



CALIFORNIA STATE UNIVERSITY, HAYWARD

Combined Financial Statements

June 30, 2001

(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, 2001, 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 17% and total revenues and other additions constituting 12% 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, 2001, 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.

As discussed in note (2)(a) to the financial statements, the California State University, Hayward Educational Foundation became a recognized auxiliary organization during the current year and is included in the discretely presented auxiliary organizations balances.

KPMG LLP

October 23, 2002



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CALIFORNIA STATE UNIVERSITY, HAYWARD

Combined Balance Sheet

June 30, 2001

Assets	Current funds		Loan funds	Endowment funds	Agency funds	Plant funds	Total University (memorandum only)
	Unrestricted	Restricted					
Cash and cash equivalents	\$ 7,255,136	119,896	191,708	26,924	214,000	—	7,807,664
Accounts receivable, net	18,449,468	323,436	4,332,392	—	—	1,379,208	24,484,504
Investments	12,197,938	—	267,500	355,000	155,000	—	12,975,438
Other investments	—	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	146,402	146,402
Prepaid expenses and other assets	1,929,494	—	—	—	—	—	1,929,494
Property, plant and equipment, net	—	—	—	—	—	133,797,402	133,797,402
Total assets	\$ 39,832,036	443,332	4,791,600	381,924	369,000	135,323,012	181,140,904
Liabilities, Fund Balances and Net Assets							
Liabilities:							
Accounts payable	\$ 9,362,765	30,000	—	—	—	690,862	10,083,627
Accrued salaries and benefits payable	6,001,252	—	—	—	—	—	6,001,252
Due to other funds	146,402	—	—	—	—	—	146,402
Deferred revenues	5,096,528	—	—	—	—	—	5,096,528
Accrued compensated absences	4,798,609	—	—	—	—	—	4,798,609
Capitalized lease obligations	—	—	—	—	—	—	—
Long-term debt obligations	—	—	—	—	—	4,768,700	4,768,700
Self-insurance claims liability	2,877,000	—	—	—	—	—	2,877,000
Depository accounts	—	—	—	—	369,000	—	369,000
Other liabilities	454,273	—	—	—	—	44,265	498,538
Total liabilities	28,736,829	30,000	—	—	369,000	5,503,827	34,639,656
Fund balances and net assets:							
Fund balances:							
Unrestricted – designated	11,095,207	—	—	—	—	—	11,095,207
Unrestricted – undesignated	—	—	—	—	—	—	—
Restricted	—	413,332	4,791,600	381,924	—	—	5,586,856
Unexpended plant, restricted	—	—	—	—	—	1,297,234	1,297,234
Net investment in plant	—	—	—	—	—	128,521,951	128,521,951
Total fund balances	11,095,207	413,332	4,791,600	381,924	—	129,819,185	146,501,248
Net assets – unrestricted	—	—	—	—	—	—	—
Total net assets	—	—	—	—	—	—	—
Total fund balances and net assets	11,095,207	413,332	4,791,600	381,924	—	129,819,185	146,501,248
Total liabilities, fund balances and net assets	\$ 39,832,036	443,332	4,791,600	381,924	369,000	135,323,012	181,140,904

CALIFORNIA STATE UNIVERSITY, HAYWARD
 Combined Statement of Changes in Fund Balances and Net Assets
 Year ended June 30, 2001

