



**CALIFORNIA STATE UNIVERSITY, HAYWARD**

Combined Financial Statements

June 30, 2000

(With Independent Auditors' Report Thereon)



Three Embarcadero Center  
San Francisco, CA 94111

## Independent Auditors' Report

Dr. Norma S. Rees  
President  
California State University, Hayward:

We have audited the accompanying combined balance sheet of California State University, Hayward (the University) as of June 30, 2000 and the related combined statements of changes in fund balances and net assets and current funds revenues, expenditures and other changes for the year then ended. These combined financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the discretely presented auxiliary organizations, which statements reflect total assets constituting 13.5% and total revenues and other additions constituting 6.4% of the total reporting entity. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented auxiliary organizations, is based solely on the reports of the other auditors.

We conducted our audit 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 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2000, and the changes in its fund balances and net assets and its current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

October 9, 2000



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**CALIFORNIA STATE UNIVERSITY, HAYWARD**

Combined Balance Sheet

June 30, 2000

(with comparative totals for 1999)

| Assets   | Current funds |            | Loan funds | Endowment funds | Agency funds | Plant funds | Total University (memorandum only) | Auxiliary organizations | Total reporting entity (memorandum only) |             |
|--|---------------|------------|------------|-----------------|--------------|-------------|------------------------------------|-------------------------|--|-------------|
|  | Unrestricted  | Restricted |            |                 |              |             |                                    |                         | 2000                                     | 1999        |
| Cash and cash equivalents                        | \$ 4,692,107  | 99,869     | 8,293      | 16,832          | 52,617       | —           | 4,869,718                          | 4,424,922               | 9,294,640                                | 9,882,405   |
| Accounts receivable, net                         | 17,514,214    | 412,810    | 4,268,158  | —               | —            | 259,860     | 22,455,042                         | 2,097,561               | 24,552,603                               | 20,484,199  |
| Investments                                      | 9,142,876     | 165,000    | 467,500    | 355,000         | 590,000      | —           | 10,720,376                         | 5,177,607               | 15,897,983                               | 17,168,199  |
| Other investments                                | —             | —          | —          | —               | —            | —           | —                                  | 5,256,693               | 5,256,693                                | 5,609,003   |
| Due from other funds                             | 223,232       | —          | —          | —               | —            | 10,168      | 233,400                            | —                       | 233,400                                  | 836,541     |
| Prepaid expenses and other assets                | 1,766,651     | —          | —          | —               | —            | —           | 1,766,651                          | 1,763,413               | 3,530,064                                | 4,592,304   |
| Property, plant and equipment, net               | —             | —          | —          | —               | —            | 133,565,260 | 133,565,260                        | 8,330,848               | 141,896,108                              | 138,402,773 |
| Total assets                                     | \$ 33,339,080 | 677,679    | 4,743,951  | 371,832         | 642,617      | 133,835,288 | 173,610,447                        | 27,051,044              | 200,661,491                              | 196,975,424 |
| <b>Liabilities, Fund Balances and Net Assets</b> |               |            |            |                 |              |             |                                    |                         |  |             |
| Liabilities:                                     |               |            |            |                 |              |             |                                    |                         |  |             |
| Accounts payable                                 | \$ 6,912,909  | 17,357     | —          | —               | —            | 209,828     | 7,140,094                          | 1,145,129               | 8,285,223                                | 7,885,166   |
| Accrued salaries and benefits payable            | 5,752,018     | —          | —          | —               | —            | —           | 5,752,018                          | 466,844                 | 6,218,862                                | 6,154,701   |
| Due to other funds                               | —             | 233,400    | —          | —               | —            | —           | 233,400                            | —                       | 233,400                                  | 836,541     |
| Deferred revenues                                | 4,311,388     | —          | —          | —               | —            | —           | 4,311,388                          | 1,521,195               | 5,832,583                                | 3,786,960   |
| Accrued compensated absences                     | 4,374,365     | —          | —          | —               | —            | —           | 4,374,365                          | 131,758                 | 4,506,123                                | 4,468,936   |
| Capitalized lease obligations                    | —             | —          | —          | —               | —            | 99,525      | 99,525                             | —                       | 99,525                                   | 194,590     |
| Long-term debt obligations                       | —             | —          | —          | —               | —            | 4,957,000   | 4,957,000                          | 10,695,000              | 15,652,000                               | 16,063,850  |
| Self-insurance claims liability                  | 1,065,000     | —          | —          | —               | —            | —           | 1,065,000                          | —                       | 1,065,000                                | 1,727,000   |
| Depository accounts                              | —             | —          | —          | —               | 642,617      | —           | 642,617                            | —                       | 642,617                                  | 959,738     |
| Other liabilities                                | 226,570       | —          | —          | —               | —            | 45,974      | 272,544                            | 5,620,331               | 5,892,875                                | 6,502,122   |
| Total liabilities                                | 22,642,250    | 250,757    | —          | —               | 642,617      | 5,312,327   | 28,847,951                         | 19,580,257              | 48,428,208                               | 48,579,604  |
| Fund balances and net assets:                    |               |            |            |                 |              |             |                                    |                         |  |             |
| Fund balances:                                   |               |            |            |                 |              |             |                                    |                         |  |             |
| Unrestricted – designated                        | 10,696,830    | —          | —          | —               | —            | —           | 10,696,830                         | 309,687                 | 11,006,517                               | 10,513,582  |
| Unrestricted – undesignated                      | —             | —          | —          | —               | —            | —           | —                                  | 719,786                 | 719,786                                  | 1,196,148   |
| Restricted                                       | —             | 426,922    | 4,743,951  | 371,832         | —            | —           | 5,542,705                          | —                       | 5,542,705                                | 5,704,163   |
| Unexpended plant, restricted                     | —             | —          | —          | —               | —            | 137,181     | 137,181                            | —                       | 137,181                                  | 382,982     |
| Net investment in plant                          | —             | —          | —          | —               | —            | 128,385,780 | 128,385,780                        | 804,547                 | 129,190,327                              | 125,368,232 |
| Total fund balances                              | 10,696,830    | 426,922    | 4,743,951  | 371,832         | —            | 128,522,961 | 144,762,496                        | 1,834,020               | 146,596,516                              | 143,165,107 |
| Net assets – unrestricted                        | —             | —          | —          | —               | —            | —           | —                                  | 5,636,767               | 5,636,767                                | 5,230,713   |
| Total net assets                                 | —             | —          | —          | —               | —            | —           | —                                  | 5,636,767               | 5,636,767                                | 5,230,713   |
| Total fund balances and net assets               | 10,696,830    | 426,922    | 4,743,951  | 371,832         | —            | 128,522,961 | 144,762,496                        | 7,470,787               | 152,233,283                              | 148,395,820 |
| Total liabilities, fund balances and net assets  | \$ 33,339,080 | 677,679    | 4,743,951  | 371,832         | 642,617      | 133,835,288 | 173,610,447                        | 27,051,044              | 200,661,491                              | 196,975,424 |

