



CALIFORNIA STATE UNIVERSITY, HAYWARD

Basic Financial Statements

June 30, 2002

(With Independent Auditors' Report Thereon)

CALIFORNIA STATE UNIVERSITY, HAYWARD

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San Francisco, CA 94111

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of California State University, Hayward (the University) and its aggregate discretely presented component units, as of and for the year ended June 30, 2002, as reflected in the accompanying table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based upon our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based 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 other auditors provide a reasonable basis for our opinions.

As discussed in note 1, the basic financial statements present only the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows of the University and its aggregate discretely presented component units, and do not purport to, and do not, present fairly the financial position of the California State University system as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units as of June 30, 2002, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.





As described in note 2, the University adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

The Management’s Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 1, 2002

CALIFORNIA STATE UNIVERSITY, HAYWARD

Management's Discussion and Analysis

June 30, 2002

The following section of the California State University, Hayward (the University) annual financial report includes some of management's insights and analysis of the University's financial performance for the year.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This represents a significant change from prior financial reports and is designed to improve the usefulness of the report to the primary users of these financial statements, including the citizenry, legislative bodies, investors and creditors. The Business-Type Activity (BTA) reporting model is used which best represents the activities of the University.

The financial statements include: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the University.

Statement of Net Assets: The Statement of Net Assets includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net assets of the University.

Statement of Revenues, Expenses and Changes in Net Assets: The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year on an accrual basis.

Statement of Cash Flows: The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The statement is prepared using the direct method of cash flows, and therefore, presents gross rather than net amounts for the year's activities.

Reporting Entity

The financial statements of the University are separated between the University and its component units. The University's component units – separate I.R.C. 501(C)(3) auxiliary organizations (auxiliaries) are presented in a discrete column. A comprehensive list of those auxiliaries is presented in footnote 2 of the financial statements. All of the auxiliaries have separate audited financial statements.

Analytical Overview

Summary

The University financial position, as a whole, decreased during the fiscal year ended June 30, 2002, demonstrated by a decrease in net assets of \$3.6 million to \$65.9 million. The decrease was due to the following combination of additional net revenues and expenses not previously recorded:

- An increase in self-insurance claims liability of \$918 thousand
- An increase in housing and parking expenses of \$1.1 million

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Management's Discussion and Analysis

June 30, 2002

The following discussion highlights Management's understanding on the key financial aspects of the University's financial activities. Included are comparative analysis of current and prior year activities and balances; a discussion of restrictions of University net assets; a discussion of capital assets and long term debt; and factors impacting future reporting periods.

Comparative Analysis of Current and Prior Year Activities and Balances

A summary of key financial statement information is used as a basis for reviewing current year results in comparison with the prior year.

	<u>FY 2001/2002</u>	<u>FY 2000/2001</u>	<u>Change</u>
ASSETS			
<i>Current assets</i>	\$43,022,344	\$41,425,916	\$1,596,428
<i>Capital assets</i>	59,713,099	60,844,785	(1,131,686)
<i>Other non-current assets</i>	<u>7,643,522</u>	<u>6,147,583</u>	<u>1,495,939</u>
<i>Total assets</i>	<u>110,378,965</u>	<u>108,418,284</u>	<u>1,960,681</u>
LIABILITIES			
<i>Current liabilities</i>	29,406,875	24,359,774	5,047,101
<i>Long term liabilities</i>	4,423,450	4,568,950	(145,500)
<i>Other non current liabilities</i>	<u>10,657,424</u>	<u>9,958,046</u>	<u>699,378</u>
<i>Total liabilities</i>	<u>44,487,749</u>	<u>38,886,770</u>	<u>5,600,979</u>
NET ASSETS			
<i>Invested in capital assets, net of related debt</i>	55,094,149	56,623,357	(1,529,208)
<i>Restricted</i>	3,867,491	1,436,550	2,430,941
<i>Unrestricted</i>	<u>6,929,576</u>	<u>11,471,607</u>	<u>(4,542,031)</u>
<i>Total net assets</i>	<u>\$65,891,216</u>	<u>\$69,531,514</u>	<u>\$(3,640,298)</u>

CALIFORNIA STATE UNIVERSITY, HAYWARD

Management's Discussion and Analysis

June 30, 2002

	<u>FY 2001/2002</u>	<u>FY 2000/2001</u>	<u>Change</u>
<i>REVENUES</i>			
<i>Operating revenues</i>	\$49,903,984	\$46,857,577	\$3,046,407
<i>Nonoperating revenues</i>	96,752,166	95,472,856	1,279,310
<i>Other revenues</i>	<u>3,303,487</u>	<u>769,242</u>	<u>2,534,245</u>
<i>Total revenues</i>	<u>149,959,637</u>	<u>143,099,675</u>	<u>6,859,962</u>
<i>EXPENSES</i>			
<i>Operating expenses</i>	153,341,197	148,341,609	4,999,588
<i>Nonoperating expenses</i>	<u>258,738</u>	<u>2,616,497</u>	<u>(2,357,759)</u>
<i>Total expenses</i>	<u>153,599,935</u>	<u>150,958,106</u>	<u>2,641,829</u>
<i>Change in net assets</i>	(3,640,298)	(7,858,431)	4,218,133
<i>Ending net assets</i>	<u>\$65,891,216</u>	<u>\$69,531,514</u>	<u>\$(3,640,298)</u>

Overall operating revenues increased by \$3 million, primarily as a result of increased student enrollment and auxiliary enterprise revenue for housing and parking. Most of the increase in grants and contracts revenue is attributed to additional federal Pell Grant awards.

