



**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Financial Statements and  
Supplementary Information

June 30, 2008

(With Independent Auditors' Report Thereon)

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statement of Net Assets (Deficit)	3
Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)	4
Statement of Cash Flows	5
Notes to Financial Statements	7
Supplementary Information:	
Schedule 1 – Residence and Dining Halls Operating Data by Campus (Unaudited)	20
Schedule 2 – Statement of Insurance Coverage (Unaudited)	21
Schedule 3 – Income and Expenses Pledged Against Systemwide Revenue Bonds (Unaudited)	22



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## **Independent Auditors' Report**

The Board of Trustees  
California State University:

We have audited the accompanying financial statements of the California State University Systemwide Revenue Bond Program Fund (bond issuances of the California State University) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the California State University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the California State University Systemwide Revenue Bond Program Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provides a reasonable basis for our opinion.

The accompanying financial statements present only the financial position and the changes in financial position and cash flows of the California State University Systemwide Revenue Bond Program Fund and do not purport to, and do not, present fairly the financial position of the California State University as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University Systemwide Revenue Bond Program Fund as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The California State University has not presented the management's discussion and analysis that U.S. generally accepted accounting principles require to be supplemented, although not to be part of, the basic financial statements.

As discussed in note 5, the cost of equipment, buildings, and improvements financed by the California State University Systemwide Revenue Bond Program Fund is not capitalized in this fund, as the constructed assets are not owned by the Fund and are not pledged as security for the outstanding bonds, resulting in liabilities exceeding assets in the amount of \$1,947,041,533 at June 30, 2008. Certain future revenues are pledged to the retirement of the outstanding bonds.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

February 19, 2009

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Statement of Net Assets (Deficit)

June 30, 2008

Assets:

Current assets:

Cash and cash equivalents	\$	938,303
Short-term investments		971,910,447
Accounts receivable, net of allowance for doubtful accounts of \$3,538,127		20,852,953
Interest receivable		8,548,671
Bond issuance costs		25,754,579
Due from other CSU funds		3,714,189
Due from other governments		1,000,000
Other assets		465,273
Prepaid expenses		193,070
		<u>1,033,377,485</u>
Total assets		<u>1,033,377,485</u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities		34,250,116
Deferred revenue		60,446,238
Due to Trust Fund		9,630,476
Due to CSU General Fund		4,673,402
Due to other appropriations		2,416,389
Loan payable to Affordable Student Housing – current portion		61,711
Interfund Note Payable		606,454
Revenue Bond Anticipation Notes interest payable		6,173
Interest payable		23,434,678
Revenue Bond Anticipation Notes payable		33,282,000
Revenue Bonds payable – current portion		44,251,892
Deposits		4,647,809
Other current liabilities		4,486,546
Arbitrage rebate payable		2,606,756
		<u>224,800,640</u>
Total current liabilities		<u>224,800,640</u>

Noncurrent liabilities:

Loan payable to Affordable Student Housing, net of current portion		2,125,922
Revenue Bond Anticipation Notes payable, net of current portion		4,070,000
Revenue Bonds payable, net of current portion		2,749,422,456
		<u>2,980,419,018</u>
Total liabilities		<u>2,980,419,018</u>

Net assets (deficit):

Restricted for:

Building maintenance and repair		43,352,456
Capital projects		284,968,558
Unrestricted		<u>(2,275,362,547)</u>
Total net assets (deficit)	\$	<u><u>(1,947,041,533)</u></u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)