See accompanying notes to combined financial statements.

**CALIFORNIA STATE UNIVERSITY, HAYWARD**  
 Combined Statement of Changes in Fund Balances and Net Assets  
 Year ended June 30, 2000  
 (with comparative totals for 1999)

|  | Current funds      |                  | Loan funds     | Endowment funds | Plant funds      | Total University (memorandum only) | Auxiliary organizations | Total reporting entity (memorandum only) |                    |
|--|--------------------|------------------|----------------|-----------------|------------------|------------------------------------|-------------------------|--|--------------------|
|  | Unrestricted       | Restricted       |                |                 |                  |                                    |                         | 2000                                     | 1999               |
| <b>Revenues and other additions:</b>                                   |                    |                  |                |                 |                  |                                    |                         |  |                    |
| State appropriations   | \$ 77,460,639      | —                | —              | —               | 640,826          | 78,101,465                         | —                       | 78,101,465                               | 76,635,065         |
| Fees and tuition   | 39,933,460         | —                | —              | —               | —                | 39,933,460                         | 1,514,155               | 41,447,615                               | 36,217,783         |
| Investment income  | 1,003,494          | —                | 156,720        | —               | —                | 1,160,214                          | 372,565                 | 1,532,779                                | 1,415,350          |
| Endowment income   | —                  | 44,483           | —              | 1,079           | —                | 45,562                             | —                       | 45,562                                   | 41,503             |
| Federal grants and contracts   | 134,345            | 6,952,138        | 141,869        | —               | —                | 7,228,352                          | 5,407,445               | 12,635,797                               | 10,739,741         |
| State grants and contracts   | 168,109            | 1,306,513        | —              | —               | —                | 1,474,622                          | 501,348                 | 1,975,970                                | 2,265,629          |
| Private gifts, grants, and contracts                                   | 2,655,069          | 390,965          | —              | 7,878           | —                | 3,053,912                          | 663,118                 | 3,717,030                                | 3,018,265          |
| Sales and service of educational activities                            | 665,486            | —                | —              | —               | —                | 665,486                            | —                       | 665,486                                  | 994,109            |
| Sales and service of auxiliary enterprises                             | 3,511,509          | —                | —              | —               | —                | 3,511,509                          | 8,014,986               | 11,526,495                               | 12,188,150         |
| Expended for plant facilities (including current funds of \$3,501,898) | —                  | —                | —              | —               | 4,546,391        | 4,546,391                          | —                       | 4,546,391                                | 4,707,697          |
| Retirement of indebtedness   | —                  | —                | —              | —               | 271,915          | 271,915                            | —                       | 271,915                                  | 275,252            |
| Other, net   | 1,024,285          | 43,315           | 21,847         | —               | 166,914          | 1,256,361                          | 285,540                 | 1,541,901                                | 4,118,890          |
| <b>Total revenues and other additions</b>                              | <b>126,556,396</b> | <b>8,737,414</b> | <b>320,436</b> | <b>8,957</b>    | <b>5,626,046</b> | <b>141,249,249</b>                 | <b>16,759,157</b>       | <b>158,008,406</b>                       | <b>152,617,434</b> |
| <b>Expenditures and other deductions:</b>                              |                    |                  |                |                 |                  |                                    |                         |  |                    |
| <b>Educational and general:</b>  |                    |                  |                |                 |                  |                                    |                         |  |                    |
| Instruction  | 61,973,703         | 191,528          | —              | —               | —                | 62,165,231                         | 3,572,860               | 65,738,091                               | 57,840,565         |
| Research   | —                  | —                | —              | —               | —                | —                                  | 2,137,531               | 2,137,531                                | 1,412,582          |
| Public service   | 155,038            | 26,927           | —              | —               | —                | 181,965                            | —                       | 181,965                                  | 203,065            |
| Academic support   | 12,919,081         | 274,497          | —              | —               | —                | 13,193,578                         | 322,509                 | 13,516,087                               | 11,711,301         |
| Student services   | 6,359,641          | 84,031           | —              | —               | —                | 6,443,672                          | —                       | 6,443,672                                | 7,167,599          |