Operating expenses, excluding depreciation and student grants and scholarships, increased 3% or \$5 million primarily as a result of increases in salaries and the cost of materials and supplies. Additionally, auxiliary enterprise expenses for housing and parking increased due to the in state prorate charges from the Chancellor's office for our share of housing cost, increased staff and retirement benefits, new consultant cost, and parking improvements.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Management's Discussion and Analysis

June 30, 2002

Restricted Resources

Net assets of the university include funds that have legal restrictions placed on their use. Net assets may be expendable for a specific purpose or they may be nonexpendable. The following table summarizes which net assets are restricted, the type of restriction, and the amount:

Restricted Net Assets at June 30, 2002	
Non-expendable- endowments	\$381,924
Expendable:	
Scholarships and fellowships	494,004
Research	497,775
Loans	412,414
Capital Projects	1,947,587
Debt service	133,063
Other	724
Total expendable	<u>3,485,567</u>
Total restricted net assets	<u>\$3,867,491</u>

Capital Assets and Long Term Debt

Capital Assets

At June 30, 2002, the University had \$59.7 million invested in capital assets, net of accumulated depreciation of \$120.2 million. Depreciation charges totaled \$4.8 million for the current fiscal year. Details of these assets for the last two years are shown below:

Capital Assets, Net at June 30, 2002		
(millions)		
	<u>6/30/02</u>	<u>6/30/01</u>
Land and land improvements	\$ 3.3	\$ 3.3
Buildings and building improvements	39.4	40.7
Improvements, other than buildings	3.8	2.2
Infrastructure	7.1	7.3
Personal property	5.5	5.6
Capitalized collections	0.6	0.6
Construction work in progress	0.0	0.9
Totals	<u>\$ 59.7</u>	<u>\$ 60.6</u>

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Management's Discussion and Analysis

June 30, 2002

Long-Term Debt

At June 30, 2002, the campus had \$4.6 million in debt outstanding, a decrease from the previous year of \$200 thousand. Debt outstanding at June 30, 2002 is summarized below, by type of debt instrument. Interest rates on outstanding debt ranges from 3.00% to 5.75%.

Outstanding Debt at June 30, 2002		
(millions)		
	<u>6/30/02</u>	<u>6/30/01</u>
Housing System Revenue Bonds	\$ 3.5	\$ 3.7
Student Union Revenue Bonds	<u>1.1</u>	<u>1.1</u>
Totals	<u>\$ 4.6</u>	<u>\$ 4.8</u>

Factors Impacting Future Periods

State Appropriations for 2002-2003

The legislative process has approved the State General Fund allocation to the California State University. The allocation provided to the California State University, Hayward is \$84,131,000, an increase of \$2,497,000 over fiscal year 2001-2002. The increase is budgeted to be used primarily to fund increases in faculty and staff salaries and to complete deferred maintenance projects.

