



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

Financial Statements and
Supplementary Information

June 30, 2013

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
California State University:

Report on the Financial Statements

We have audited the accompanying financial statements of the California State University Systemwide Revenue Bond Program Fund, which comprise the statement of net position as of June 30, 2013, and the related statement of revenues, expenses, and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University Systemwide Revenue Bond Program Fund as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of a Matter

As discussed in note 5 to the financial statements, the cost of equipment, buildings, and improvements financed by the California 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 \$2,926,193,106 at June 30, 2013. Certain future revenues are pledged to the retirement of outstanding bonds.

As discussed in note 1 to the financial statements, the California University Systemwide Revenue Bond Program Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The cumulative effect of implementation of GASB Statement No. 65 resulted in the restatement of net position as of the beginning of the year for the California University Systemwide Revenue Bond Program Fund in the amount of \$21,324,428.

As discussed in note 1, the financial statements present only the California State University Systemwide Revenue Bond Program Fund, and do not, present fairly the financial position of the California State University as of June 30, 2013, the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements 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 do not express an opinion or provide any assurance on it.

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

KPMG LLP

Irvine, California
October 30, 2013

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

Statement of Net Position

June 30, 2013

Assets:

Current assets:

Cash and cash equivalents	\$ 196,246
Short-term investments	1,030,549,397
Accounts receivable, net of allowance for doubtful accounts of \$4,463,189	41,137,774
Prepaid expenses and other assets	<u>1,470,301</u>
Total current assets	1,073,353,718

Noncurrent assets:

Prepaid bond insurance	7,104,384
Other assets	5,407,000
Other long-term investments	<u>125,594,380</u>
Total assets	<u>1,211,459,482</u>

Deferred outflows of resources:

Unamortized loss on debt refundings	<u>27,880,075</u>
Total deferred outflows of resources	<u>27,880,075</u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	63,602,500
Accrued salaries and benefits	18,141,140
Compensated absences	6,706,727
Unearned revenue	114,105,581
Revenue bond anticipation notes payable, current portion	10,656,000
Revenue bonds payable, current portion	98,198,175
Interest payable	29,772,565
Other current liabilities	9,207,804
Deposits	<u>274,309</u>
Total current liabilities	350,664,801

Noncurrent liabilities:

Compensated absences, net of current portion	5,282,792
Revenue bond anticipation notes payable, net of current portion	26,715,000
Revenue bonds payable, net of current portion	3,677,582,151
Noncurrent deposits	2,119,362
Other postemployment benefits liability	93,213,883
Other noncurrent liabilities	<u>9,954,674</u>
Total liabilities	<u>4,165,532,663</u>

Net position:

Restricted for:	
Debt service	2,034,466
Unrestricted:	
Designated for building maintenance and repair	154,285,923
Undesignated	<u>(3,082,513,495)</u>
Total net position	<u>\$ (2,926,193,106)</u>

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2013

Operating revenues:	
Residences and dining halls	\$ 345,510,513
Continuing education programs	324,287,235
Student unions	168,475,119
Parking programs	97,110,556
Health facilities	9,206,657
Auxiliary organization leases	47,029,844
Total operating revenues	<u>991,619,924</u>
Operating expenses:	
Salaries, wages, and staff benefits	270,822,480
Construction	160,211,088
Repairs and replacements	82,414,036
Services	132,113,192
Other operating costs	195,505,400
Interest	163,428,570
Total operating expenses	<u>1,004,494,766</u>
Operating loss	<u>(12,874,842)</u>
Nonoperating revenues:	
Investment income, net	9,826,261
Grants and other nonoperating revenues	8,035,333
Total nonoperating revenues	<u>17,861,594</u>
Income before transfers	<u>4,986,752</u>
Transfers to auxiliary organizations	(47,055,815)
Transfer to California State University Trust Fund	(63,212,000)
Transfer to other funds, net	(11,894,414)
Total transfers	<u>(122,162,229)</u>
Decrease in net position	(117,175,477)
Net position:	
Net position at beginning of year, as previously reported	(2,787,693,201)
Restatements	(21,324,428)
Net position at beginning of year, as restated	<u>(2,809,017,629)</u>
Net position at end of year	<u>\$ (2,926,193,106)</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2013