| Institutional support  | 20,004,420         | 39,839           | —              | —               | —                | 20,044,259                         | 164,123                 | 20,208,382                               | 21,563,846         |
| Operation and maintenance of plant                                     | 11,769,650         | 3,893            | —              | —               | —                | 11,773,543                         | —                       | 11,773,543                               | 8,560,962          |
| Student grants and scholarships  | 8,406,082          | 8,578,730        | —              | —               | —                | 16,984,812                         | —                       | 16,984,812                               | 17,615,570         |
| <b>Total educational and general expenditures</b>                      | <b>121,587,615</b> | <b>9,199,445</b> | <b>—</b>       | <b>—</b>        | <b>—</b>         | <b>130,787,060</b>                 | <b>6,197,023</b>        | <b>136,984,083</b>                       | <b>126,105,490</b> |
| <b>Other expenditures:</b>   |                    |                  |                |                 |                  |                                    |                         |  |                    |
| Auxiliary enterprise expenditures                                      | 4,049,233          | —                | —              | —               | —                | 4,049,233                          | 9,769,098               | 13,818,331                               | 12,486,262         |
| Loan cancellations and write-offs                                      | —                  | —                | 326,400        | —               | —                | 326,400                            | —                       | 326,400                                  | 94,646             |
| Expended for plant facilities (including noncapitalized of \$10,000)   | —                  | —                | —              | —               | 1,054,493        | 1,054,493                          | —                       | 1,054,493                                | 2,811,160          |
| Retirement of indebtedness   | —                  | —                | —              | —               | 271,915          | 271,915                            | 604,371                 | 876,286                                  | 275,252            |
| Interest on indebtedness   | —                  | —                | —              | —               | 288,809          | 288,809                            | —                       | 288,809                                  | 867,690            |
| Disposal of plant facilities   | —                  | —                | —              | —               | 822,541          | 822,541                            | —                       | 822,541                                  | 1,388,163          |
| <b>Total other expenditures</b>  | <b>4,049,233</b>   | <b>—</b>         | <b>326,400</b> | <b>—</b>        | <b>2,437,758</b> | <b>6,813,391</b>                   | <b>10,373,469</b>       | <b>17,186,860</b>                        | <b>17,923,173</b>  |
| <b>Total expenditures and other deductions</b>                         | <b>125,636,848</b> | <b>9,199,445</b> | <b>326,400</b> | <b>—</b>        | <b>2,437,758</b> | <b>137,600,451</b>                 | <b>16,570,492</b>       | <b>154,170,943</b>                       | <b>144,028,663</b> |
| <b>Transfers among funds – additions (deductions):</b>                 |                    |                  |                |                 |                  |                                    |                         |  |                    |
| <b>Mandatory transfers:</b>  |                    |                  |                |                 |                  |                                    |                         |  |                    |
| Federal program matching   | (119,104)          | 115,309          | 3,795          | —               | —                | —                                  | —                       | —  | —                  |
| Principal and interest   | (335,720)          | —                | —              | —               | 335,720          | —                                  | —                       | —  | —                  |
| Payments on capital lease obligations                                  | (103,000)          | —                | —              | —               | 103,000          | —                                  | —                       | —  | —                  |
| <b>Nonmandatory transfers:</b>   |                    |                  |                |                 |                  |                                    |                         |  |                    |
| Other  | (178,476)          | 178,476          | —              | —               | —                | —                                  | —                       | —  | —                  |
| <b>Total transfers</b>   | <b>(736,300)</b>   | <b>293,785</b>   | <b>3,795</b>   | <b>—</b>        | <b>438,720</b>   | <b>—</b>                           | <b>—</b>                | <b>—</b>                                 | <b>—</b>           |
| <b>Net increase (decrease) in fund balances and net assets</b>         | <b>183,248</b>     | <b>(168,246)</b> | <b>(2,169)</b> | <b>8,957</b>    | <b>3,627,008</b> | <b>3,648,798</b>                   | <b>188,665</b>          | <b>3,837,463</b>                         | <b>8,588,771</b>   |
| Fund balance and net assets at beginning of year                       | 10,513,582         | 595,168          | 4,746,120      | 362,875         | 124,895,953      | 141,113,698                        | 7,282,122               | 148,395,820                              | 139,807,049        |
| Fund balance and net assets at end of year                             | \$ 10,696,830      | 426,922          | 4,743,951      | 371,832         | 128,522,961      | 144,762,496                        | 7,470,787               | 152,233,283                              | 148,395,820        |