Year ended June 30, 2008

Operating revenues:	
Residence and dining halls fees	\$ 221,609,600
Continuing education fees	146,891,243
Student union fees	106,644,622
Parking fees	80,751,097
Health center fees	5,865,467
Auxiliary lease revenue	4,135,000
Other operating revenues	<u>13,892,067</u>
Total operating revenues	<u>579,789,096</u>
Operating expenses:	
Salaries, wages, and staff benefits	158,686,288
Construction	362,272,513
Repair and replacement	28,286,765
Supplies and services	44,041,955
General and administrative	14,294,058
Utilities and communications	20,925,285
Contractual services	30,579,669
Printing	3,339,329
Travel	3,836,395
Equipment	2,538,743
Postage and freight	1,203,497
Information technology	5,379,815
Arbitrage rebate	560,574
Other operating costs	30,061,888
Interest on Affordable Student Housing Loan	149,134
Interest on Revenue Bond Anticipation Notes	3,576,078
Interest on Bonds Payable	<u>114,569,329</u>
Total operating expenses	<u>824,301,315</u>
Operating loss	<u>(244,512,219)</u>
Nonoperating revenues:	
Investment income	40,255,739
Other lease income	<u>21,108,673</u>
Total nonoperating revenues	<u>61,364,412</u>
Loss before grants and gifts, assumption of net assets, and transfers	<u>(183,147,807)</u>
Grants and gifts	1,150,000
Assumption of net assets of California State University Student Union Bond Program	6,656,894
Transfer to other funds, net	<u>(83,293,594)</u>
Total grants and gifts, assumption of net assets, and transfers	<u>(75,486,700)</u>
Decrease in net assets (deficit)	<u>(258,634,507)</u>
Net assets (deficit):	
Net assets (deficit) – beginning of year	<u>(1,688,407,026)</u>
Net assets (deficit) – end of year	<u>\$ (1,947,041,533)</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Residence and dining hall fees	\$ 222,375,043
Continuing education fees	145,700,856
Student union fees	108,896,031
Parking fees	78,435,118
Health facility fees	5,788,914
Auxiliary lease revenue	3,060,000
Other operating revenue	13,892,067
Salaries, wages, and benefits	(158,357,988)
Construction costs	(372,616,827)
Capital asset acquisition	(370,769)
Financial aid	(5,584)
Advertising and promotional publications	(64,325)
Repair and replacement costs	(25,486,591)
Supplies and services	(42,456,204)
General and administrative costs	(12,959,087)
Utilities and communications	(23,583,942)
Contractual services	(30,323,411)
Printing	(3,339,329)
Travel	(3,836,395)
Equipment	(2,538,743)
Postage and freight	(1,203,497)
Information technology	(5,379,815)
Other operating costs	(29,236,849)
Interest paid	(118,173,948)
	<u>(251,785,275)</u>
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Deposits	861,962
Proceeds from loans to other CSU fund	3,606,454
Transfer to other CSU funds, net	(24,973,659)
Transfer to campus student unions	(51,663,039)
	<u>(72,168,282)</u>
Net cash used in noncapital financing activities	
Cash flows from capital and related financing activities:	
Proceeds from issuance of Revenue Bonds and Revenue Bond Anticipation Notes	617,749,692
Bonds issuance costs paid from bond proceeds	(5,584,043)
Grants and gifts, capital	1,150,000
Retirement of indebtedness	(194,985,983)
	<u>418,329,666</u>
Net cash provided by capital and related financing activities	
Cash flows from investing activities:	
Purchases of investments, net	(170,298,464)
Interest received	63,932,293
	<u>(106,366,171)</u>
Net cash used in investing activities	
Net decrease in cash and cash equivalents	(11,990,062)
Cash and cash equivalents at beginning of year	<u>12,928,365</u>
Cash and cash equivalents at end of year	<u>\$ 938,303</u>

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Statement of Cash Flows

Year ended June 30, 2008

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (244,512,219)
Amortization of bond issuance costs	<u>792,607</u>
Amortization of bond premium/discount	(3,067,413)
Changes in assets and liabilities:	
Accounts receivable	(6,512,282)
Due from other CSU funds	(584,302)
Due from/to other governments	(1,016,823)
Due from/to CSU General Fund	4,726,622
Other assets	(465,273)
Prepaid expenses	325,308
Accounts payable and accrued liabilities	(10,181,504)
Deferred revenue	4,026,775
Due to CSU Trust Fund	(2,542,207)
Due to other appropriations	1,871,086
Revenue Bond Anticipation Notes interest payable	(100,827)
Arbitrage rebate payable	551,942
Interest payable	3,261,801
Other liabilities	<u>1,641,434</u>
Total adjustments	<u>(7,273,056)</u>
Net cash used in operating activities	<u>\$ (251,785,275)</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

**(a) Description of the Program**

Beginning in May 1980, the Board of Trustees, for the benefit of the California State University Housing System, issued bonds to finance the construction, repair, and maintenance of student housing facilities. The Systemwide Revenue Bond Program Fund (the Program), formerly the Housing Revenue Bond program, was approved by the Board of Trustees in April 2003 concurrent with the issuance of the Systemwide Revenue Bonds, Series 2003A. The Program provides funding for various construction projects, including student residence and dining halls facilities, continuing education buildings, student unions, parking facilities, health facilities, and auxiliary organization facilities at designated campuses within the system as specified by the individual bond documents. It is designed to provide lower cost debt and greater flexibility to finance revenue bond projects at campuses within the system. Rather than relying on specific pledged revenues to support specific debt obligations, the Program pools several sources of revenue as the pledge for the related revenue producing projects.

