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# CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND

Financial Statements and Supplementary Information

June 30, 2015

(With Independent Auditors' Report Thereon)

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

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**KPMG LLP**
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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 as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### *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, 2015, 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.

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***Emphasis of Matters***

*Reporting Entity*

As discussed in note 1, the financial statements present only 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, 2015, 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.

*Adoption of New Accounting Pronouncements*

As discussed in the note 1 to the financial statements, in 2015, the California State University and its discretely presented component units adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (amendment of GASB Statement No. 68)*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the schedules of Program's proportionate share of the net pension liability and employer contributions on pages 34-35, be presented to supplement the basic financial statements. Such information, although not a part of the reporting for placing the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the California State University Systemwide Revenue Bond Program Fund's basic financial statements. 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. Schedules 1 through 3 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, Schedules 1 through 3 are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in 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 $3,266,800,383 at June 30, 2015. Certain future revenues are pledged to the retirement of outstanding bonds.

KPMG LLP

Irvine, California
February 15, 2016

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

Statement of Net Position

June 30, 2015

| | | |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 945,446 |
| Short-term investments | | 1,191,528,389 |
| Accounts receivable, net of allowance for doubtful accounts of $6,133,347 | | 49,879,702 |
| Prepaid expenses and other assets | | 1,730,533 |
| Total current assets | | 1,244,084,070 |
| Noncurrent assets: | | |
| Prepaid bond insurance | | 4,243,516 |
| Other assets | | 5,786,381 |
| Long-term investments | | 216,705,326 |
| Total assets | | 1,470,819,293 |
| Deferred outflows of resources | | 73,259,628 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | | 78,308,450 |
| Accrued salaries, wages, and benefits | | 21,870,289 |
| Accrued compensated absences, current portion | | 8,186,442 |
| Unearned revenue | | 122,750,788 |
| Revenue bond anticipation notes payable, current portion | | 148,185,000 |
| Revenue bonds payable, current portion | | 117,913,800 |
| Interest payable | | 30,560,014 |
| Construction loan payable, current portion | | 71,274 |
| Other current liabilities | | 8,599,284 |
| Total current liabilities | | 536,445,341 |
| Noncurrent liabilities: | | |
| Accrued compensated absences, net of current portion | | 5,936,547 |
| Revenue bond anticipation notes payable, net of current portion | | 1,100,000 |
| Revenue bonds payable, net of current portion | | 3,834,397,690 |
| Other postemployment benefits obligation | | 138,026,745 |
| Net pension liability | | 236,624,023 |
| Construction loan payable, net of current portion | | 9,246,592 |
| Other noncurrent liabilities | | 937,727 |
| Total liabilities | | 4,762,714,665 |
| Deferred outflows of resources | | 48,164,639 |
| Net position: | | |
| Restricted for debt service | | 4,157,479 |
| Unrestricted: | | |
| Designated for building maintenance and repair | | 222,757,367 |
| Undesignated | | (3,493,715,229) |
| Total net position | $ | (3,266,800,383) |

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, 2015

| | | |
|---|---|---|
| Operating revenues: | | |
| Residences and dining halls | $ | 416,040,682 |
| Continuing education programs | | 364,731,359 |
| Student unions | | 204,280,308 |
| Parking programs | | 108,687,930 |
| Health facilities | | 10,017,753 |
| Auxiliary organizations | | 52,574,200 |
| Total operating revenues | | 1,156,332,232 |
| Operating expenses: | | |
| Salaries, wages, and benefits | | 313,024,022 |
| Construction | | 248,437,500 |
| Repairs and replacements | | 38,778,166 |
| Contractual services | | 196,664,687 |
| Supplies and services | | 69,777,175 |
| Overhead | | 38,327,001 |
| Utilities | | 30,044,113 |
| Other operating costs | | 77,083,679 |
| Interest | | 172,512,919 |
| Total operating expenses | | 1,184,649,262 |
| Operating loss | | (28,317,030) |
| Nonoperating revenues (expenses): | | |
| Investment income, net | | 8,372,867 |
| Contributions | | 4,394,939 |
| Other nonoperating expenses | | (4,586,301) |
| Total nonoperating revenues | | 8,181,505 |
| Loss before transfers | | (20,135,525) |
| Transfer from other funds, net | | (5,524,915) |
| Decrease in net position | | (25,660,440) |
| Net position: | | |
| Net position at beginning of year, as restated | | (3,241,139,943) |
| Net position at end of year | $ | (3,266,800,383) |