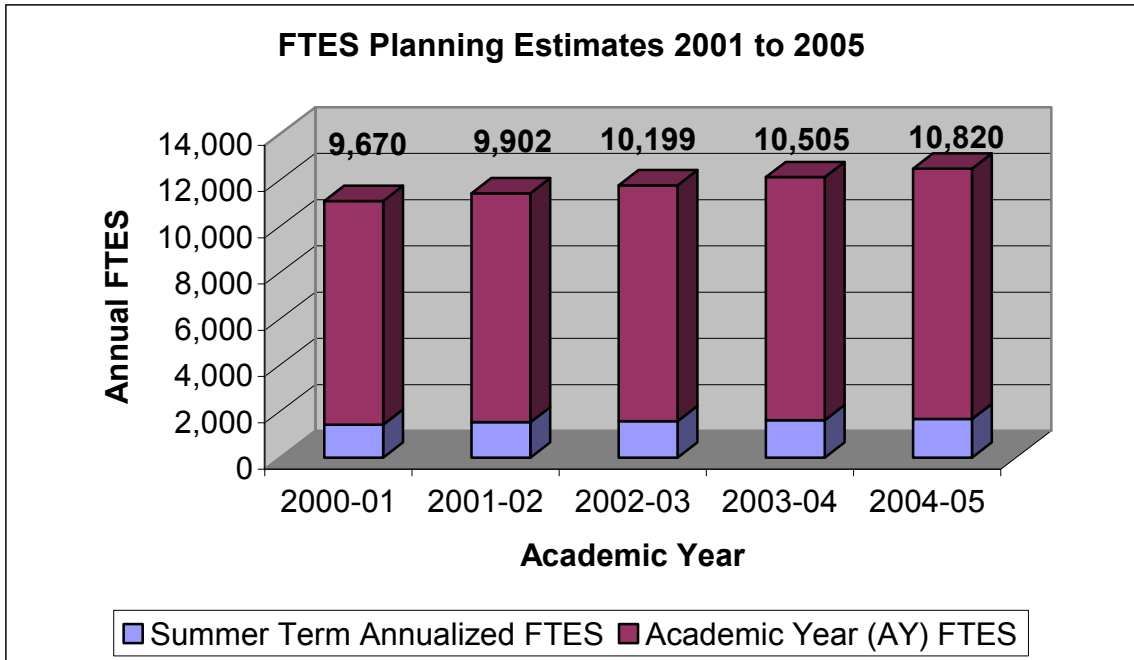
CALIFORNIA STATE UNIVERSITY, HAYWARD

Management's Discussion and Analysis

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Enrollment Trends

Planned annual FTE¹ enrollment targets for fiscal years 2001-2002 and 2002-2003 are 11,475 and 11,695, an increase of 1.9 percent. This anticipated growth will generate revenues of approximately \$334 thousand to the University. Actual Fall 2002 FTEs rose to 10,952 from 10,388 in Fall 2001, an increase of 5.4 percent. Long-term planning estimates for FTEs are based upon a growth rate 3.0 percent per annum.



¹

FTES (Full Time Equivalent Students) is a Planning/Budget number that represents annual units taken divided by 15.

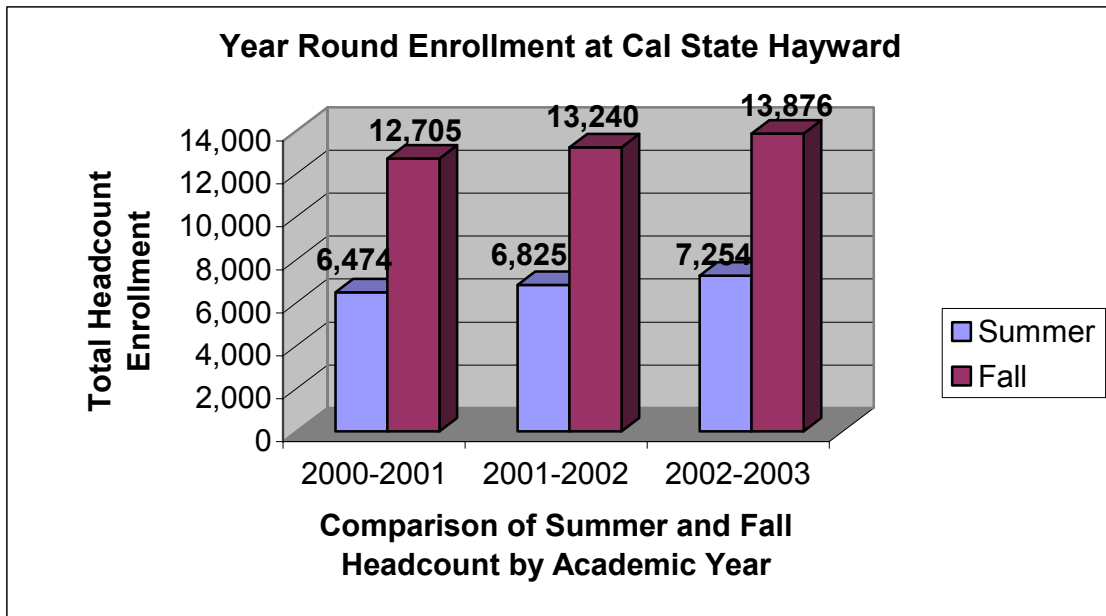
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Year Round Enrollment

Hayward continues its tradition of year round enrollment with Summer Headcount reaching 52.3 percent of Fall Headcount in the 2002-2003 academic year. This is up slightly from 51.5 percent in 2001-2002, the highest in the CSU system and more than double the combined CSU rate. Fall 2002 headcount increased to 13,876 from 13,240 in Fall 2001, an increase of 4.8 percent.



University Union Expansion

In May 2002, the CSU Board of Trustees approved the Expansion Project Feasibility Study. The University Union Board of Directors has since retained project architects and we are moving forward with the final design phase. The following items have been included in the finalized plans that will increase the University Union's total usable space from 55,000 square feet to approximately 80,000 square feet:

- Student Organization Center
- Programming Space
- Student Lounge with Storage Lockers
- Meeting Rooms
- Multipurpose Room (seating 350-400)
- Two Retail Food Establishments
- Student Cultural & Women's Resource Center
- Cyber Cafe and Pub
- Information Center
- Quiet Study Space

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Management's Discussion and Analysis

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The total cost is budgeted at \$11.9 million, which will be paid for by systemwide revenue bonds. The repayment of the principal and interest on the debt will be funded from an increase in the University Union mandatory fees, approved by student referendum in February 2000. One-sixth of the fee increase is allocated each year to student financial aid.

Public Education Facilities Bond Act of 2002

Recent passage of Proposition 47, the Public Education Facilities Bond Act of 2002, will authorize the sale of bonds to provide \$12.7 million to California State University, Hayward –\$11.5 million for the Business and Technology Center, \$800 thousand for seismic retrofitting of the campus library to make it comply with state seismic safety criteria, and \$400 thousand for minor capital improvements.

Business and Technology Center

The Business and Technology Center is California State University, Hayward's first new academic building since 1971. The center will provide a state-of-the-art home for programs in technology management, engineering, multimedia production, international trade, marketing, e-commerce and online degree programs. The California State University, Hayward Educational Foundation has raised \$6.6 million towards the \$10 million in private funds to augment funds from the Public Education Facilities Bond Act of 2002.