**(b) Basis of Presentation**

The accompanying financial statements of the Program, which include the Systemwide Revenue Bonds Series J to Y, the Systemwide Revenue Bonds Series 2002A, 2003A, 2004A, 2005A, 2005B, 2005C, 2007A, 2007B, 2007C, 2007D, and 2008A (Systemwide), and the Revenue Bond Anticipation Notes, have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, include a statement of net assets (deficit), a statement of revenues, expenses, and changes in net assets (deficit), and a statement of cash flows. The Program is considered a special-purpose government under the provisions of GASB Statement No. 35. The Program records revenue primarily from fees collected from students and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the Program to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, the Program prepares its statement of cash flows using the direct method.

**(c) Election of Applicable FASB Statements**

The Program has elected to follow standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Program also has the option of following subsequent private-sector guidance subject to the same limitation. The Program has elected not to adopt the pronouncements issued by the FASB after November 30, 1989.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(d) *Classification of Current and Noncurrent Assets and Liabilities***

The Program 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 (deficit) date. Liabilities that reasonably can be expected, as part of the Program's normal business operations, to be liquidated within 12 months of the statement of net assets (deficit) date are considered to be current. All other assets and liabilities are considered to be noncurrent.

**(e) *Bond Issuance Costs***

Bond issuance costs are capitalized and amortized on a straight-line basis over the life of the bonds.

**(f) *Deferred Revenue***

Deferred revenue consists primarily of fees collected in advance for summer and fall terms of the programs.

**(g) *Accounts Payable and Accrued Liabilities***

Accounts payable and accrued liabilities consist primarily of amounts owed to third-party vendors for goods purchased and services performed in the construction and operations of the facilities of the pledged programs.

**(h) *Net Assets (Deficit)***

The Program's net assets (deficit) are classified into the following net asset categories:

**Restricted** – Net assets subject to restriction based on the bond indenture document for such requirements such as future maintenance and repair of the constructed facilities, and the capital projects for which the bond was issued.

**Unrestricted** – All other categories of net assets. In addition, unrestricted net assets may be designated for use by the Program or have legislature 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. The Program's net deficit is a result of the constructed asset costs recorded by the Program as construction expenses, whereas the asset is capitalized by the individual campus.

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

**(i) *Statement of Cash Flows***

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

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

(j) ***Revenue Sources***

Revenues pledged under the Program include student residence and dining halls fees, continuing education fees, student union fees, parking fees, health facility fees, and auxiliary organization lease revenues derived from the projects designated by the trustees of the California State University (CSU) for inclusion in the Program. These projects are located at all 23 campuses of the CSU system and the Chancellor's Office.

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. Student union fees, which are collected at 22 of the 23 campuses of the CSU system, ranged from \$42 to \$370 per student for the year ended June 30, 2008.

The parking program provides parking facilities. The parking program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for construction, repair and maintenance, 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 health facilities program provides facilities on campus to provide health services to students. The health facilities program derives its revenues primarily from student fees and interest income. 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. As of the end of the fiscal year 2008, a \$6 per student health facility program fee was in place at 15 campuses. In addition, one campus had a health facility fee of \$7, one campus had a health facility fee of \$8, one campus had a health facility fee of \$21, two campuses had a health facility fee of \$26, and two campuses had a health facility fee of \$50 per year.

The continuing education program provides nonstate-supported courses to students. The continuing education program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The auxiliary organization program provides for certain additional facilities on campus for the benefit of students and staff. The auxiliary organization program derives its revenues primarily from lease income received by the campus from the auxiliary organization using the facility. 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.

On July 1, 2007, the Program adopted Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets*, which requires additional disclosures related to pledged future revenues. The Program has pledged future continuing education, health care facilities, housing, parking, and student union revenues plus designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service) to repay the Systemwide Revenue Bonds. The Systemwide Revenue Bonds are payable solely from continuing education, health care facilities, housing, parking and student union, and designated auxiliary net income available for debt service.

The Program has pledged future continuing education, health care facilities, housing, parking, and student union revenues plus designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay \$2,804,033,000 in System Revenue Bonds issued in 1980 through 1984 for old housing bonds and 2002 through 2008 for Systemwide Revenue Bonds. Proceeds from the bonds provided financing for the construction of the continuing education, health care facilities, housing, parking, student union, and auxiliary projects. The bonds are payable solely from continuing education, health care facilities, housing, parking and student union, and designated auxiliary net income available for debt service and are payable through 2044/2045. The Systemwide Revenue Bond indenture requires net income available for debt service to be at least equal to aggregate debt service for all indebtedness each fiscal year. The total debt service remaining to be paid on the bonds for the Program is \$4,939,829,204. In fiscal year 2008, total debt service paid and net income available for debt service, which excluded the designated auxiliary net income, for the Program were \$148,395,000 and \$213,695,000, respectively.