	Current funds		Loan funds	Endowment funds	Plant funds	Total University (memorandum only)	Auxiliary organizations	Total reporting entity (memorandum only)
	Unrestricted	Restricted						
Revenues and other additions:								
State appropriations	\$ 88,893,298	—	—	—	760,000	89,653,298	—	89,653,298
Fees and tuition	45,286,512	—	—	—	—	45,286,512	1,515,610	46,802,122
Investment income	3,399,221	—	109,349	—	—	3,508,570	363,884	3,872,454
Endowment income	—	33,947	—	850	—	34,797	—	34,797
Federal grants and contracts	753,344	7,349,951	72,293	—	—	8,175,588	8,204,213	16,379,801
State grants and contracts	170,400	1,731,963	—	—	—	1,902,363	1,223,432	3,125,795
Private gifts, grants and contracts	2,557,425	564,088	—	9,242	—	3,130,755	1,547,896	4,678,651
Sales and service of educational activities	644,327	—	—	—	—	644,327	—	644,327
Sales and service of auxiliary enterprises	1,044,193	—	—	—	—	1,044,193	8,559,179	9,603,372
Expended for plant facilities (including current funds of \$1,754,056)	—	—	—	—	2,434,019	2,434,019	—	2,434,019
Retirement of indebtedness	—	—	—	—	287,825	287,825	—	287,825
Other, net	2,662,658	(15,279)	15,433	—	369,518	3,032,330	273,917	3,306,247
Total revenues and other additions	145,411,378	9,664,670	197,075	10,092	3,851,362	159,134,577	21,688,131	180,822,708
Expenditures and other deductions:								
Educational and general:								
Instruction	57,801,956	241,263	—	—	—	58,043,219	6,619,487	64,662,706
Research	365,592	—	—	—	—	365,592	2,512,303	2,877,895
Public service	293,489	39,494	—	—	—	332,983	478,946	811,929
Academic support	19,333,256	229,429	—	—	—	19,562,685	—	19,562,685
Student services	13,108,019	65,182	70,000	—	—	13,243,201	—	13,243,201
Institutional support	22,468,570	23,458	—	—	—	22,492,028	—	22,492,028
Operation and maintenance of plant	19,566,307	—	—	—	—	19,566,307	189,493	19,755,800
Student grants and scholarships	9,601,488	9,200,347	—	—	—	18,801,835	237,097	19,038,932
Total educational and general expenditures	142,538,677	9,799,173	70,000	—	—	152,407,850	10,037,326	162,445,176
Other expenditures:								
Auxiliary enterprise expenditures	1,682,174	—	—	—	—	1,682,174	10,814,779	12,496,953
Loan cancellations and write-offs	—	—	85,786	—	—	85,786	—	85,786
Expended for plant facilities	—	—	—	—	679,963	679,963	—	679,963
Retirement of indebtedness	—	—	—	—	287,825	287,825	—	287,825
Interest on indebtedness	—	—	—	—	274,907	274,907	289,786	564,693
Disposal of plant facilities	—	—	—	—	1,977,320	1,977,320	—	1,977,320
Total other expenditures	1,682,174	—	85,786	—	3,220,015	4,987,975	11,104,565	16,092,540
Total expenditures and other deductions	144,220,851	9,799,173	155,786	—	3,220,015	157,395,825	21,141,891	178,537,716
Transfers among funds – additions (deductions):								
Mandatory transfers:								
Federal program matching	(127,273)	120,913	6,360	—	—	—	—	—
Principal and interest	(561,516)	—	—	—	561,516	—	—	—
Payments on capital lease obligations	(103,361)	—	—	—	103,361	—	—	—
Nonmandatory transfers:								
Other	—	—	—	—	—	—	—	—
Total transfers	(792,150)	120,913	6,360	—	664,877	—	—	—
Net increase (decrease) in fund balances and net assets	398,377	(13,590)	47,649	10,092	1,296,224	1,738,752	546,240	2,284,992
Fund balance and net assets at beginning of year, restated	10,696,830	426,922	4,743,951	371,832	128,522,961	144,762,496	7,718,980	152,481,476
Fund balance and net assets at end of year	\$ 11,095,207	413,332	4,791,600	381,924	129,819,185	146,501,248	8,265,220	154,766,468