See accompanying notes to combined financial statements.

**CALIFORNIA STATE UNIVERSITY, HAYWARD**

Combined Statement of Current Funds Revenues, Expenditures and Other Changes

Year ended June 30, 2000  
(with comparative totals for 1999)

|  | Current funds      |                  | Totals<br>(memorandum only) |                    |
|--|--------------------|------------------|-----------------------------|--------------------|
|  | Unrestricted       | Restricted       | 2000                        | 1999               |
| Revenues:  |                    |                  |                             |                    |
| State appropriations                                     | \$ 77,460,639      | —                | 77,460,639                  | 76,046,791         |
| Fees and tuition   | 39,933,460         | —                | 39,933,460                  | 34,702,616         |
| Investment income  | 1,003,494          | —                | 1,003,494                   | 1,151,366          |
| Endowment income   | —                  | 44,483           | 44,483                      | 40,563             |
| Federal grants and contracts                             | 134,345            | 6,952,138        | 7,086,483                   | 7,526,983          |
| State grants and contracts                               | 168,109            | 1,306,513        | 1,474,622                   | 1,584,632          |
| Private gifts, grants, and contracts                     | 2,655,069          | 559,211          | 3,214,280                   | 2,335,837          |
| Sales and service of educational activities              | 665,486            | —                | 665,486                     | 994,109            |
| Sales and service of auxiliary enterprises               | 3,511,509          | —                | 3,511,509                   | 4,209,168          |
| Other  | 1,024,285          | 43,315           | 1,067,600                   | 1,697,994          |
| Total revenues and other additions                       | <u>126,556,396</u> | <u>8,905,660</u> | <u>135,462,056</u>          | <u>130,290,059</u> |
| Expenditures and mandatory transfers:                    |                    |                  |                             |                    |
| Educational and general:                                 |                    |                  |                             |                    |
| Instruction  | 61,973,703         | 191,528          | 62,165,231                  | 55,463,121         |
| Public service   | 155,038            | 26,927           | 181,965                     | 203,065            |
| Academic support   | 12,919,081         | 274,497          | 13,193,578                  | 11,647,677         |
| Student services   | 6,359,641          | 84,031           | 6,443,672                   | 11,265,452         |
| Institutional support                                    | 20,004,420         | 39,839           | 20,044,259                  | 21,377,929         |
| Operation and maintenance of plant                       | 11,769,650         | 3,893            | 11,773,543                  | 8,560,962          |
| Student grants and scholarships                          | 8,406,082          | 8,578,730        | 16,984,812                  | 13,540,169         |
| Total educational and general expenditures               | <u>121,587,615</u> | <u>9,199,445</u> | <u>130,787,060</u>          | <u>122,058,375</u> |
| Auxiliary enterprises expenditures                       | <u>4,049,233</u>   | <u>—</u>         | <u>4,049,233</u>            | <u>3,296,314</u>   |
| Transfers among funds – additions (deductions):          |                    |                  |                             |                    |
| Mandatory transfers:                                     |                    |                  |                             |                    |
| Federal program matching                                 | (119,104)          | 115,309          | (3,795)                     | (5,070)            |
| Principal and interest                                   | (335,720)          | —                | (335,720)                   | (472,856)          |
| Payments on capital lease obligations                    | (103,000)          | —                | (103,000)                   | (103,000)          |
| Nonmandatory transfers:                                  |                    |                  |                             |                    |
| Other  | (178,476)          | 178,476          | —                           | —                  |
| Total transfers  | <u>(736,300)</u>   | <u>293,785</u>   | <u>(442,515)</u>            | <u>(580,926)</u>   |
| Excess of transfers to revenues over restricted receipts | <u>—</u>           | <u>(168,246)</u> | <u>(168,246)</u>            | <u>74,056</u>      |
| Net increase (decrease) in fund balances                 | \$ <u>183,248</u>  | <u>(168,246)</u> | <u>15,002</u>               | <u>4,428,500</u>   |

See accompanying notes to combined financial statements.