**(k) Classification of Revenues and Expenses**

The Program considers operating revenues and expenses in the statement of revenues, expenses, and changes in net assets (deficit) to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Program'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 No. 35. These nonoperating activities primarily include the Program's net investment income, other lease income, and transfers.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(l) Assumption of Net Assets (Deficit) of  
California State University Student Union Bond Program**

The Program assumes the net assets (deficit) of the separate Student Union Revenue Bond programs that were added to the Program upon the issuance of Systemwide Revenue Bonds to defease existing separate Student Union Revenue Bonds.

**(m) Transfers to Other Funds, Net**

The Program records transfers to other funds primarily to support the operations of the programs discussed in note 1(j).

**(n) Fiscal Year, Principal, and Interest Payment Dates**

The end of the fiscal year of the Program is specified in the bond resolution as June 30. Interest ranging from 2.50% to 5.55% on the bonds is paid semiannually on May 1 and November 1. The principal payments are made on November 1 of each year with the final payment due November 1, 2045.

**(o) Use of Estimates**

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

**(2) Cash and Investments**

The deposits of the Program that are maintained at financial institutions are fully insured or collateralized as required by state law. At June 30, 2008, the Program's cash balance consisted of demand deposits held at financial institutions, at the State Treasury, and petty cash. Cash and cash held at the State Treasury had a carrying value of \$938,303 at June 30, 2008.

At June 30, 2008, the Program's cash and investments are as follows:

Cash (deposits and petty cash)	\$	776,605
Cash held in State Treasury		161,698
State of California Surplus Money		
Investment Fund		518,364,359
California State University Investment Pool		<u>453,546,088</u>
Total cash and investments	\$	<u><u>972,848,750</u></u>

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(a) Investments**

At June 30, 2008, the Program's investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund (SMIF) and the California State University Investment Pool, an internal investment pool. For the California State University Investment Pool, separate accounting is maintained as to the amounts allocable to the various funds and programs. Investments are recorded at fair value as of June 30, 2008.

**Investment Policy**

State law and regulations require that surplus moneys of the Program must be invested. The primary objective of the Program's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Program. The third objective is to return an acceptable yield. The Program's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the Program's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high grade corporate and fixed income securities, and certain other investment instruments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of any investment. Generally, the longer the maturity of any investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Program manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Program monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The weighted average maturity of the Program's investment portfolio for each investment type as of June 30, 2008 is presented in the table on the following page.

**Credit Risk**

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

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Program's investment portfolio as of June 30, 2008:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end				
			AAA	Aa	A	BBB	Not rated
Money market	\$ 169,413	—	\$ 169,413	—	—	—	—
Commercial paper	115,202,915	0.05	—	—	115,202,915	—	—
Certificates of deposit	97,872,829	0.13	—	—	97,872,829	—	—
U.S. agency securities	56,330,779	1.17	47,719,372	—	8,611,407	—	—
Repurchase agreements	10,788,457	0.50	—	—	10,788,457	—	—
Corporate and fixed income securities	156,985,582	1.68	48,410,366	51,757,886	53,092,887	1,309,787	2,414,656
Mortgage-backed securities	15,118,140	11.97	15,118,140	—	—	—	—
State of California Surplus Money Investment Fund	<u>518,364,359</u>	0.58	—	—	—	—	<u>518,364,359</u>
Total	970,832,474		<u>111,417,291</u>	<u>51,757,886</u>	<u>285,568,495</u>	<u>1,309,787</u>	<u>520,779,015</u>
Not subject to rating:							
U.S. Treasury securities	<u>1,077,973</u>	1.68					
Total investments	<u>\$ 971,910,447</u>						

**Concentration of Credit Risk**

The Program's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2008, there are no issuers of investments (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of the Program's total investments.

**Risks and Uncertainties**

The Program may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially effect the amounts reported in the statements of financial position.

The Program invests in securities with contractual cash flows such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies of defaults or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(3) Bonds Payable**

The bonds were issued in denominations of \$5,000 principal amount each or any integral multiple thereof.

Long-term debt obligations of the Program as of June 30, 2008 consist of the following:

<u>Description</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Original issue amount</u>	<u>Amount outstanding</u>
Systemwide Revenue Bonds, Housing Series J-Y	3.00%	2012/13 – 2021/22	\$ 21,693,000	11,178,000
Systemwide Revenue Bonds, Series 2002A	4.00% – 5.50%	2012/13 – 2033/34	174,750,000	158,020,000
Systemwide Revenue Bonds, Series 2003A	2.50% – 5.38%	2033/34 – 2035/36	320,040,000	313,485,000
Systemwide Revenue Bonds, Series 2004A	2.50% – 5.25%	2018/19 – 2034/35	158,010,000	144,245,000
Systemwide Revenue Bonds, Series 2005A	2.75% – 5.00%	2013/14 – 2037/38	667,105,000	648,225,000
Systemwide Revenue Bonds, Series 2005B	5.00%	2015/16 – 2021/22	134,805,000	113,760,000
Systemwide Revenue Bonds, Series 2005C	3.00% – 5.25%	2017/18 – 2038/39	540,900,000	531,900,000
Systemwide Revenue Bonds, Series 2007A	4.00% – 5.00%	2024/25 – 2044/45	254,770,000	254,770,000
Systemwide Revenue Bonds, Series 2007B	5.27% – 5.55%	2027/28 – 2037/38	13,165,000	13,165,000
Systemwide Revenue Bonds, Series 2007C	5.00%	2020/21 – 2028/29	63,275,000	63,275,000
Systemwide Revenue Bonds, Series 2007D	4.00% – 5.00%	2037/38	80,360,000	79,645,000
Systemwide Revenue Bonds, Series 2008A	3.50% – 5.00%	2022/23 – 2039/40	<u>375,160,000</u>	<u>375,160,000</u>
Total Bonds Payable			<u>\$ 2,804,033,000</u>	2,706,828,000
Less current portion				<u>(41,005,000)</u>
Bonds Payable, net of current portion				<u>\$ 2,665,823,000</u>

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

Bonds payable activity for the year ended June 30, 2008 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable	\$ 2,302,428,000	438,435,000	(34,035,000)	2,706,828,000	41,005,000
Discount on bonds	(1,546,389)	—	62,196	(1,484,193)	(62,196)
Premium on bonds	79,970,487	11,489,661	(3,129,607)	88,330,541	3,309,088
	<u>\$ 2,380,852,098</u>	<u>449,924,661</u>	<u>(37,102,411)</u>	<u>2,793,674,348</u>	<u>44,251,892</u>

Bonds payable at June 30, 2008 mature as follows:

	<u>Principal</u>	<u>Interest</u>
Fiscal years:		
2009	\$ 41,005,000	131,277,105
2010	46,585,000	128,556,651
2011	52,630,000	126,573,875
2012	56,745,000	124,368,387
2013	63,835,000	121,916,774
2014 – 2018	378,905,000	560,513,294
2019 – 2023	476,178,000	454,950,676
2024 – 2028	529,930,000	329,732,239
2029 – 2033	589,145,000	188,706,305
2034 – 2035	397,970,000	60,353,960
2039 – 2043	65,305,000	5,660,775
2044 – 2045	8,595,000	391,163
	<u>\$ 2,706,828,000</u>	<u>2,233,001,204</u>

As specified in the bond resolution, the bonds payable at June 30, 2008 are secured by the future revenue streams rather than by the constructed assets. Additionally, the bonds are subject to special mandatory redemption prior to their respective maturity dates, in whole or in part, at a redemption price equal to the principal amount, and accrued interest to the redemption date, plus a premium as specified in the bond resolution.

In April 2003, concurrent with the issuance of the Systemwide Revenue Bonds Series 2003A, the Board completed the conversion of the old Housing System Revenue Bonds into the Systemwide Revenue Bond Program. The Systemwide Revenue Bonds are secured by the Program's gross revenues. Also upon the conversion, excess revenues from campus student union fees were pledged to the Systemwide Revenue Bond Program.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(4) Revenue Bond Anticipation Notes Payable**

The CSU Board of Trustees has authorized the issuance of Revenue Bond Anticipation Notes (BANs) to provide short-term financing to the System for certain projects. The BANs are issued to the Institute, an auxiliary organization of the System, to secure the issuance of commercial paper (CP) by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. Interest is variable and changes based upon the cost of the Institute's commercial paper program. The commercial paper interest rate is determined by the commercial paper dealer at each issuance of the commercial paper. The maximum and minimum weighted average interest rates for the year ended June 30, 2008 were 5.07% and 1.50%, respectively.

Short-term financing activity for the year ended June 30, 2008 was as follows:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
Revenue Bond Anticipation Notes \$	30,420,000	167,825,028	(160,893,028)	37,352,000	33,282,000

**(5) Buildings, Improvements, Equipment, and Construction in Progress**

The original capitalized cost of buildings, improvements, and equipment, during construction and upon completion of construction, is recorded by the CSU. As the constructed assets are not owned by the Program and do not act as security for the Systemwide Revenue Bond Program debt, construction costs are recorded as expenses in the accompanying statement of revenues, expenses, and changes in net assets (deficit).

**(6) Affordable Student Housing Loan**

At June 30, 2008, the Program had an outstanding loan from the Affordable Student Housing Program bearing interest at rates ranging from 6.33% to 6.80%. The loan is to be repaid over a 40-year period, primarily from future residence and dining hall revenues and interest earned thereon.

