	43,169	2,521	64,925	—	—	—
Corporate bonds	738,316	5,692	83,268	641,953	7,403	—	—
Money market funds	18,861	—	—	—	—	—	18,861
Mortgage-backed securities	148	—	148	—	—	—	—
Municipal bonds	36,522	14,498	20,141	1,883	—	—	—
Repurchase agreements	7,575	7,575	—	—	—	—	—
U.S. agency securities	770,609	27,718	742,891	—	—	—	—
U.S. Treasury securities	876,554	—	876,554	—	—	—	—
Total investments	\$ 2,670,698	210,150	1,725,523	708,761	7,403	—	18,861

Ratings of the Site Authority's investment portfolio for each investment type as of June 30, 2018 are presented in the table below:

Investment type	Fair value	Rating as of June 30, 2018					Not rated
		AAA	AA	A	B+	B	
Asset-backed securities	\$ 175,448	175,448	—	—	—	—	—
Certificates of deposit	121,151	44,729	—	76,422	—	—	—
Corporate bonds	685,867	4,765	103,970	577,132	—	—	—
Money market funds	5,852	—	—	—	—	—	5,852
Mortgage-backed securities	161	—	161	—	—	—	—
Municipal bonds	31,070	12,204	17,305	1,561	—	—	—
Mutual fund	76,641	3,832	16,873	—	4,598	4,598	46,740
Repurchase agreements	6,128	—	—	—	—	—	6,128
U.S. agency securities	708,153	12,105	696,048	—	—	—	—
U.S. Treasury securities	598,987	—	598,987	—	—	—	—
Total investments	\$ 2,409,458	253,083	1,433,344	655,115	4,598	4,598	58,720

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

Notes to Financial Statements

June 30, 2019 and 2018

(v) *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, 2019, the following investments of the 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 \$326,317 or 12% and Federal Home Loan Mortgage Corporation (Freddie Mac) totaling \$219,988 or 8%. As of June 30, 2018, the following investments of the 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 \$309,905 or 13% and Federal National Mortgage Association (Fannie Mae) totaling \$224,922 or 9%.

(vi) *Fair Value Measurements*

The Site Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Site Authority groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy with which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Site Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

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

Notes to Financial Statements

June 30, 2019 and 2018

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2019:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value (NAV)</u>
Asset-backed securities	\$ 111,498	111,498	—
Certificates of deposit	110,615	110,615	—
Corporate bonds	738,316	738,316	—
Money market funds	18,861	—	18,861
Mortgage-backed securities	148	148	—
Municipal bonds	36,522	36,522	—
Repurchase agreements	7,575	7,575	—
U.S. agency securities	770,609	770,609	—
U.S. Treasury securities	876,554	876,554	—
Total	<u>\$ 2,670,698</u>	<u>2,651,837</u>	<u>18,861</u>

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2018:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value (NAV)</u>
Asset-backed securities	\$ 175,448	175,448	—
Certificates of deposit	121,151	121,151	—
Corporate bonds	685,867	685,867	—
Money market funds	5,852	—	5,852
Mortgage-backed securities	161	161	—
Municipal bonds	31,070	31,070	—
Mutual fund	76,641	76,641	—
Repurchase agreements	6,128	6,128	—
U.S. agency securities	708,153	708,153	—
U.S. Treasury securities	598,987	598,987	—
Total	<u>\$ 2,409,458</u>	<u>2,403,606</u>	<u>5,852</u>

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

Notes to Financial Statements

June 30, 2019 and 2018

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair value are affected by the assumptions used.

Investments are classified in Level 1 as fair value and are obtained at the last sale price on the last business day of the current fiscal year, as quoted on a recognized exchange or an industry standard pricing, when available. Investments for which no sale was reported as of the close of the last business day of the current fiscal year are valued at the quoted bid price provided by the Site Authority's external investment managers or their custodians. There were no assets and liabilities classified in Level 1 for 2019 and 2018.

Investments are classified in Level 2 as fair value and are calculated using valuations that include observable market quoted prices for similar assets or liabilities. Observable inputs are other than quoted prices such as price services or indices, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and economic environments may impact the net asset value of the funds and consequently the fair value of the Site Authority's interests in the funds.