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, 2001

	<u>Current funds</u>		<u>Totals (memorandum only)</u>
	<u>Unrestricted</u>	<u>Restricted</u>	
Revenues:			
State appropriations	\$ 88,893,298	—	88,893,298
Fees and tuition	45,286,512	—	45,286,512
Investment income	3,399,221	—	3,399,221
Endowment income	—	33,947	33,947
Federal grants and contracts	753,344	7,349,951	8,103,295
State grants and contracts	170,400	1,731,963	1,902,363
Private gifts, grants and contracts	2,557,425	577,678	3,135,103
Sales and service of educational activities	644,327	—	644,327
Sales and service of auxiliary enterprises	1,044,193	—	1,044,193
Other	2,662,658	(15,279)	2,647,379
	<u>145,411,378</u>	<u>9,678,260</u>	<u>155,089,638</u>
Total revenues and other additions			
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	57,801,956	241,263	58,043,219
Research	365,592	—	365,592
Public service	293,489	39,494	332,983
Academic support	19,333,256	229,429	19,562,685
Student services	13,108,019	65,182	13,173,201
Institutional support	22,468,570	23,458	22,492,028
Operation and maintenance of plant	19,566,307	—	19,566,307
Student grants and scholarships	9,601,488	9,200,347	18,801,835
	<u>142,538,677</u>	<u>9,799,173</u>	<u>152,337,850</u>
Total educational and general expenditures			
Auxiliary enterprises expenditures	1,682,174	—	1,682,174
Transfers among funds – additions (deductions):			
Mandatory transfers:			
Federal program matching	(127,273)	120,913	(6,360)
Principal and interest	(561,516)	—	(561,516)
Payments on capital lease obligations	(103,361)	—	(103,361)
Nonmandatory transfers:			
Other	—	—	—
	<u>(792,150)</u>	<u>120,913</u>	<u>(671,237)</u>
Total transfers			
Excess of transfers to revenues over restricted receipts	—	(13,590)	(13,590)
Net increase (decrease) in fund balances	\$ <u>398,377</u>	<u>(13,590)</u>	<u>384,787</u>

See accompanying notes to combined financial statements.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

(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 four 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 Educational Foundation

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

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

	California State University, Hayward Foundation, Inc.	California State University, Hayward Educational Foundation, Inc.	University Union of California State University, Hayward	Associated Students, California State University, Hayward	2001 Total
Current assets	\$ 20,476,489	6,947,359	584,852	1,048,108	29,056,808
Investment in plant	7,342,086	—	42,965	733,509	8,118,560
Current liabilities	10,728,843	3,164	275,934	398,859	11,406,800
Long-term liabilities	10,708,859	6,615,434	—	179,055	17,503,348
Revenues	17,900,548	668,387	1,728,510	1,390,686	21,688,131
Current expenditures	16,917,858	826,403	1,949,960	1,447,670	20,852,105
Debt service expenditures	—	—	—	—	289,786
Excess of revenues over expenditures	982,690	(158,016)	(221,450)	(56,984)	546,240

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.

In November 2000, the California State University, Hayward Educational Foundation became a recognized auxiliary organization and is now included in the reporting entity. In order to properly reflect the California State University, Hayward Educational Foundation, Inc. opening fund balances were increased by \$486,777. Additionally, the California State University, Hayward Foundation, Inc. opening fund balance was decreased by \$238,584 to reflect a loss from the refunding of defeased debt.

(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*.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

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.

(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.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

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.

- **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.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

(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.

(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 combined 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.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

(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.

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, 2001, 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, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Met West Total Return Fund	\$ 5,939,405	5,323,642
Met West Short-Term Fund	20,540	19,212
Funds held in State Treasury	6,433,751	4,835,802
State of California Surplus Money Investment Fund	345,103	304,620
Other investments	236,639	237,100
	<u>\$ 12,975,438</u>	<u>10,720,376</u>

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

(4) Receivables

Receivables as of June 30, 2001 and 2000, by fund, consisted of the following:

	<u>2001</u>	<u>2000</u>
Current unrestricted funds:		
State appropriations	\$ 9,763,118	8,028,311
Auxiliary organizations	4,828,374	5,667,224
Student accounts, net of allowance for doubtful accounts of \$520,624 and \$631,614 in 2001 and 2000, respectively	919,651	437,498
Other, net of allowance for doubtful accounts of \$69,917 and \$211,752 in 2001 and 2000, respectively	<u>2,938,325</u>	<u>3,381,181</u>
	\$ <u>18,449,468</u>	<u>17,514,214</u>
Current restricted funds:		
Government grants and contracts	\$ <u>323,436</u>	<u>412,810</u>
Loan funds:		
Student loans receivable, net of allowance for doubtful accounts of \$572,903 and \$573,521 in 2001 and 2000, respectively	\$ 4,187,824	4,079,225
Other	<u>144,568</u>	<u>188,933</u>
	\$ <u>4,332,392</u>	<u>4,268,158</u>
Plant funds:		
State appropriations	\$ <u>1,379,208</u>	<u>259,860</u>