# CALIFORNIA STATE UNIVERSITY, HAYWARD

## Notes to Combined Financial Statements

June 30, 2000

(with comparative totals for 1999)

### (1) Organization

California State University, Hayward (the University) was established as a campus of the California State University under the State of California Education Code to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As one of 23 campuses in the California State University system (the System), the University is included in the combined financial statements of the System. Responsibility for the System is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, the chief executive officer of the System, and the University President, the chief executive officer of the University.

The University provides instruction for baccalaureate, master's and certificate programs, and operates various auxiliary enterprises such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs which are funded primarily through state and federal programs.

### (2) Summary of Significant Accounting Policies

#### (a) *Financial Reporting Entity*

The accompanying combined financial statements include the accounts of the University and the University's three recognized Auxiliary Organizations. These Auxiliary Organizations are legally separate entities that provide services primarily to the University's students and faculty. Separate financial statements are issued for each of the recognized Auxiliary Organizations and may be obtained from the University.

The discretely presented Auxiliary Organizations are as follows:

- California State University, Hayward Foundation, Inc.
- University Union of California State University, Hayward
- Associated Students, California State University, Hayward

**CALIFORNIA STATE UNIVERSITY, HAYWARD**

Notes to Combined Financial Statements

June 30, 2000

(with comparative totals for 1999)

Summary information for the discretely presented Auxiliary Organizations is as follows:

|   | <b>California<br/>State<br/>University,<br/>Hayward<br/>Foundation,<br/>Inc.</b> | <b>University<br/>Union of<br/>California<br/>State<br/>University,<br/>Hayward</b> | <b>Associated<br/>Students,<br/>California<br/>State<br/>University,<br/>Hayward</b> | <b>2000<br/>Total</b> | <b>1999<br/>Total</b> |
|---|--|---|--|-----------------------|-----------------------|
| Current assets                          | \$ 16,828,975  | 788,658   | 1,102,563  | 18,720,196            | 18,240,292            |
| Investment in plant                     | 7,526,301  | 51,782  | 752,765  | 8,330,848             | 8,561,363             |
| Current liabilities                     | 2,646,707  | 194,028   | 424,191  | 3,264,926             | 2,328,505             |
| Long-term liabilities                   | 16,071,802   | 73,079  | 170,450  | 16,315,331            | 17,191,028            |
| Revenues                                | 13,846,059   | 1,613,718   | 1,299,380  | 16,759,157            | 14,140,576            |
| Current expenditures                    | 6,197,023  | —   | —  | 15,966,121            | 13,237,063            |
| Debt service<br>expenditures            | 604,371  | —   | —  | 604,371               | 565,391               |
| Excess of revenues over<br>expenditures | 406,054  | (209,700)   | (9,689)  | 188,665               | 338,122               |

The Auxiliary Organizations are presented in the accompanying combined financial statements as component units due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to the activities that the organizations carry out on behalf of the University, such as research, grant administration, foodservice and academic support. The Auxiliary Organizations are discretely presented to allow the financial statement users to distinguish them from the University.

**(b) Basis of Presentation**

The accompanying combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and the financial statement model of the American Institute of Certified Public Accountants' Industry Audit Guide, *Audits of Colleges and Universities*.

The accompanying combined statement of current funds revenues, expenditures and other changes is a statement of financial activities of funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income and expense.

# CALIFORNIA STATE UNIVERSITY, HAYWARD

## Notes to Combined Financial Statements

June 30, 2000

(with comparative totals for 1999)

### (c) *Fund Accounting*

In order to ensure the observance of limitations and restrictions placed on the use of the resources available to the University, the accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. This is done in accordance with regulations, restrictions or limitations imposed by donors or sponsoring agencies outside the University, or in accordance with directives issued by the Trustees.

A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance and changes in the fund balance. Separate accounts are maintained for each fund; however, funds with similar characteristics are combined into fund groups for reporting purposes. The funds maintained by the University are as follows:

- **Current Funds** – Used primarily to account for transactions that are expended in performing the primary and support objectives of the University, i.e., instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships and auxiliary enterprise activities. Current funds are segregated into separately balanced fund groups as follows:

**Unrestricted** – Used to account for transactions related to the University's general fund appropriations, its operation of extended education programs, its portion of State of California lottery revenues allocated to the System and the activities of auxiliary enterprises and other substantially self-supporting activities. Extended education instructional programs include master's, certificate and other nondegree programs. Lottery revenues are used to support augmented instructional programs for specific purposes not necessarily funded from general fund appropriations. Auxiliary enterprises include, but are not limited to, parking and student housing and are separate and distinct from the recognized Auxiliary Organizations discussed in the Financial Reporting Entity section above. Whereas assets, liabilities and fund balances of auxiliary enterprises are combined with other unrestricted current funds for reporting purposes, revenue and expenditures of auxiliary enterprises are reported separately. Self-supporting activities primarily provide services for students, faculty and staff and are funded by fees, unrestricted gifts and other income designated for specific purposes by the Trustees.