Cash flows from operating activities:	
Residences and dining halls	\$ 339,447,236
Continuing education programs	323,897,754
Student unions	168,883,942
Parking programs	96,323,357
Health facilities	9,168,014
Auxiliary organization leases	47,372,950
Salaries, wages, and benefits	(246,984,357)
Construction	(147,950,658)
Repairs and replacements	(80,174,533)
Services	(132,113,192)
Other operating costs	(200,713,381)
Interest paid	(181,969,412)
	<hr/>
Net cash used in operating activities	(4,812,280)
	<hr/>
Cash flows from noncapital financing activities:	
Deposits	708,232
Transfers	(114,083,038)
Grants and other nonoperating	8,278,244
	<hr/>
Net cash used in noncapital financing activities	(105,096,562)
	<hr/>
Cash flows from capital and related financing activities:	
Proceeds from issuance of revenue bonds and bond anticipation notes (BAN)	516,661,791
Proceeds from affordable student housing loan	8,000,000
Payment to escrow agent for the refunding of revenue bonds	(323,849,063)
Retirement of indebtedness	(99,340,083)
	<hr/>
Net cash provided by capital and related financing activities	101,472,645
	<hr/>
Cash flows from investing activities:	
Proceeds from the sale and maturities of investments	2,881,965,361
Purchases of investments	(2,883,829,145)
Interest received	9,921,655
	<hr/>
Net cash provided by investing activities	8,057,871
	<hr/>
Net decrease in cash and cash equivalents	(378,326)
	<hr/>
Cash and cash equivalents at beginning of year	574,572
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Cash and cash equivalents at end of year	\$ 196,246
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Supplemental schedule of noncash transactions:	
BAN proceeds wired directly to auxiliary organizations	\$ 13,250,000
BAN retirements wired directly by auxiliary organizations	(5,170,811)

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

Statement of Cash Flows

Year ended June 30, 2013

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (12,874,842)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Amortization of bond insurance costs	1,359,922
Amortization of bond premium and discount	(8,073,473)
Amortization of loss on debt refundings	496,018
Other non-cash changes in premium, deferred outflow, prepaid insurance	(12,568,369)
Changes in assets and liabilities:	
Accounts receivable	(4,486,189)
Prepaid expenses	(50,457)
Other assets	(5,407,000)
Accounts payable and accrued liabilities	15,125,887
Accrued compensated absences	431,600
Accrued salaries and benefits	2,869,603
Unearned revenue	(4,438,967)
Interest payable	245,059
Other liabilities	2,022,008
Other postemployment benefits liability	20,536,920
	8,062,562
Total adjustments	8,062,562
Net cash used in operating activities	\$ (4,812,280)

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

(a) Description of the Program

The Systemwide Revenue Bond Program Fund (the Program), formerly the Housing Revenue Bond Program, has debt outstanding from May 1980 to present as a result of the California State University (the University) Board of Trustees issuing bonds for the benefit of the California State University Housing System to finance the construction, repair, and maintenance of student housing facilities. The 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 hall 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 include the Systemwide Revenue Bonds Series J-Y, the Systemwide Revenue Bonds Series 2004A, 2005A, 2005B, 2005C, 2007A, 2007B, 2007C, 2007D, 2008A, 2009A, 2010A, 2010B, 2011A, 2012A, and 2012B (Systemwide), and the Revenue Bond Anticipation Notes. The financial statements also include the revenues and expenses of the activities pledged to repay these bonds, including student residence and dining halls, continuing education, student unions, parking, health facilities, and auxiliary organization leases. These statements 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 only present the Program, and do not, present fairly the financial statements of the University as of and for the year ended June 30, 2013, in conformity with U.S. generally accepted accounting principles.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The Program is considered a special-purpose government under the provisions of GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. 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.

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Notes to Financial Statements

June 30, 2013

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

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

(d) ***Prepaid Bond Insurance***

Prepaid bond insurance is capitalized and amortized on a straight-line basis over the life of the bonds.

(e) ***Unearned Revenue***

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

(f) ***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.

(g) ***Net Position***

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

Restricted – Net position is subject to restrictions based on the bond indenture document, such as debt service during construction periods and capital projects for which bonds were issued.

Unrestricted – All other categories of net position. In addition, unrestricted net position may be designated for use by the Program or have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position 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.