(5) Property, Plant and Equipment

Property, plant and equipment as of June 30, 2001 and 2000 consisted of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 3,789,747	3,789,747
Buildings and building improvements	81,420,378	81,420,378
Improvements, other than buildings	21,871,947	22,019,123
Equipment	13,271,759	13,543,128
Library books, bound periodicals and collections	12,528,070	12,246,901
Construction work-in-process	<u>915,501</u>	<u>545,983</u>
	\$ <u>133,797,402</u>	<u>133,565,260</u>

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

(6) Lease Obligations

The University is obligated under various operating leases. The University's capital lease for energy efficient equipment expired in 2001. Operating leases consist of miscellaneous facility rentals and have terms expiring in various years through 2005.

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

Year ending June 30:		
2002	\$	67,761
2003		31,616
2004		25,017
2005		19,228
2006		—
		<hr/>
Total minimum lease payments		<u>143,622</u>

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, 2001 totaled approximately \$667,901,000.

(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 \$483,003,000.

(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, 2001 consist of campus student housing and student union bonds.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Combined Financial Statements

June 30, 2001

(with comparative totals for 2000)

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.

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, 2001 and 2000 consist of the following:

<u>Description</u>	<u>Interest rate</u>	<u>Fiscal year maturity date</u>	<u>Original issue amount</u>	<u>2001 amount outstanding</u>	<u>2000 amount outstanding</u>
Housing System Revenue Bonds Series AV	4.25%–5.75%	2015/16	\$ 4,186,049	3,693,700	3,827,000
Student Union Revenue Bonds Series A	5.05%–7.50%	2012/13	<u>1,415,000</u>	<u>1,075,000</u>	<u>1,130,000</u>
Total long-term debt obligations			\$ <u>5,601,049</u>	<u>4,678,700</u>	<u>4,957,000</u>

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Long-term debt principal obligations outstanding as of June 30, 2001 mature in the following fiscal years:

2002	\$	199,750
2003		215,500
2004		229,100
2005		247,000
2006		264,900
2007 and thereafter		<u>3,612,450</u>
	\$	<u>4,768,700</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.

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:

1999	\$	4,961,854
2000		785,641
2001		64,371

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(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, 2001. 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, 2001. Changes in the System's self-insurance claims liability for the two years ended June 30, 2001 are as follows:

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	61,677,000
Incurred claims and changes in estimates	43,779,000
Claim payments	<u>(33,305,000)</u>
Liability as of June 30, 2001	\$ <u>72,151,000</u>

As of June 30, 2001, approximately \$30,496,000 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, 2001 was approximately 6.9% or \$2,877,000 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.

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(with comparative totals for 2000)

(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 \$88,893,298 for the year ended June 30, 2001. State appropriations receivable aggregated \$11,142,326 as of June 30, 2001.

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, 2001, such additions of property, plant and equipment totaled \$369,518 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 received a special appropriation from the state of \$5.16 million to cover its losses during 2001, and has paid or accrued the estimated related repair costs.

(12) New Accounting Pronouncements

In November 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities*. This statement will require extensive changes in the way public colleges and universities report financial position and results in their external financial statements. Specifically, it establishes a new format for the basic financial statements, full accrual accounting, management discussion and analysis, and other required supplementary information. This statement becomes effective for the fiscal year ending June 30, 2002.

In June 2001, the GASB also issued Statements Nos. 37 and 38, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, and *Certain Financial Statement Note Disclosures*. These statements further define the presentation and note disclosures required under Statement No. 35. These statements are required to be implemented simultaneously with the implementation of Statement No. 35.

The University will adopt Statements Nos. 35, 37 and 38 as of July 1, 2001. The effect of these statements on the University's financial statements has not yet been determined.