Fund balances, even though considered unrestricted for reporting purposes, have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures from the funds may be made and require that fund balances be designated to support future operations in those areas. Primary among the funds that have designated uses are those related to the operations of the campus housing program.

**Restricted** – Used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

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- **Loan Funds** – Consist of funds received primarily from the federal government for student loans. Funds under federal loan programs may be re-loaned after collection, but are ultimately refundable to the federal government.
- **Endowment Funds** – Consist of donated funds that, as a condition of gift instruments, generally require principal to be invested in perpetuity.
- **Agency Funds** – Consist primarily of resources held by the University on behalf of others. As these funds are custodial in nature and transactions do not represent activities carried out by the University, such transactions are not included in the combined statement of changes in fund balances.
- **Plant Funds** – Consist primarily of property, plant, equipment, library books, bound periodicals and collections and the related debt. This fund also accounts for transactions related to the University's State of California capital outlay appropriations.

**(d) Investments**

University investments are reflected at fair value. Gains and losses on the investments are included in the accompanying combined statement of changes in fund balances and net assets as investment income.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost or estimated historical cost when purchased or at estimated fair value when donated. Equipment with a value of less than \$5,000 is not capitalized. Title to all assets, whether purchased, constructed or donated, is held by the state of California. No provision for depreciation has been recorded in the accompanying combined financial statements for these assets.

**(f) Due to/from Other Funds**

All interfund borrowings and claims are generally payable within one year without interest.

**(g) Deferred Revenues**

Deferred revenues consist primarily of fees collected in advance for summer session and continuing education programs.

**(h) Compensated Absences**

University employees accrue annual leave at rates based on length of service and job classification.

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**(i) State Appropriations**

The state of California appropriates funds to the System on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue when authorization is received and are reported in either the Current Unrestricted Fund when used to support general operations or in the Plant Fund when used for capital projects. State appropriations revert back to the state of California after five years.

**(j) Income Taxes**

The System was established under the State of California Education Code as an agency of the state of California. As a campus of the System, the University is generally not subject to federal or state income taxes. However, the University remains subject to income taxes on any net income which is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

The University has not undergone any recent Internal Revenue Service or state income tax audits and no provision has been made for any assessments that may result from such audits. In the opinion of management, any such possible assessments would not be material to the combined financial statements taken as a whole.

**(k) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the accompanying combined financial statements. Actual results could differ from those estimates.

**(l) Total Columns**

The total columns on the accompanying combined financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Such data are not comparable to a consolidation as interfund eliminations have not been made. Therefore, amounts in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

**(3) Cash, Cash Equivalents and Investments**

The deposits of the University, included as cash and cash equivalents in the accompanying combined financial statements, are maintained at financial institutions and are fully insured or collateralized as required by state law.

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State law and regulations stipulate the eligible securities for investment of surplus monies for the University. The System's investment policy authorizes excess funds to be invested in obligations of the federal and California state governments, certificates of deposit and certain other investment instruments.

As of June 30, 2000, University investments are pooled at both the campus and systemwide levels. Separate accounting is maintained as to the amounts allocable to the various campuses, funds and programs. Investments for the University consisted of the following as of June 30, 2000 and 1999:

|  | <u>2000</u>          | <u>1999</u>       |
|--|----------------------|-------------------|
| Met West Total Return Fund                           | \$ 5,323,642         | 5,104,724         |
| Met West Short-Term Fund                             | 19,212               | 15,128            |
| Funds held in State Treasury                         | 4,835,802            | 7,071,683         |
| State of California Surplus Money Investment<br>Fund | 304,620              | 311,710           |
| Other investments                                    | 237,100              | 217,274           |
|  | <u>\$ 10,720,376</u> | <u>12,720,519</u> |