Proposed Student, Faculty, and Staff Housing

In order to provide much needed housing, California State University, Hayward is in the planning stages to develop housing in several phases. The initial phase will include 300 beds for students on the main campus, along with a dining commons. Subsequent phases will include additional student housing and faculty/staff housing on the main campus, followed by the development of faculty/staff housing on the Contra Costa campus. That development will be funded through systemwide revenue bonds, the repayment of which will be provided through revenue generated from the new housing units.

PeopleSoft Implementation and Upgrades

In 2001-02, CSUH converted its Human Resource and Finance system to PeopleSoft.

Following the PeopleSoft Human Resources and Finance applications, the campus will continue to upgrade those existing applications and implement the Student Administration application. The upgrades and implementation will be performed in conjunction with systemwide efforts. The current schedule for going live with the various upgrades and implementations is as follows:

- Upgrade Human Resources from HR 7.6 to HR 8.0 – March 2003
- Upgrade Finance from FIS 7.5 to FIS 8.4 – January 2005
- Implement Student Administration SA – September 2005

Energy Costs and Photo Voltaic Project

Energy costs continue to be a concern in California. Current projections by the State Government anticipate continued cost increases. In an effort to mitigate these costs, University management is in the planning stages of acquiring photovoltaic energy equipment that takes advantage of solar energy to reduce dependency on traditional energy sources. One-half of the costs of the proposed equipment and installation will be funded by a grant from PG&E. The remaining costs will be financed and repaid from anticipated savings generated by the equipment in the initial years following installation.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Statement of Net Assets

June 30, 2002

Assets	Discretely presented component units		
	University	Auxiliary Organizations	Total
Current assets:			
Cash and cash equivalents	\$ 9,834,229	5,758,832	15,593,061
Short-term investments	16,724,244	9,817,477	26,541,721
Accounts receivable, net	14,629,132	2,362,050	16,991,182
Pledges receivable, net	—	640,352	640,352
Prepaid expenses and other assets	1,834,739	1,667,282	3,502,021
Total current assets	43,022,344	20,245,993	63,268,337
Noncurrent assets:			
Restricted cash and cash equivalents	27,520	—	27,520
Accounts receivable, net	2,809,398	—	2,809,398
Student loans receivable, net	4,626,734	—	4,626,734
Other long-term investments	179,870	—	179,870
Capital assets, net	59,713,099	8,040,586	67,753,685
Total noncurrent assets	67,356,621	8,040,586	75,397,207
Total assets	110,378,965	28,286,579	138,665,544
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	12,269,027	1,508,846	13,777,873
Accrued salaries and benefits payable	6,060,100	81,711	6,141,811
Accrued compensated absences	2,347,555	58,924	2,406,479
Deferred revenue	5,640,120	962,873	6,602,993
Long-term debt obligations – current portion	195,500	125,000	320,500
Self-insurance claims liability – current portion	1,669,000	—	1,669,000
Other liabilities	1,225,573	4,705,715	5,931,288
Total current liabilities	29,406,875	7,443,069	36,849,944
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	2,721,714	—	2,721,714
Grants refundable	5,062,451	—	5,062,451
Long-term debt obligations, net of current portion	4,423,450	5,280,000	9,703,450
Self-insurance claims liability, net of current portion	2,126,000	—	2,126,000
Depository accounts	747,259	—	747,259
Other liabilities	—	957,814	957,814
Total noncurrent liabilities	15,080,874	6,237,814	21,318,688
Total liabilities	44,487,749	13,680,883	58,168,632
Net assets:			
Invested in capital assets, net of related debt	55,094,149	2,635,586	57,729,735
Restricted for:			
Nonexpendable – endowments	381,924	1,893,283	2,275,207
Expendable:			
Scholarships and fellowships	494,004	4,855,652	5,349,656
Research	497,775	110,000	607,775
Loans	412,414	—	412,414
Capital projects	1,947,587	99,054	2,046,641
Debt service	133,063	403,776	536,839
Other	724	712,273	712,997
Unrestricted	6,929,576	3,896,072	10,825,648
Total net assets	\$ 65,891,216	14,605,696	80,496,912