Affordable Student Housing Loan activity for the year ended June 30, 2008 was as follows:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
Affordable Student Housing Loan \$	2,245,589	—	(57,956)	2,187,633	61,711

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

Payments on the Affordable Student Housing Loan are scheduled as follows:

	<b>Principal amount</b>
Fiscal years:	
2009	\$ 61,711
2010	65,709
2011	69,967
2012	74,502
2013	79,329
2014 – 2018	480,779
2019 – 2023	658,198
2024 – 2027	697,438
	2,187,633
Less current portion	(61,711)
	\$ 2,125,922

**(7) Advanced Refundings**

In April 2005, the Program defeased certain Housing Revenue Bond Series AY (refunded bonds) by placing the proceeds from the issuance of the Systemwide Revenue Bonds Series 2005A refunding bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the refunded bonds. The net proceeds from the Series 2005A refunding bonds were used to purchase U.S. government securities that were placed in an escrow account. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matures. Accordingly, the refunded bonds have been considered defeased and therefore removed as a liability from the accompanying financial statements. The total amount of refunded bonds outstanding as of June 30, 2008 totaled \$35,160,000.

On October 12, 2005, the Program issued \$540,900,000 in Systemwide Revenue Bonds Series 2005C. Of this amount, \$398,220,000 was to fund new construction projects allowed under the Bond Indenture. The Program issued \$142,680,000 in Systemwide Revenue Bonds Series 2005C refunding certain Housing Revenue Bond Series AZ, and Systemwide Revenue Bonds Series 2003A (refunded bonds) by placing the proceeds from the issuance of the Systemwide Revenue Bonds Series 2005C refunding bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the refunded bonds. The net proceeds from the Series 2005C refunding bonds were used to purchase U.S. government securities that were placed in an escrow account. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matures. Accordingly, the refunded bonds were considered defeased and have been removed as a liability from the accompanying financial statements. The amount of the defeased bonds outstanding as of June 30, 2008 totaled \$26,895,000.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

**(8) Subsequent Events**

In July 2008, a \$36.3 million BAN was authorized for the construction of Parking Structure 1 at the San Marcos campus. In August 2008, \$10.8 million of commercial paper was issued, leaving an unissued amount of \$25.5 million.

In July 2008, a \$63.5 million BAN was authorized for the construction of Sutter Hall (University Housing and Food Service, Phase I) at the Chico campus. In August 2008, \$22.6 million of commercial paper was issued, leaving an unissued amount of \$40.9 million.

In July 2008, a \$14.8 million BAN was authorized for the construction of the Student Union at the Channel Islands campus. In September 2008, \$8.6 million of commercial paper was issued, leaving an unissued amount of \$6.2 million.

In September 2008, a \$172.9 million BAN was authorized for the construction of Student Housing and Food Services Phases III and IV at the Fullerton campus. In October 2008, \$16.0 million of commercial paper was issued, leaving an unissued amount of \$156.9 million.

In September 2008, a \$58.1 million BAN was authorized for the construction of Recreation Wellness Center, Phase II at the Sacramento campus. In October 2008, \$11.9 million of commercial paper was issued, leaving an unissued amount of \$46.2 million.

In September 2008, a \$49.4 million BAN was authorized for the construction of Student Housing Phase I at the Humboldt campus. In November 2008, \$11.2 million of commercial paper was issued, leaving an unissued amount of \$38.2 million.

In September 2008, a \$3.2 million BAN was authorized for the construction of Cal Poly Corporation – Technology Park Pilot Building at the San Luis Obispo campus. Commercial paper has not yet been issued for this project.

In November 2008, a \$72.0 million BAN was authorized for the construction of Student Recreation and Wellness Center at the Long Beach campus. In January, 2009, \$10.3 million of commercial paper was issued, leaving an unissued amount of \$61.7 million.

In November 2008, a \$16.9 million BAN was authorized for the refinancing of the Fullerton Auxiliary Services Corporation – Faculty/Staff Housing Refinance Project at the Fullerton campus. In December 2008, \$15.3 million of commercial paper was issued, leaving an unissued amount of \$1.6 million.

In November 2008, a \$15.9 million BAN was authorized for the refinancing of the Long Beach Foundation – CSU Long Beach Residential Learning College Renovation Project at the Long Beach campus. In January 2009, \$4.8 million in commercial paper was issued, leaving an unissued amount of \$11.1 million.