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**(4) Receivables**

Receivables as of June 30, 2000 and 1999, by fund, consisted of the following:

|  | <u>2000</u>          | <u>1999</u>       |
|--|----------------------|-------------------|
| Current unrestricted funds:  |                      |                   |
| State appropriations   | \$ 8,028,311         | 4,820,965         |
| Auxiliary organizations  | 5,667,224            | 5,149,233         |
| Student accounts, net of allowance for doubtful accounts of \$631,614 and \$1,268,865 in 2000 and 1999, respectively       | 437,498              | 1,379,909         |
| Other, net of allowance for doubtful accounts of \$211,752 and \$270,146 in 2000 and 1999, respectively                    | <u>3,381,181</u>     | <u>1,140,080</u>  |
|  | \$ <u>17,514,214</u> | <u>12,490,187</u> |
| Current restricted funds:  |                      |                   |
| Government grants and contracts  | \$ 412,810           | 1,006,646         |
| Other  | <u>—</u>             | <u>7,840</u>      |
|  | \$ <u>412,810</u>    | <u>1,014,486</u>  |
| Loan funds:  |                      |                   |
| Government grants and contracts  | \$ —                 | 100,701           |
| Student loans receivable, net of allowance for doubtful accounts of \$574,521 and \$575,238 in 2000 and 1999, respectively | 4,079,225            | 4,378,786         |
| Other  | <u>188,933</u>       | <u>—</u>          |
|  | \$ <u>4,268,158</u>  | <u>4,479,487</u>  |
| Plant funds:   |                      |                   |
| State appropriations   | \$ <u>259,860</u>    | <u>580,319</u>    |

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**(5) Property, Plant and Equipment**

Property, plant and equipment as of June 30, 2000 and 1999 consisted of the following:

|  | <u>2000</u>           | <u>1999</u>        |
|--|-----------------------|--------------------|
| Land   | \$ 3,789,747          | 3,789,747          |
| Buildings and building improvements              | 81,420,378            | 81,420,378         |
| Improvements, other than buildings               | 22,019,123            | 8,645,402          |
| Equipment  | 13,543,128            | 12,692,505         |
| Library books, bound periodicals and collections | 12,246,901            | 11,836,416         |
| Construction work in process                     | 545,983               | 11,456,962         |
|  | <u>\$ 133,565,260</u> | <u>129,841,410</u> |

**(6) Lease Obligations**

The University is obligated under various capital and operating leases. The capital lease consists of energy efficient equipment with a carrying value of \$495,000 as of June 30, 2000. The lease bears an interest rate of 5% and has a term expiring in 2001. Operating leases consist of miscellaneous facility rentals and have terms expiring in various years through 2005.

Future minimum lease payments under the capital and operating lease agreements are as follows:

|  | <u>Capital<br/>leases</u> | <u>Operating<br/>leases</u> |
|--|---------------------------|-----------------------------|
| Year ending June 30:                           |                           |                             |
| 2001   | \$ 103,000                | 66,016                      |
| 2002   | —                         | 67,761                      |
| 2003   | —                         | 31,616                      |
| 2004   | —                         | 25,017                      |
| 2005   | —                         | 19,228                      |
| Total minimum lease payments                   | 103,000                   | \$ <u>209,638</u>           |
| Less amount representing interest              | <u>(3,475)</u>            |                             |
| Present value of future minimum lease payments | \$ <u>99,525</u>          |                             |

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Lease financing is provided to the System for the construction of various system and campus facilities through its participation with the state of California in the State Public Works Board Lease Revenue Bond Program. Certain capital assets recorded by the University may have been financed under these arrangements. However, since the obligation for the repayment of this financing rests with the System and the proceeds of such financing are not readily identifiable with a campus or project, a substantial portion of such financing is not allocated to the individual campuses of the System. Unallocated Lease Revenue Bonds outstanding for the System as of June 30, 2000 totaled approximately \$704,290,000.

**(7) Long-Term Debt Obligations**

**(a) General Obligation Bond Program**

The General Obligation Bond program of the state of California has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds which is allocated on a project-by-project basis among the University of California, the California State University and the Community Colleges. Financing provided to the System through State of California General Obligation Bonds is not allocated to the System by the state of California. This debt remains the obligation of the state and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying combined financial statements. Total General Obligation Bond debt carried by the state related to California State University projects is approximately \$527,678,000.

**(b) Revenue Bond Programs**

The Revenue Bond Act of 1947 provides the Board of Trustees with the ability to issue revenue bonds to fund four specific self-supporting programs. The statute has enabled the Trustees to finance student housing, parking facilities, student unions and health centers. Outstanding bonds as of June 30, 2000 consist of campus student housing and student union bonds.

The housing program provides on-campus housing primarily for students. Housing is a self-supporting program deriving its revenues from fees collected for the use of the residence facilities. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The student union program provides facilities and programs aimed at creating and enhancing learning experiences outside the classroom by promoting interaction among students, faculty and staff. The student union program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. After payment of all authorized charges, the balances of these funds are available for transfer to the campus auxiliary organization that has contracted with the University to operate the facility. The operating entity may derive additional revenue from facility subrental, recreational and commercial activities, and interest income.

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The net revenues from the housing program and student union fees are pledged to retire the related revenue bonds.