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2002

	Discretely presented component units		
	University	Auxiliary Organizations	Total
	<hr/>	<hr/>	<hr/>
Revenues:			
Operating revenues:			
Student tuition and fees (net of scholarship allowances of \$6,012,228)	\$ 35,196,123	1,585,865	36,781,988
Grants and contracts, noncapital:			
Federal	8,803,539	747,965	9,551,504
State and local	1,819,918	176,406	1,996,324
Nongovernmental	—	29,547	29,547
Sales and services of educational activities	667,767	801,990	1,469,757
Sales and services of auxiliary enterprises	781,649	3,182,247	3,963,896
Other operating revenues	2,634,988	2,211,683	4,846,671
	<hr/>	<hr/>	<hr/>
Total operating revenues	49,903,984	8,735,703	58,639,687
	<hr/>	<hr/>	<hr/>
Expenses:			
Operating expenses:			
Instruction	64,336,006	—	64,336,006
Research	367,293	350,000	717,293
Public service	327,586	—	327,586
Academic support	13,394,833	2,633,171	16,028,004
Student services	15,245,326	2,038,645	17,283,971
Institutional support	27,823,618	—	27,823,618
Operation and maintenance of plant	13,171,405	—	13,171,405
Student grants and scholarships	8,829,404	233,845	9,063,249
Auxiliary enterprise expenses	5,020,301	2,576,048	7,596,349
Depreciation and amortization	4,825,425	310,950	5,136,375
	<hr/>	<hr/>	<hr/>
Total operating expenses	153,341,197	8,142,659	161,483,856
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(103,437,213)	593,044	(102,844,169)
	<hr/>	<hr/>	<hr/>
Nonoperating revenues (expenses):			
State appropriations, noncapital	88,133,078	2,077	88,135,155
Gifts, noncapital	4,885,741	—	4,885,741
Investment income, net	3,463,441	(160,744)	3,302,697
Endowment income	28,352	—	28,352
Interest on capital-related debt	(258,738)	(285,115)	(543,853)
Other nonoperating revenues	241,554	13,801	255,355
	<hr/>	<hr/>	<hr/>
Net nonoperating revenues (expenses)	96,493,428	(429,981)	96,063,447
	<hr/>	<hr/>	<hr/>
Income (loss) before other revenues, expenses, gains, or losses	(6,943,785)	163,063	(6,780,722)
	<hr/>	<hr/>	<hr/>
State appropriations, capital	1,845,000	—	1,845,000
Grants and gifts, capital	1,458,487	—	1,458,487
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	(3,640,298)	163,063	(3,477,235)
	<hr/>	<hr/>	<hr/>
Net assets:			
Beginning of year	69,531,514	14,442,633	83,974,147
	<hr/>	<hr/>	<hr/>
End of year	\$ 65,891,216	14,605,696	80,496,912
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Statement of Cash Flows

Year ended June 30, 2002

	<u>University</u>	<u>Discretely presented component unit Auxiliary Organizations</u>
Cash flows from operating activities:		
Tuition and fees	\$ 35,730,137	1,585,865
Federal grants and contracts	9,001,013	747,965
State and local grants and contracts	1,819,918	28,401
Nongovernmental grants and contracts	—	874,007
Payments to suppliers	(38,943,605)	(8,217,619)
Payments to employees	(96,899,718)	(3,432,497)
Payments to students	(10,485,176)	—
Collections of student loans	1,361,340	—
Sales and services of auxiliary enterprises	755,540	9,660,497
Sales and services of educational activities	667,767	—
Other receipts	2,860,206	510,913
Net cash (used in) provided by operating activities	<u>(94,132,578)</u>	<u>1,757,532</u>
Cash flows from noncapital financing activities:		
State appropriations	91,724,655	—
Gifts and grants received for other than capital purposes	4,885,741	—
Federal loan program receipts	1,727,236	—
Federal loan program disbursements	(1,361,340)	—
Monies received on behalf of others	918,405	—
Monies disbursed on behalf of others	(885,551)	—
Other	910,489	77,967
Net cash provided by noncapital financing activities	<u>97,919,635</u>	<u>77,967</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	1,065,000	—
State appropriations	414,810	—
Capital grants and gifts	1,458,487	—
Proceeds from sale of capital assets	—	7,088,464
Acquisition of capital assets	(4,173,250)	(7,211,794)
Principal paid on capital debt	(1,214,750)	(120,000)
Interest paid on capital debt	152,915	(285,115)
Net cash used in capital and related financing activities	<u>(2,296,788)</u>	<u>(528,445)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	—	2,008,430
Investment income	3,928,675	454,838
Purchase of investments	(3,364,858)	(1,974,733)
Net cash provided by investing activities	<u>563,817</u>	<u>488,535</u>
Net increase in cash	2,054,086	1,795,589
Cash and cash equivalents at beginning of year	<u>7,807,663</u>	<u>3,963,243</u>
Cash and cash equivalents at end of year	<u>\$ 9,861,749</u>	<u>5,758,832</u>

CALIFORNIA STATE UNIVERSITY, HAYWARD

Statement of Cash Flows

Year ended June 30, 2002

	<u>University</u>	<u>Discretely presented component unit Auxiliary Organizations</u>
Reconciliation of net operating income (loss) to net cash (used in) provided by operating activities:		
Operating income (loss)	\$ (103,437,213)	593,044
Adjustments to reconcile net operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	4,825,425	310,950
Change in assets and liabilities:		
Accounts receivable, net	387,005	177,294
Student loans receivable, net	(294,342)	—
Pledges receivable, net	—	(640,352)
Prepaid expenses and other assets	94,755	209,895
Accounts payable	2,185,400	155,316
Accrued salaries and benefits	58,848	318,050
Accrued compensated absences	270,660	—
Deferred revenue	543,592	(10)
Self insurance claims liability	918,000	—
Depository accounts	—	(1,324)
Other liabilities	315,292	634,669
Net cash (used in) provided by operating activities	<u>\$ (94,132,578)</u>	<u>1,757,532</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Basic Financial Statements

June 30, 2002

(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 basic 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 and masters' degrees, 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.