(h) ***Cash and Cash Equivalents***

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

**CALIFORNIA STATE UNIVERSITY
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Notes to Financial Statements

June 30, 2013

(i) ***Revenue Sources***

Revenues pledged under the Program include student residence and dining hall 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 for inclusion in the Program. These projects are located at all 23 campuses of the University 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 body center fees. Funds are used for maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Generally, after payment of authorized charges, the balances of these funds are available for distribution to the campus or 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 University, ranged from \$44 to \$746 per student for the year ended June 30, 2013.

The parking program provides parking facilities. The parking program is self-supporting and derives its revenues primarily from parking permits. 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 health facility fees. 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. Health facility fees are charged at 22 of the 23 campuses of the University; 13 of the campuses charged fees of \$6, and at the remaining 9 campuses, fees ranged from \$9 to \$109 during the fiscal year ended June 30, 2013.

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. Funds are used for current operating expenses, development of new courses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available

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Notes to Financial Statements

June 30, 2013

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.

The Systemwide Revenue Bonds are payable solely from continuing education, health facilities, housing, parking and student union, and designated auxiliary net income available for debt service and are payable through 2044/2045. The Program has pledged continuing education, health 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 \$4,006,698,000 in Systemwide Revenue Bonds originally issued in 1980 through 1984 for old housing bonds and 2002 through 2012 for Systemwide Revenue Bonds. Proceeds from the bonds provided financing for the construction of the continuing education, health facilities, housing, parking, student union, and auxiliary projects. 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 \$6,234,073,808. In fiscal year 2013, total debt service paid and net income available for debt service, which excluded the designated auxiliary net income, for the Program were \$253,426,389 and \$325,149,500, respectively.

(j) *Classification of Revenues and Expenses*

The Program considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Program's primary functions. Exchange transactions include interest expense, 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, grants, and transfers.

(k) *Transfers, Net*

The Program records transfers to other funds, auxiliary organizations, and escrow agents primarily to support the operations of the programs discussed in note 1(i).

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

The end of the fiscal year of the Program is specified in the bond resolutions as June 30. Interest ranging from 0.39% to 6.48% 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, 2044.

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

Notes to Financial Statements

June 30, 2013

(m) 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.

(n) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position as investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, the acquisition or construction of noncurrent assets, the liquidation of the noncurrent portion of long-term debt, or restricted as to the liquidity of the investments are classified as other long-term investments.

(o) New Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, effective for the Program's fiscal year beginning July 1, 2012. The objective of this statement is to incorporate into the GASBs authoritative literature certain accounting and financial reporting guidance that is included within the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the Program's fiscal year beginning July 1, 2012. This statement modifies the presentation of the deferred inflows and deferred outflows in the financial statements. The effect of the changes from the implementation of Statement No. 63 on the Program's financial statements was the presentation of deferred outflows of resources in the statement of net position.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the Program's fiscal year beginning July 1, 2013; however, the Program early adopted this statement effective for the fiscal year beginning July 1, 2012. This statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of Statement No. 65 resulted in the (a) recognition of unamortized loss on debt refundings as deferred outflows of resources and (b) bond-issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. The effect of the changes from the implementation of Statement No. 65 on the Program's financial statements was the restatement of beginning net position in the amount of \$21,324,428.

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Notes to Financial Statements

June 30, 2013

(p) Transfer to California State University Trust

In November 2012 and pursuant to Assembly Bill (AB) 1477 (Chapter 630, Statutes of 2013, signed by the governor on September 27, 2012), the Program transferred \$63,212,000 from the continuing education program to the California State University Trust Fund in order to mitigate impact to state-supported instructional programs that would result from reductions in the University's General Fund appropriations or reductions in tuition fee revenues for support of the university. Consistent with the intent of the legislature, the transfer authority is one-time in nature and effective only for the fiscal year 2013.

(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, 2013, the Program's cash and cash equivalents balance consisted of demand deposits held at financial institutions, at the State Treasury, and petty cash. Cash and cash equivalents balance had a carrying value of \$196,246 at June 30, 2013.