There were no assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2019 or 2018.

Money Market Funds are not categorized under the fair value hierarchy and are shown at Net Asset Value (NAV). These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

(c) Investment Income, Net

Investment income, net, include within the Statements of Revenues, Expenses, and Changes in Net Position, is comprised of changes in unrealized gains (losses) of \$28,625 and (\$18,952) and interest and dividend income of \$24,314 and \$36,180 for the years ended June 30, 2019 and 2018, respectively.

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

Notes to Financial Statements

June 30, 2019 and 2018

(4) Capital Assets

Capital asset activities for the year ended June 30, 2019 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
Total nondepreciable capital assets	<u>255,419</u>	<u>—</u>	<u>—</u>	<u>255,419</u>
Depreciable capital assets:				
Buildings and building improvements	12,369,744	—	—	12,369,744
Improvements other than buildings	727,581	—	—	727,581
Infrastructure	1,127,119	—	—	1,127,119
Personal property:				
Equipment	214,113	—	—	214,113
Total depreciable capital assets	<u>14,438,557</u>	<u>—</u>	<u>—</u>	<u>14,438,557</u>
Total cost	<u>14,693,976</u>	<u>—</u>	<u>—</u>	<u>14,693,976</u>
Less accumulated depreciation:				
Buildings and building improvements	(10,051,805)	(155,658)	—	(10,207,463)
Improvements other than buildings	(727,582)	—	—	(727,582)
Infrastructure	(308,893)	(28,178)	—	(337,071)
Personal property:				
Equipment	(186,596)	(11,678)	—	(198,274)
Total accumulated depreciation	<u>(11,274,876)</u>	<u>(195,514)</u>	<u>—</u>	<u>(11,470,390)</u>
Net capital assets	<u>\$ 3,419,100</u>	<u>(195,514)</u>	<u>—</u>	<u>3,223,586</u>

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

Notes to Financial Statements

June 30, 2019 and 2018

Capital asset activities for the year ended June 30, 2018 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
Total nondepreciable capital assets	<u>255,419</u>	<u>—</u>	<u>—</u>	<u>255,419</u>
Depreciable capital assets:				
Buildings and building improvements	12,369,744	—	—	12,369,744
Improvements other than buildings	727,581	—	—	727,581
Infrastructure	1,127,119	—	—	1,127,119
Personal property:				
Equipment	214,113	—	—	214,113
Total depreciable capital assets	<u>14,438,557</u>	<u>—</u>	<u>—</u>	<u>14,438,557</u>
Total cost	<u>14,693,976</u>	<u>—</u>	<u>—</u>	<u>14,693,976</u>
Less accumulated depreciation:				
Buildings and building improvements	(9,896,147)	(155,658)	—	(10,051,805)
Improvements other than buildings	(701,959)	(25,623)	—	(727,582)
Infrastructure	(280,715)	(28,178)	—	(308,893)
Personal property:				
Equipment	(170,961)	(15,635)	—	(186,596)
Total accumulated depreciation	<u>(11,049,782)</u>	<u>(225,094)</u>	<u>—</u>	<u>(11,274,876)</u>
Net capital assets	<u>\$ 3,644,194</u>	<u>(225,094)</u>	<u>—</u>	<u>3,419,100</u>

(5) Property Management

Effective October 23, 2002, the Site Authority entered into an Agreement (the Agreement) with Grupe Commercial Company (GCC), 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, 2019 and 2018, 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.

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

Notes to Financial Statements

June 30, 2019 and 2018

(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 GCC 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 2018, the Site Authority Board approved \$100,000 in funding for professional services for site evaluation, programming, and a concept study for a new building at the University Park. During Fiscal Year 2018-2019, the Site Authority authorized CSU Stanislaus (the Campus) to spend the previously referenced \$100,000 for the stated purposes. The Campus incurred \$33,225 of expenditures as of June 30, 2019, which was included in Contractual Services. The unspent funding of \$66,775 is included in Investments (note 3b).

(8) Subsequent Events

Subsequent events have been evaluated through September 30, 2019, which corresponds to the date when the financial statements were issued. There are no subsequent events that require disclosure.