The basic financial statements present only the statement of assets; statement of revenues, expenses and changes in net assets; and statement of cash flows of the University and its aggregate discretely presented component units, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2002, and changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(2) Summary of Significant Accounting Policies

(a) *Financial Reporting Entity*

The accompanying basic 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, Inc. of California State University, Hayward
- Associated Students, Inc. of California State University, Hayward
- Cal State Hayward Educational Foundation, Inc.

CALIFORNIA STATE UNIVERSITY, HAYWARD

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

	California State University, Hayward Foundation, Inc.	Cal State Hayward Educational Foundation, Inc.	University Union, Inc. of California State University, Hayward	Associated Students, Inc. of California State University, Hayward	Total
Current assets	\$ 11,887,850	7,301,954	204,979	851,210	20,245,993
Capital assets, net	7,177,100	—	160,513	702,973	8,040,586
Total assets	19,064,050	7,301,954	365,492	1,554,183	28,286,579
Current liabilities	6,433,915	218,998	356,594	433,562	7,443,069
Total liabilities	12,671,729	218,998	356,594	433,562	13,680,883
Total net assets	6,393,221	7,082,956	8,898	1,120,621	14,605,696
Operating revenues	4,102,178	1,552,099	1,701,990	1,379,436	8,735,703
Operating expenses	3,630,834	1,033,110	1,985,544	1,493,171	8,142,659
Increase (decrease) in net assets	365,362	138,761	(257,978)	(83,082)	163,063
Net cash provided by (used in) operating activities	2,454,032	(404,484)	(159,375)	(132,641)	1,757,532

The Auxiliary Organizations are presented in the accompanying 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 basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(c) Accounting Changes and Restatements

The University adopted GASB Statements 34, 35, 37, and 38 as of July 1, 2001. These Statements introduced significant changes in the way that public colleges and universities report financial position and results of operations in their external financial statements. Among these changes were a new format for the University's basic financial statements, full accrual accounting, changes in capital

CALIFORNIA STATE UNIVERSITY, HAYWARD

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asset accounting including the recording of depreciation expense, and the inclusion of management's discussion and analysis, as required supplementary information. GASB Statements 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, and 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, became effective for the System for the fiscal year ended June 30, 2002. GASB Statements 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and 38, *Certain Financial Statement Note Disclosures*, were required to be implemented at the same time.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statement 35. The University records revenue in part from fees and other charges for services to external users, and accordingly has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the basic financial statements, accompanied by aggregated financial information for the Auxiliary Organizations. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

The adoption of the aforementioned GASB Statements required the University to restate, for purposes of preparing a statement of revenues, expenses, and changes in net assets, balances previously reported as fund balances in its financial statements for the year ended June 30, 2001. The effect of these restatements on net asset balances as of July 1, 2001 is presented below:

Total fund balance as previously reported	\$ 146,501,248
Capitalization of capital assets at June 30, 2001	42,393,820
Accumulated depreciation at June 30, 2001	(115,346,438)
Reclassification of Perkins program activity to a liability	(4,393,516)
Other	<u>376,400</u>
Total net assets as of July 1, 2001	<u>\$ 69,531,514</u>

(d) Election of Applicable FASB Statements

The University has elected not to adopt the pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

(e) Classification of Current and Noncurrent Assets and Liabilities

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

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(f) Cash Equivalents

The University considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

(g) Investments

Investments are reflected at fair value using quoted market prices. Gains and losses are included in the statement of revenues, expenses, and changes in net assets as investment income.

(h) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or if donated at estimated fair value at date of donation. Personal property with a value of less than \$5,000 is not capitalized. The University is required to capitalize general infrastructure assets that have been acquired, or that have received major improvements, in fiscal years ending after June 30, 1980. Title to all assets, whether purchased, constructed, or donated, is held by the State of California. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets on the accompanying basic financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures and construction work in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 45 years. Library books, unless rare collections, are capitalized and depreciated over a ten-year period. Periodicals and subscriptions are expensed as purchased. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Depreciation expense is shown separately in the statement of revenues, expenses, and changes in net assets, rather than being allocated among other categories of operating expenses.

(i) Deferred Revenues

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

(j) Compensated Absences

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

(k) Grants Refundable

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins program, an approved Title IV loan program. The federal government has the ability to terminate its support of these programs at any time and to request return by the University of those contributions that it has made on a cumulative basis. Accordingly, all activity related to these programs received and retained by the University are considered to be liabilities of the University, and are reflected as such in the accompanying statement of net assets.

CALIFORNIA STATE UNIVERSITY, HAYWARD

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(l) Net Assets

The University's net assets are classified into the following net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – nonexpendable: Net assets subject to externally imposed conditions that the University retain them in perpetuity. Net assets in this category consist of endowments held by the campus or its related auxiliaries.

Restricted – expendable: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

Unrestricted: All other categories of net assets. In addition, unrestricted net assets may be designated for use by management of the University or have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures of net assets may be made, and require that unrestricted net assets be designated to support future operations in these areas. Campus housing programs are a primary example of operations that have unrestricted net assets with designated uses.

The University has adopted a policy of utilizing restricted – expendable net assets, when available, prior to unrestricted net assets.

(m) Classification of Revenues and Expenses

The University considers operating revenues and expenses in the statement of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement 35. These nonoperating activities include the University's noncapital and capital appropriations from the State of California, net investment income, gifts, and interest expense.