At June 30, 2013, the Program's cash and investments are as follows:

Cash and cash equivalents	\$	<u>196,246</u>
Total cash and cash equivalents		<u>196,246</u>
Short-term investments		1,030,549,397
Long-term investments		<u>125,594,380</u>
Total investments		<u>1,156,143,777</u>
Total cash, cash equivalents, and investments	\$	<u><u>1,156,340,023</u></u>

(a) Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the Program will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated by maintaining the Program's deposits at financial institutions that are fully insured or collateralized as required by state law.

(b) Investments

At June 30, 2013, the Program's investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund (SMIF) and the University Consolidated Investment Pool. For the CSU Consolidated Investment Pool, separate accounting is maintained as to the amounts allocable to the various funds and programs.

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Notes to Financial Statements

June 30, 2013

(c) Investment Policy

State law and regulations require that surplus monies of the Program 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.

(d) 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. The Program has formal duration guidelines to manage its interest rate risk. The duration guidelines include limits on the maximum maturity of any individual investment in the pool, and the average duration of the investment pool. 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 identifies and manages the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity is based on the stated maturity date, assuming that callable investments will not be called. The weighted average maturity of the Program's investment portfolio for each investment type as of June 30, 2013 is presented in the table on the following page.

(e) 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, 2013

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Program's prorated share of the investment portfolio as of June 30, 2013:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (in years)</u>	<u>AAA</u>	<u>Aa</u>	<u>A</u>	<u>Not rated</u>
Money market	\$ 3,719,279	—	\$ 1,621,678	—	—	2,097,601
Repurchase agreements	9,017,077	—	—	—	8,937,294	79,783
Commercial paper	10,018,588	0.196	—	—	10,018,588	—
Certificates of deposit	106,974,975	0.381	—	3,409,551	103,565,424	—
U.S. agency securities	320,447,083	1.689	—	320,447,083	—	—
U.S. Treasury securities	210,870,313	1.605	—	—	—	210,870,313
Corporate and fixed income securities	344,991,359	2.227	49,532,698	84,321,001	211,137,660	—
Municipal securities	15,868,797	1.598	—	12,353,497	3,515,300	—
Mortgage-backed securities	1,423,666	8.026	—	1,423,666	—	—
State of California Surplus Money Investment Fund	<u>132,812,640</u>	0.760	—	—	—	<u>132,812,640</u>
Total	<u>\$ 1,156,143,777</u>		<u>\$ 51,154,376</u>	<u>421,954,798</u>	<u>337,174,266</u>	<u>345,860,337</u>

By law, the SMIF fund only invests in U.S. governmental securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit, and loans to various bonds.

(f) 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, 2013, the following investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Program's investment portfolio: Federal National Mortgage Association (\$89,905,843 or 7.78%); Federal Home Loan Mortgage Corporation (\$82,371,336 or 7.12%); Federal Home Loan Banks Office of Finance (\$79,363,098 or 6.86%); Federal Farm Credit Banks Consolidated Systemwide Bonds (\$65,868,547 or 5.70%).

(g) 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 affect the amounts reported in the statement of net 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 or defaults, or both,

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

Notes to Financial Statements

June 30, 2013

and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(3) Revenue Bonds Payable

Revenue bonds payable of the Program as of June 30, 2013 consist of the following:

Description	Interest rate	Final maturity date	Original issue amount	Amount outstanding
Systemwide Revenue Bonds, Housing Series J-Y	3.00%	2013/14 – 2021/22	\$ 18,913,000	6,498,000
Systemwide Revenue Bonds, Series 2004A	3.30% – 5.25%	2013/14 – 2026/27	158,010,000	40,010,000
Systemwide Revenue Bonds, Series 2005A	3.63% – 5.00%	2013/14 – 2037/38	667,105,000	583,935,000
Systemwide Revenue Bonds, Series 2005B	5.00%	2015/16 – 2021/22	134,805,000	70,300,000
Systemwide Revenue Bonds, Series 2005C	4.00% – 5.25%	2017/18 – 2038/39	540,900,000	499,195,000
Systemwide Revenue Bonds, Series 2007A	4.00% – 5.00%	2024/25 – 2044/45	254,770,000	243,000,000
Systemwide Revenue Bonds, Series 2007B	5.27% – 5.55%	2027/28 – 2037/38	13,165,000	11,715,000
Systemwide Revenue Bonds, Series 2007C	5.00%	2020/21 – 2028/29	63,275,000	53,210,000
Systemwide Revenue Bonds, Series 2007D	4.00% – 5.00%	2037/38	80,360,000	74,455,000
Systemwide Revenue Bonds, Series 2008A	3.50% – 5.00%	2022/23 – 2039/40	375,160,000	350,475,000
Systemwide Revenue Bonds, Series 2009A	3.50% – 6.00%	2015/16 – 2040/41	465,365,000	450,280,000
Systemwide Revenue Bonds, Series 2010A	3.00% – 5.00%	2019/20 – 2031/32	146,950,000	134,555,000
Systemwide Revenue Bonds, Series 2010B	5.45% – 6.48%	2035/36 – 2041/42	205,145,000	205,145,000
Systemwide Revenue Bonds, Series 2011A	0.55% – 5.25%	2020/21 – 2042/43	429,855,000	429,015,000
Systemwide Revenue Bonds, Series 2012A	0.39% – 5.00%	2021/22 – 2042/43	436,220,000	436,220,000
Systemwide Revenue Bonds, Series 2012B	2.79% – 4.17%	2036/37	<u>16,700,000</u>	<u>16,700,000</u>
Total bonds payable			<u>\$ 4,006,698,000</u>	3,604,708,000
Less current portion				<u>(89,390,000)</u>
Bonds payable, net of current portion				<u>\$ 3,515,318,000</u>

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

Notes to Financial Statements

June 30, 2013

Bonds payable activity for the year ended June 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable	\$ 3,542,648,000	452,920,000	(390,860,000)	3,604,708,000	89,390,000
Premium on bonds, net	126,860,167	53,183,791	(8,971,632)	171,072,326	8,808,175
	<u>\$ 3,669,508,167</u>	<u>506,103,791</u>	<u>(399,831,632)</u>	<u>3,775,780,326</u>	<u>98,198,175</u>

Revenue bonds payable at June 30, 2013 mature as follows:

	<u>Principal</u>	<u>Interest</u>
Fiscal years:		
2014	\$ 89,390,000	176,775,157
2015	95,450,000	172,979,723
2016	99,020,000	168,601,842
2017	105,830,000	163,787,040
2018	110,760,000	158,725,396
2019 – 2023	620,883,000	707,610,793
2024 – 2028	713,110,000	542,236,651
2029 – 2033	813,870,000	349,192,959
2034 – 2038	659,135,000	158,250,059
2039 – 2043	288,665,000	30,815,025
2044 – 2045	8,595,000	391,163
	<u>\$ 3,604,708,000</u>	<u>2,629,365,808</u>

As specified in the bond resolution, the bonds payable at June 30, 2013 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.

(4) Revenue Bond Anticipation Notes Payable

The CSU Board of Trustees (the Trustees) has authorized the issuance of Revenue Bond Anticipation Notes (BANs) to provide short-term financing to the University for certain projects. The BANs are issued to the CSU Institute, an auxiliary organization of the University, to secure the issuance of commercial paper (CP) by the CSU Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. There is currently one authorized project for financing with maturity beyond three years; the project will remain as a BAN until the debt is retired. Interest is variable and changes based upon the cost of the CSU Institute's CP program. The CP interest rate is determined by the CP dealer at

**CALIFORNIA STATE UNIVERSITY
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each issuance of the CP. The maximum and minimum weighted average interest rates for the year ended June 30, 2013 were 0.19% and 0.15%, respectively.

BANs activity for the year ended June 30, 2013 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Revenue Bond Anticipation Notes \$	38,539,811	23,808,000	(24,976,811)	37,371,000	10,656,000

BANs payable as of June 30, 2013 mature as follows:

	Principal
Fiscal years:	
2014	\$ 10,656,000
2015	355,000
2016	13,840,000
2017	390,000
2018	405,000
2019 – 2021	11,725,000
Revenue bond anticipation notes payable	37,371,000
Less current portion	(10,656,000)
Revenue bond anticipation notes payable, net of current portion	\$ 26,715,000

(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 University. 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 position.

(6) Affordable Student Housing Loan

At June 30, 2013, the Program had an outstanding loan payable to the Affordable Student Housing Program bearing interest at rates ranging from 0.18% 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. The loan is reported as a part of other current and noncurrent liabilities on the statement of net position.