In November 2008, San Jose Housing Series U bond series was redeemed with an outstanding principal amount of \$860,000. The total cost of redemption is \$872,900, which equals the principal outstanding plus accrued interest.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Notes to Financial Statements

June 30, 2008

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks associated with investments. As of June 30, 2008, the Program's investments were invested 47% in the California State University's Investment Pool and 53% in the State of California's Surplus Money Investment Fund (SMIF). Permitted investments consist primarily of highly rated, fixed-income securities, which could include variable rate instruments. Both CSU's investment policy and the State of California's SMIF investment policy state that the primary objective of the programs shall be the safeguarding of principal, with liquidity a secondary objective. Because of the emphasis on asset quality and liquidity, the programs have not had, nor expect to have, any material exposure to the value of investments as a result of illiquidity or volatility in certain investment sectors of the financial markets. Although neither investment pool has experienced significant declines in the value of component investment securities since June 30, 2008, it is at least reasonably possible that some changes in the value of investments could occur because of changing market conditions.

Due to the state budget crisis, the State of California issued a Budget Letter on December 18, 2008, suspending all state-funded capital projects, including General Obligation and lease revenue bond projects, and freezing disbursements on these projects beginning December 17, 2008 until the budget crisis is resolved in a manner sufficient to allow the State to resume issuing bonds. However capital projects from the Systemwide Revenue Bonds are not affected by the suspension since these are funded independently by the CSU.

The Systemwide Revenue Bonds are not a lien, charge, or liability against the State of California, or against the issuer or against the property or funds of either, except to the extent of the pledge of Gross Revenues, as provided by the Indenture. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of principal and interest on the Systemwide Revenue Bonds. The Systemwide Revenue Bonds are not a debt of the State of California, and the State is not liable for the payment thereof.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**  
Residence and Dining Halls Operating Data by Campus  
Year ended June 30, 2008  
(Unaudited)

	Operating and other revenue	Operating expenditures	Excess (deficiency) of revenue over expenditures	Design capacity	Operational capacity (1)	Average number of spaces occupied	Percentage of spaces occupied	Average annual rates per academic year (2)						
								Single	Double	Residences halls	Single	Double	Suite	Apartment
CSU, Bakersfield	\$ 1,583,135	1,455,910	127,225	351	343	278	81%	3,310	2,767	—	8,100	—	—	—
CSU, Channel Islands	5,026,804	1,859,197	3,167,607	810	786	659	84	7,500	7,000	—	5,986	5,760	—	—
CSU, Chico	11,607,810	7,122,199	4,485,611	1,737	1,954	1,903	97	6,532	5,830	—	6,210	6,210	—	—
CSU, Dominguez Hills	2,627,022	2,262,606	364,416	712	560	542	97	—	—	—	6,998	4,842	—	—
CSU, East Bay	4,698,303	2,848,158	1,850,145	820	820	808	99	—	—	—	6,798	5,067	—	—
CSU, Fresno	—	(14,343)	14,343	—	—	—	—	—	—	—	—	—	—	—
CSU, Fullerton	4,981,146	(1,313,779)	6,294,925	832	821	812	99	5,267	4,254	—	5,504	4,448	—	—
Humboldt State University	6,922,750	5,302,053	1,620,697	1,429	1,411	1,370	97	5,136	4,686	—	6,256	4,211	—	—
CSU, Long Beach	10,763,846	6,246,760	4,517,086	1,962	1,962	1,956	100	—	—	—	—	—	—	—
CSU, Los Angeles	4,621,672	2,235,105	2,386,567	1,008	965	895	93	—	—	—	—	—	—	—
Maritime	2,010,899	667,041	1,343,858	459	511	495	97	2,415	2,000	—	7,209	4,734	—	—
CSU, Northridge	14,973,110	6,656,785	8,316,325	3,019	2,404	2,343	97	8,267	4,875	—	6,822	5,637	—	—
CSU, Pomona	11,082,426	5,513,408	5,569,018	1,616	1,856	1,811	98	7,257	5,121	—	6,178	5,121	—	—
CSU, Sacramento	6,480,948	3,577,688	2,903,260	1,072	1,047	1,000	96	6,178	5,778	—	6,390	—	—	—
CSU, San Bernardino	8,265,594	3,795,214	4,470,380	3,553	3,119	3,100	85	5,220	4,050	—	6,390	—	—	—
San Diego State University	27,111,565	17,316,530	9,795,035	3,100	3,119	2,972	98	5,410	5,410	—	6,370	7,732	—	—
San Francisco State University (3)	34,567,938	16,846,799	18,721,139	3,066	3,278	3,272	98	5,438	5,388	—	9,022	7,800	—	—
San Jose State University	2,430,333	12,497,066	10,066,733	3,479	3,278	3,073	94	7,465	4,971	—	5,543	4,971	—	—
CSU, San Luis Obispo	19,292,257	7,767,992	11,524,265	3,579	3,808	3,608	100	7,465	5,094	—	5,749	6,020	—	—
CSU, Stanislaus	16,355,628	7,065,115	9,290,513	2,455	2,456	2,225	91	6,609	5,094	—	7,896	6,020	—	—
CSU, Stanislaus	3,827,101	2,132,209	1,694,892	460	473	440	93	6,049	4,734	—	6,575	—	—	—
Systemwide offices	224,308,837	119,484,187	104,824,650	32,850	32,375	30,935	96%	5,508	4,887	—	7,036	5,678	—	7,068
Interest income	—	(145,214)	145,214	—	—	—	—	—	—	—	—	—	—	—
Total	\$ 7,592,126	\$ 119,338,973	\$ 112,561,990	—	—	—	—	—	—	—	—	—	—	—