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 as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fee revenue are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

CALIFORNIA STATE UNIVERSITY, HAYWARD

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(n) *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 basic 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 basic financial statements taken as a whole.

(o) *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, revenues and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

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

The deposits of the University that are maintained at financial institutions are fully insured or collateralized as required by state law.

State law and regulations require that surplus monies of the University must be invested. The University'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.

At June 30, 2002 the investment portfolio consists primarily of investments held in the California State University investment pool, as well as interest-bearing accounts held in the State Treasury.

None of the University's investments are represented by specific identifiable investment securities and, accordingly, are not subject to custodial risk categorization as prescribed by the Governmental Accounting Standards Board's Statement No. 3.

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Basic Financial Statements

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At June 30, 2002 University investments are pooled; however, separate accounting is maintained as to the amounts allocable to the various funds and programs. Investments at fair value consisted of the following at June 30, 2002:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Metropolitan West Total Return Fund	\$ 6,421,268	—	6,421,268
Metropolitan West Short-Term Fund	21,216	—	21,216
State of California Surplus Money Investment Fund	7,165,041	—	7,165,041
State of California Local Agency Investment Fund	3,116,719	—	3,116,719
Other	<u>—</u>	<u>179,870</u>	<u>179,870</u>
	\$ <u>16,724,244</u>	<u>179,870</u>	<u>16,904,114</u>

The University's auxiliary organizations investments at fair value consisted of the following at June 30, 2002:

Debt and equity securities	\$ 9,131,551
Fixed income securities	<u>685,926</u>
	\$ <u>9,817,477</u>

(4) Accounts Receivable

Accounts receivable at June 30, 2002 consisted of the following:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State appropriations	\$ 6,171,540	2,809,398	8,980,938
Auxiliary Organizations	4,335,421	—	4,335,421
Student accounts	1,266,301	5,064,747	6,331,048
Government grants and contracts	125,963	—	125,963
Other	<u>3,097,390</u>	<u>134,894</u>	<u>3,232,284</u>
	14,996,615	8,009,039	23,005,654
Less allowance for doubtful accounts	<u>(367,483)</u>	<u>(572,907)</u>	<u>(940,390)</u>
Total	\$ <u>14,629,132</u>	<u>7,436,132</u>	<u>22,065,264</u>

CALIFORNIA STATE UNIVERSITY, HAYWARD

Notes to Basic Financial Statements

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2002 consisted of the following:

	<u>Balance</u>				<u>Balance</u>
	<u>June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2002</u>
Non depreciable capital assets:	\$				
Land and land improvements	3,253,785	—	—	—	3,253,785
Works of art and historical treasures	622,578	—	—	—	622,578
Construction work in progress	915,501	—	—	(915,501)	—
Depreciable capital assets:					
Buildings and building improvements	124,815,967	—	—	915,501	125,731,468
Improvements, other than buildings	9,650,900	2,295,599	—	—	11,946,499
Infrastructure	11,060,500	48,500	—	—	11,109,000
Personal property:					
Equipment	13,271,759	1,457,975	(226,025)	—	14,503,709
Library books and materials	12,299,776	371,176	(25,192)	—	12,645,760
Intangible assets	72,163	—	—	—	72,163
Total cost	<u>175,962,929</u>	<u>4,173,250</u>	<u>(251,217)</u>	<u>—</u>	<u>179,884,962</u>
Less accumulated depreciation:					
Buildings and building improvements	84,154,907	2,150,683	—	—	86,305,590
Improvements, other than buildings	7,485,420	632,160	—	—	8,117,580
Infrastructure	3,719,313	277,725	—	—	3,997,038
Personal property:					
Equipment	9,626,536	1,393,241	—	—	11,019,777
Library books and materials	10,300,176	368,932	—	—	10,669,108
Intangible assets	60,086	2,684	—	—	62,770
Total accumulated depreciation	<u>115,346,438</u>	<u>4,825,425</u>	<u>—</u>	<u>—</u>	<u>120,171,863</u>
Net capital assets	\$ <u>60,616,491</u>	<u>(652,175)</u>	<u>(251,217)</u>	<u>—</u>	<u>59,713,099</u>

(6) Lease Obligations

The University is obligated under various operating leases. Operating leases consist of miscellaneous facility rentals and have terms expiring in various years through fiscal year 2012. The leases can be canceled if the state does not provide adequate funding.

Future minimum lease payments under operating leases having remaining terms in excess of one year as of June 30, 2002 are as follows:

Year ending June 30:	
2003	\$ 493,238
2004	486,639
2005	480,850
2006	461,622
2007	494,595
2008 – 2012	<u>2,148,740</u>
Total minimum lease payments	\$ <u>4,565,684</u>

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Notes to Basic Financial Statements

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Rent expense under operating leases for the year ended June 30, 2002 totaled \$414,135.

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, 2002 totaled approximately \$635,815,000.

(7) Long-Term Debt Obligations

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 basic financial statements. Total General Obligation Bond debt carried by the state related to California State University projects is approximately \$456,260,000.