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

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June 30, 2013

Affordable Student Housing Loan activity for the year ended June 30, 2013 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Affordable Student Housing Loan \$	1,506,797	8,000,000	(59,083)	9,447,714	62,895

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

2014	\$ 62,895
2015	66,953
2016	71,274
2017	243,754
2018	291,551
2019-2023	1,548,723
2024-2028	1,627,137
2029-2033	1,121,730
2034-2038	1,088,587
2039-2043	1,098,419
2044-2048	1,108,341
2049-2053	1,118,350
	9,447,714
Affordable student housing loan payable	9,447,714
Less current portion	(62,895)
Affordable student housing loan payable, net of current portion	\$ 9,384,819

(7) Refundings

In August 2012, the Program partially defeased certain (Series 2002A, 2003A, and 2004A) Systemwide Revenue Bonds by placing a portion of the proceeds from the issuance of the Systemwide Revenue Bonds Series 2012A refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The proceeds from the Series 2012A refunding bonds were used to purchase U.S. federal, state, and local government securities that were placed in escrow accounts. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matured. These transactions will reduce the Program's total financing cost by approximately \$60,035,257 over the life of the bonds. The economic gain (difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately \$44,121,931. Accordingly, the refunded bonds have been considered defeased and, therefore, removed as a liability from the accompanying financial statements. The amount of the Program's current year defeased bonds outstanding as of June 30, 2013 totaled \$311,385,000.

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

Notes to Financial Statements

June 30, 2013

The accompanying financial statements include a total unamortized loss on refundings of \$27,880,075. The loss represents the difference between the proceeds of the new bond issue, as adjusted for premiums or discounts, and the principal amounts of the bonds being defeased. The loss is being amortized over the life of the new bond issuance or the old bond issuance, whichever is shorter.

(8) Other Postemployment Benefits (OPEB)

The Program has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, relating to other postemployment benefits (OPEB). Under this statement, public employers sponsoring and subsidizing retiree healthcare benefit programs will need to recognize the cost of such benefits on an accrual basis.

(a) Plan Description

The State of California (State) provides retiree healthcare benefits to statewide employees, including employees of the University, through the programs administered by the California Public Employees' Retirement System (CalPERS). The State's substantive plan represents a substantive single-employer defined-benefit OPEB plan, which includes medical and prescription drug benefits (collectively, healthcare benefits) to the retired University employees. The University provides dental benefits to eligible University retirees. Eligible retirees receive healthcare and dental benefits upon retirement at age 50 with five years of service credit.

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties); for dental benefits, CalPERS offers a Dental Maintenance Organization (DMO) and dental indemnity plans to the University retirees. Health plans offered, covered benefits, monthly rates, and copayments are determined by the CalPERS board, which reviews health plan contracts annually.

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution towards the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

(b) Funding Policy

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University.

**CALIFORNIA STATE UNIVERSITY
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June 30, 2013

The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is funding these benefits on a pay-as-you-go basis.

(c) Annual OPEB Cost and Net OPEB Obligation for the Program

The following table shows the components of the total annual required contribution (ARC) for the Program's allocated portion of the postretirement healthcare plan and the Chancellor's Office billable dental plan, the amount contributed to the plan by the Program, and changes in the Program's net OPEB obligation (NOO) for the fiscal year ended 2013:

ARC:	
Housing	\$ 12,418,000
Student union	161,000
Parking	3,721,000
Continuing education	16,301,000
Total ARC	32,601,000
Contributions:	
Housing	(4,596,000)
Student union	(60,000)
Parking	(1,377,000)
Continuing education	(6,032,000)
Total contributions	(12,065,000)
Increase in NOO	20,536,000
NOO – beginning of year	72,677,000
NOO – end of year	\$ 93,213,000

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

Notes to Financial Statements

June 30, 2013

(d) Actuarial Methods and Assumptions and Plan Funding Information

As an agency of the State, the University was included in the State's OPEB actuarial study. The analysis of the statewide ARC by accounts is performed by the State Controller's Office (SCO) and allocated to the University. The University allocates to the Program the ARC, which only includes the health benefit portion for the billable accounts.