Long-term debt obligations of the University as of June 30, 2000 and 1999 consist of the following:

| <u>Description</u>                     | <u>Interest rate</u> | <u>Fiscal year maturity date</u> | <u>Original issue amount</u> | <u>2000 amount outstanding</u> | <u>1999 amount outstanding</u> |
|--|----------------------|----------------------------------|------------------------------|--------------------------------|--------------------------------|
| Housing System Revenue Bonds Series AV | 4.25 – 5.75%         | 2015/16                          | \$ 4,186,049                 | 3,827,000                      | 3,953,850                      |
| Student Union Revenue Bonds Series A   | 5.50 – 7.50%         | 2012/13                          | <u>1,415,000</u>             | <u>1,130,000</u>               | <u>1,180,000</u>               |
| Total long-term debt obligations       |                      |                                  | \$ <u>5,601,049</u>          | <u>4,957,000</u>               | <u>5,133,850</u>               |

Long-term debt principal obligations outstanding as of June 30, 2000 mature in the following fiscal years:

|                     |                     |
|---------------------|---------------------|
| 2001                | \$ 188,300          |
| 2002                | 199,750             |
| 2003                | 215,500             |
| 2004                | 229,100             |
| 2005                | 247,000             |
| 2006 and thereafter | <u>3,877,350</u>    |
|                     | \$ <u>4,957,000</u> |

**(8) Pension Plan and Postretirement Benefits**

*(a) Plan Description*

The University, as an agency of the state of California, contributes to the California Public Employees' Retirement System (CalPERS). The state's plan with CalPERS is an agent multiple-employer defined benefit pension plan. For the University, the plan acts as a cost-sharing multiple-employer defined benefit pension plan which provides a defined benefit pension and postretirement benefit program for substantially all eligible University employees. CalPERS functions as an investment and administrative agent for its members. The plan also provides survivor, death and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits.

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CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

**(b) Funding Policy**

University personnel are required to contribute 5% of their monthly earnings in excess of \$513 per month to CalPERS. The University is required to contribute at an actuarially determined rate. The contribution requirements of the plan members are established and may be amended by CalPERS.

The University's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

|      |    |           |
|------|----|-----------|
| 1998 | \$ | 7,436,473 |
| 1999 |    | 4,961,854 |
| 2000 |    | 785,641   |

**(9) Self-Insurance Claims Liability**

The System and certain of its Auxiliary Organizations have established a public entity risk pool to manage centrally workers' compensation, industrial and nonindustrial disability, and general organizational risks on a systemwide basis. The liability included in the accompanying combined financial statements reflects the estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2000. The liability includes the amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is estimated through an actuarial calculation using individual-case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is reasonably adequate as of June 30, 2000. Changes in the System's self-insurance claims liability for the two years ended June 30, 2000 are as follows:

|  |    |                          |
|--|----|--------------------------|
| Liability as of June 30, 1998            | \$ | 60,926,000               |
| Incurred claims and changes in estimates |    | 35,721,000               |
| Claim payments                           |    | <u>(24,524,000)</u>      |
| Liability as of June 30, 1999            |    | 72,123,000               |
| Incurred claims and changes in estimates |    | 17,612,000               |
| Claim payments                           |    | <u>(28,058,000)</u>      |
| Liability as of June 30, 2000            | \$ | <u><u>61,677,000</u></u> |

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As of June 30, 2000, approximately \$25,420,000 in assets has been set aside to fund the claims liability. The University maintains excess general liability insurance coverage provided by Schools Excess Liability Fund (SELF), a Joint Powers Authority, with coverage for individual claims between \$1,000,000 and \$24,000,000 per occurrence. The University also maintains excess workers' compensation insurance provided by SELF for individual claims over \$350,000 per occurrence. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits.

The University's allocation of the total System's self-insurance claims liability as of June 30, 2000 was approximately 2.9%, or \$1,065,000, and has been recorded in the accompanying combined financial statements.

#### **(10) Commitments and Contingencies**

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such review would not have a material effect on the financial position of the University.

#### **(11) Transactions with Related Entities**

The System is an agency of the state of California and, as such, processes substantially all of its revenue and expenditure activity through the Office of the California State Controller. State appropriations allocated to the University through the Office of the Chancellor aggregated \$78,101,465 for the year ended June 30, 2000. State appropriations receivable aggregated \$8,288,171 as of June 30, 2000.

As headquarters for the System, the Office of the Chancellor administers certain activities centrally for the individual campuses. Primary among these activities are debt administration and risk pool administration. The administrative costs associated with the operations of the Office of the Chancellor are not allocated to the individual campuses' financial statements.

As discussed in notes 6 and 7, the University has recorded property, plant and equipment which were financed by System or state of California obligations which have not been allocated to the University. For the year ended June 30, 2000, such additions of property, plant and equipment totaled \$166,914 and are included in other revenue in the plant fund in the accompanying statement of changes in fund balances.

In May 2000, the campus suffered a fire to the University library building. Damages are estimated at \$5.1 million. The campus has been given a special appropriation from the state of \$5 million to cover its losses, and expects to receive the appropriation in fiscal 2001.