(1) This column reflects capacity adjusted for increase or decreased in permanent conversions and temporary adjustments.

(2) This section primarily reflects an average of the more traditional rates to students. Each campus has different rates depending on accommodation, such as super doubles, cluster occupancy, etc.

(3) The operational capacity does not include 914 apartment units available to students, faculty, and staff. The annual rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed-spaces) vary between \$1,275 and \$3,150.

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Statement of Insurance Coverage

June 30, 2008

(Unaudited)

<b>Expiration date</b>	<b>Coverage</b>	<b>Amount</b>	<b>Company</b>	<b>Policy number</b>
July 1, 2008*	CSU Master Property Policy, "All Risk" Building, Equipment and Rental Income	\$ 1,000,000,000	California Public Entity Property Insurance Program	PPROP0708
July 1, 2008*	CSU Master Property Policy, Boiler and Machinery	100,000,000	Hartford	PBOILER0708
July 1, 2008*	Bodily Injury and Property Damage Liability (Primary)	3,000,000	CSURMA	RMA-SYST-0708-1
July 1, 2008*	Bodily Injury and Property Damage Liability (Excess)	2,000,000	Everest National	71P2000004-061
July 1, 2008*	Bodily Injury and Property Damage Liability (Excess)	5,000,000	Everest National	71P2000007-071
July 1, 2008*	Bodily Injury and Property Damage Liability (Excess)	10,000,000	Insurance Co. of the State of PA	7251689

\* Additional insurance policies are maintained for the period from July 1, 2008 to June 30, 2009. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BOND PROGRAM FUND**

Income and Expenses Pledged Against Systemwide Revenue Bonds

Year ended June 30, 2008

(Unaudited)

Gross revenues (1):		
Housing system	\$	231,633,480
Student unions (2)		111,597,611
Parking (3)		85,756,515
Health centers (2)		7,155,316
Continuing education		157,318,335
Auxiliary (4)		343,245,807
Related governmental entities (5)		9,173,198
Total gross revenues	\$	<u>945,880,262</u>
Debt service:		
Senior (6)	\$	—
Auxiliary – other (7)		16,415,914
Systemwide Revenue Bonds (8)		123,333,027
Total debt service	\$	<u>139,748,941</u>
Operating expenditures (9):		
Housing system	\$	140,557,981
Student unions		54,950,823
Parking		48,994,324
Health centers (10)		3,500,704
Continuing education		140,935,145
Auxiliary (4)		295,185,018
Related governmental entities		—
Total operating expenditures	\$	<u>684,123,995</u>

- (1) Includes interest income.
- (2) Gross Revenues shown here are derived solely from certain mandatory student fees – not revenues derived from operations of student unions or student health centers.
- (3) Excludes fines and forfeitures collected separately from parking fees.
- (4) Revenues and expenditures shown are for those auxiliary organizations that have financed with Systemwide Revenue Bonds through a lease and exclude research grant and contract activity and restricted gifts. Gross Revenues pledged under the Bond Indenture are a smaller amount derived from payments under certain leases with the Board.
- (5) Includes revenues derived from leases with California State University, Channel Islands Site Authority, and the Headquarters Building Authority, which are used solely to pay debt service on Systemwide Revenue Bonds; therefore, operating expenditures are not applicable.
- (6) As of November 1, 2007, debt secured by senior lien was no longer outstanding.
- (7) Since June 30, 2004, certain auxiliary organizations have participated in financing and refinancing facilities through the Systemwide Revenue Bond program. Debt service noted includes outstanding auxiliary organization debt that is not part of the Systemwide Revenue Bond program.
- (8) Debt service shown excludes interest, which has been funded from bond proceeds.
- (9) Operating expenditures also include extraordinary maintenance and repair projects, which are generally paid from existing program fund balances.
- (10) Operating expenditures shown here are only such expenditures that are paid from certain mandatory student fees shown under total gross revenue.

See accompanying independent auditors' report.