Projections of benefits for financial statement reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the State and the plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective. In the June 30, 2012 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.50% investment rate of return, 4.50% discount rate and an annual State healthcare cost trend rate of actual increases for 2013 and 9.00% in 2014, initially, reduced to an ultimate rate 4.50% after seven years. Both rates included a 3.00% annual inflation assumption. Annual wage inflation is assumed to be 3.25%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

Funding progress information specifically related to the Program's portion of the statewide OPEB plan is not available. For more details about the actuarial methods and assumptions used by the State as well as the statewide plans' funding progress and status, refer to the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended 2013.

(9) Subsequent Events

In August 2013, the University issued its Systemwide Revenue Bonds Series 2013A in the amount of \$308,855,000. Proceeds were used to refund certain maturities of Systemwide Revenue Bonds Series 2005A and 2005C, as well as refund outstanding bond indebtedness issued by an auxiliary organization.

In July 2013, Standard & Poor's Ratings Service upgraded the intrinsic rating for the Systemwide Revenue Bonds to AA- with a stable outlook.

On July 1, 2013, a \$25,055,000 BAN was issued for the Student Health & Counseling Center at the San Jose campus.

On August 9, 2013, a \$30,015,000 BAN was issued for Fullerton Auxiliary Services Corporation – Irvine Campus Property Acquisition Project.

On August 27, 2013, a \$19,210,000 BAN was issued for Student Housing at the Bakersfield campus.

On September 12, 2013, a \$10,000,000 BAN was issued for Student Housing Phase II at the Northridge campus.

On September 30, 2013, a \$24,765,000 BAN was issued for the Granada Apartment Acquisition at the San Diego campus.

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Residence and Dining Halls Operating Data by Campus

Year ended June 30, 2013

(Unaudited)

	Operating revenue	Operating expenditures (4)	Excess (deficiency) of revenue over (under) expenditures	Design capacity	Operational capacity (1)	Average number of spaces occupied	Percentage of spaces occupied	Average annual rates per academic year (2)					
								Residence halls			Apartments		
								Single	Double	Suite	Single	Double	
CSU, Bakersfield	\$ 3,175,087	2,927,565	247,522	350	352	340	97%	\$ 9,184	4,390	—	—	—	—
CSU, Channel Islands	10,303,258	4,135,292	6,167,966	820	1,063	1,020	96	10,100	9,160	—	10,980	9,580	
CSU, Chico	21,040,999	15,937,386	5,103,613	1,863	2,143	2,093	98	8,730	7,210	—	8,294	6,882	
CSU, Dominguez Hills	3,969,803	2,970,410	999,393	712	671	626	93	—	—	—	8,892	7,608	
CSU, East Bay	10,314,216	4,428,722	5,885,494	1,297	1,301	1,273	98	—	—	7,228	8,053	6,117	
CSU, Fresno	—	—	—	—	—	—	—	—	—	—	—	—	
CSU, Fullerton	21,939,739	11,470,329	10,469,410	1,918	1,906	1,818	95	—	8,568	—	9,300	6,992	
Humboldt State University	12,818,345	7,842,414	4,975,931	2,013	2,039	1,924	94	6,722	5,430	—	7,024	5,676	
CSU, Long Beach	20,937,683	10,903,262	10,034,421	1,962	1,962	1,789	91	8,650	7,650	—	—	—	
CSU, Los Angeles	6,526,804	3,374,090	3,152,714	1,064	986	948	96	—	—	—	7,902	5,985	
California Maritime Academy	7,628,915	5,278,872	2,350,043	727	727	694	95	6,460	4,910	—	—	—	
CSU, Northridge	18,641,544	9,386,036	9,255,508	3,431	2,901	2,806	97	—	—	5,269	9,287	5,463	
CSU, Pomona	20,866,464	8,371,161	12,495,303	2,281	2,485	2,362	95	9,300	7,221	11,622	—	—	
CSU, Sacramento	10,960,744	6,325,272	4,635,472	1,674	1,592	1,481	93	6,760	6,538	—	8,080	—	
CSU, San Bernardino	9,600,453	4,577,452	5,023,001	1,529	1,451	1,409	97	5,814	4,662	—	6,921	—	
San Diego State University	25,646,302	17,511,960	8,134,342	3,102	2,961	2,659	90	8,697	6,737	—	—	6,737	
San Francisco State University (3)	40,806,798	21,279,103	19,527,695	2,656	2,637	2,612	99	—	7,404	—	10,322	9,234	
San Jose State University	29,821,333	13,546,884	16,274,449	3,370	3,722	3,632	98	7,078	6,207	—	12,296	9,773	
CSU, San Luis Obispo	41,654,558	22,362,176	19,292,382	6,239	6,902	6,514	94	9,191	6,123	—	7,084	—	
Sonoma State University	23,089,572	11,483,016	11,606,556	3,146	3,111	2,926	94	7,464	5,682	—	8,810	7,026	
CSU, Stanislaus	4,324,437	3,849,733	474,704	460	475	429	90	6,847	5,358	—	7,292	6,102	
	<u>344,067,054</u>	<u>187,961,135</u>	<u>156,105,919</u>	<u>40,614</u>	<u>41,387</u>	<u>39,355</u>	<u>95%</u>	<u>\$ 7,928</u>	<u>6,453</u>	<u>8,040</u>	<u>8,702</u>	<u>7,167</u>	
Systemwide Offices	—	433,844	(433,844)										
Interest income	<u>2,700,239</u>	<u>—</u>	<u>2,700,239</u>										
Total	<u>\$ 346,767,293</u>	<u>188,394,979</u>	<u>158,372,314</u>										