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, 2002 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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Notes to Basic Financial Statements

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Long-term debt obligations of the University as of June 30, 2002 consist of the following:

<u>Description</u>	<u>Interest rate</u>	<u>Fiscal year maturity date</u>	<u>Original issue amount</u>	<u>Amount outstanding</u>
Housing System Revenue Bonds Series AV	4.25% – 5.75%	2015/16	\$ 4,186,049	3,553,950
Student Union Revenue Bonds Series A	3.00% – 5.00%	2012/13	1,065,000	1,065,000
Total long-term debt obligations			<u>\$ 5,251,049</u>	<u>4,618,950</u>

Long-term debt principal obligations outstanding as of June 30, 2002 mature in the following fiscal years:

	<u>Principal</u>	<u>Interest</u>
2003	\$ 195,500	236,424
2004	239,100	223,444
2005	257,000	212,442
2006	274,900	200,140
2007	294,950	186,526
2008 – 2012	1,800,600	683,794
2013 – 2017	1,556,900	175,318
	<u>\$ 4,618,950</u>	<u>1,918,088</u>

(8) Long-Term Liabilities Activity

Long-term liability activity for the year ended June 30, 2002 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 4,798,609	2,618,215	(2,347,555)	5,069,269	2,347,555
Self-insurance liability	2,877,000	918,000	—	3,795,000	1,669,000
Long-term debt obligations:					
Housing System Revenue Bonds	3,693,700	—	(139,750)	3,553,950	150,500
Student Union Revenue Bonds	1,075,000	1,065,000	(1,075,000)	1,065,000	45,000
Total long-term debt obligations	<u>4,768,700</u>	<u>1,065,000</u>	<u>(1,214,750)</u>	<u>4,618,950</u>	<u>195,500</u>
Total long-term liabilities	<u>\$ 12,444,309</u>	<u>4,601,215</u>	<u>(3,562,305)</u>	<u>13,483,219</u>	<u>4,212,055</u>

CALIFORNIA STATE UNIVERSITY, HAYWARD

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(9) Current Year Bond Defeasance – Series A

In the current fiscal year, the California State University, Hayward defeased certain Series A bonds by placing the proceeds from the Systemwide Revenue Bonds Series 2002A refunding bonds in an irrevocable trust with the State Treasurer to provide for future debt service payments on the old bonds. The proceeds from the Series 2002A refunding bonds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures on May 1, 2013. For financial reporting purposes, all of the debt has been considered defeased and therefore removed as a liability of the California State University, Hayward financial statements. As of June 30, 2002, the amount of defeased bonds outstanding but removed from long-term liabilities totaled \$1,015,000.

(10) 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:

2000	\$	785,641
2001		64,371
2002		2,919,221

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(11) 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 basic financial statements reflects the estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2002. 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, 2002.

Changes in the System's self-insurance claims liability for the two years ended June 30, 2002 are as follows:

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	72,151,000
Incurred claims and changes in estimates	60,204,000
Claim payments	<u>(29,832,000)</u>
Liability as of June 30, 2002	102,523,000
Less current portion	<u>(28,691,000)</u>
	<u>\$ 73,832,000</u>

As of June 30, 2002, approximately \$39,354,000 in assets have been set aside to fund the claims liability. The System 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 System 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 self-insurance claims liability as of June 30, 2002 was approximately 6% or \$3,795,000 of which \$1,669,000 is considered to be a current liability and has been recorded in the accompanying basic financial statements.

(12) 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 expenses. Management believes that it has adhered to the terms of its grants and that any disallowed expenses resulting from such review would not have a material effect on the financial position of the University.

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Authorized expenses for construction projects unexpended as of June 30, 2002 totaled \$1,954,909. These expenses will be funded primarily from state appropriations.

(13) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the statement of revenues, expenses, and changes in net assets, but to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2002 operating expenses by natural classification consisted of the following:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total</u>
Functional classification:						
Instruction	\$ 44,253,549	7,433,901	—	12,648,556	—	64,336,006
Research	—	—	—	367,293	—	367,293
Public service	—	—	—	327,586	—	327,586
Academic support	10,520,869	1,897,602	—	976,362	—	13,394,833
Student services	8,094,787	1,619,959	—	5,530,580	—	15,245,326
Institutional support	14,885,904	2,837,803	—	10,099,911	—	27,823,618
Operation and maintenance of plant	4,570,733	1,114,119	—	7,486,553	—	13,171,405
Student grants and scholarships	—	—	8,829,404	—	—	8,829,404
Auxiliary enterprise expenses	—	—	—	5,020,301	—	5,020,301
Depreciation and amortization	—	—	—	—	4,825,425	4,825,425
Total	\$ <u>82,325,842</u>	<u>14,903,384</u>	<u>8,829,404</u>	<u>42,457,142</u>	<u>4,825,425</u>	<u>153,341,197</u>

(14) Transactions with Related Entities

The System is an agency of the State of California and, as such, processes substantially all of its revenue and expense activity through the Office of the California State Controller. State appropriations allocated to the University through the Office of the Chancellor aggregated \$89,978,078 for the year ended June 30, 2002. State appropriations receivable aggregated \$8,980,938 as of June 30, 2002.

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

The accompanying basic financial statements also include the following transactions with related parties:

Reimbursements from recognized Auxiliary Organizations for salaries of University employees working on contracts, grants, and other programs	\$	436,318
Amounts receivable from the Office of the Chancellor		13,791
Amounts payable to recognized Auxiliary Organizations, net		371,115