(1) This column reflects capacity adjusted for increase or decrease 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 accommodations, such as super doubles, cluster occupancy, etc.

(3) The operational capacity does not include 826 apartment units that were occupied by students, faculty, and staff. The annual rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed-spaces) vary between \$1,430 and \$2,950.

(4) Operating expenditures presented herein exclude construction and major repair and replacements.

See accompanying independent auditors' report.

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

Statement of Insurance Coverage

June 30, 2013

(Unaudited)

<u>Expiration date</u>	<u>Coverage</u>	<u>Amount</u>	<u>Company</u>	<u>Policy number</u>
July 1, 2013*	CSU Master Property Policy, "All Risk" Building, Equipment, and Rental Income	\$ 1,000,000,000 per occurrence	Public Entity Property Insurance Program	PPROP1213
July 1, 2013*	CSU Master Property Policy, Boiler, and Machinery	100,000,000	CNA	PBOILER1213
July 1, 2013*	Bodily Injury and Property Damage Liability (Primary)	5,000,000	CSURMA	RMA-SYST-1213-1
July 1, 2013*	Bodily Injury and Property Damage Liability (Excess)	5,000,000	Ironshore	541302
July 1, 2013*	Bodily Injury and Property Damage Liability (Excess)	10,000,000	Allied World Assurance Company	3057227

* New insurance policies are maintained for the period from July 1, 2013 to June 30, 2014. 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, 2013

(Unaudited)

Gross revenues (1):	
Housing system	\$ 346,767,293
Student unions (2)	170,607,106
Parking (3)	98,398,760
Health centers (2)	9,560,632
Continuing education	325,889,355
Auxiliary (4)	510,372,629
Related governmental entities (5)	13,374,612
Total gross revenues	<u>\$ 1,474,970,387</u>
Debt service:	
Auxiliary – other (6)	\$ 3,304,225
Systemwide revenue bonds (7)	239,705,443
Total debt service	<u>\$ 243,009,668</u>
Operating expenditures (8) (10):	
Housing system	\$ 210,480,786
Student unions	75,683,866
Parking	61,520,009
Health centers (9)	3,623,067
Continuing education	288,140,515
Auxiliary (4)	439,032,832
Total operating expenditures	<u>\$ 1,078,481,075</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 or loan 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 or loans with the board of trustees.
- (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) 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.
- (7) Debt service shown excludes interest that has been funded from bond proceeds.
- (8) Operating expenditures also include extraordinary maintenance and repair projects, and other postemployment benefit liability, which are generally paid from existing program fund balances.
- (9) Operating expenditures shown here are only such expenditures that are paid from certain mandatory student fees shown under total gross revenue.
- (10) GASB Statement No. 45, which requires the accrual of costs related to other postemployment benefits, were included in operating expenses in the cumulative amount of \$93,213,883 for the fiscal year ended June 30, 2013.
- (11) The foregoing table does not include \$4,611,432 received for fiscal year ended June 30, 2013, under the Build America Bonds (BABs) program as a cash subsidy payment from the U.S. Treasury.

See accompanying independent auditors' report.