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2015

| | |
|---|---|
| Cash flows from operating activities: | |
| Residences and dining halls | $ 418,421,564 |
| Continuing education programs | 362,772,555 |
| Student unions | 205,488,293 |
| Parking programs | 108,113,802 |
| Health facilities | 10,034,716 |
| Auxiliary organizations | 53,167,246 |
| Salaries, wages, and benefits | (297,622,775) |
| Construction | (235,240,552) |
| Repairs and replacements | (31,816,378) |
| Contractual services | (196,664,687) |
| Supplies and services | (69,777,175) |
| Overhead | (38,327,001) |
| Utilities | (30,044,113) |
| Other operating costs | (86,144,213) |
| Interest payments | (177,642,453) |
| Net cash used in operating activities | (5,281,171) |
| Cash flows from noncapital financing activities: | |
| Deposits | (833,791) |
| Transfers, net | (3,029,363) |
| Contributions and other nonoperating revenues | (189,363) |
| Net cash used by noncapital financing activities | (4,052,517) |
| Cash flows from capital and related financing activities: | |
| Proceeds from issuance of revenue bonds and bond anticipation notes (BAN) | 983,065,744 |
| Payment to escrow agent for the refunding of revenue bonds | (496,377,486) |
| Payment to Auxiliary’s escrow agent for the refunding of revenue bonds | (2,895,553) |
| Payment of principal on long-term debt | (251,126,953) |
| Net cash provided by capital and related financing activities | 232,665,752 |
| Cash flows from investing activities: | |
| Proceeds from the sale of investments | 2,999,952,500 |
| Purchases of investments | (3,230,833,384) |
| Investment income, net | 8,225,760 |
| Net cash used in investing activities | (222,655,124) |
| Net increase in cash and cash equivalents | 676,940 |
| Cash and cash equivalents at beginning of year | 268,506 |
| Cash and cash equivalents at end of year | $ 945,446 |



(Continued)

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

Statement of Cash Flows

Year ended June 30, 2015

| | | |
|---|---|---|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | $ | (28,317,030) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Amortization of bond insurance costs | | 308,400 |
| Amortization of bond premium and discount | | (17,494,485) |
| Amortization of loss on debt refundings | | 3,749,484 |
| Amortization of gain on debt refundings | | (106,915) |
| Noncash construction expense | | 4,497,823 |
| Interest expense paid from escrow | | 3,047,068 |
| Other noncash changes in prepaid insurance, premium, and deferred outflows/inflows | | (28,466) |
| Changes in assets and liabilities: | | |
| Accounts receivable | | (4,771,219) |
| Prepaid expenses | | (334,459) |
| Other assets | | (769,764) |
| Accounts payable and accrued liabilities | | 13,431,771 |
| Accrued compensated absences | | 1,260,634 |
| Accrued salaries, wages, and benefits | | 1,566,458 |
| Unearned revenue | | 7,697,178 |
| Interest payable | | 5,395,382 |
| Net pension liability | | (9,972,177) |
| Other liabilities | | (6,987,186) |
| Other postemployment benefits obligation | | 22,546,332 |
| Net cash used in operating activities | $ | (5,281,171) |
| Supplemental disclosures of noncash capital and related financing activities: | | |
| BAN proceeds wired directly to auxiliary organizations | $ | 4,497,823 |
| BAN retirements wired directly by auxiliary organizations | | (400,000) |

See accompanying notes to financial statements.

## (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-Q, Series 2005A, 2005B, 2005C, 2007A, 2007B, 2007C, 2007D, 2008A, 2009A, 2010A, 2010B, 2011A, 2012A, 2012B, 2013A, and 2014A and the Revenue Bond Anticipation Notes (BAN). 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 facilities. 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 purport to, and do not, present fairly the financial statements of the University as of and for the year ended June 30, 2015, 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 an amendment of GASB Statement No. 34*. 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) New Accounting Pronouncements*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the Program's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Program to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (amendment of GASB Statement No. 68)*. This is effective for the Program's fiscal year beginning July 1, 2014. This statement states that if it is not practical to determine the beginning balances for deferred inflows of resources and deferred outflows of resources these should not be reported on the year of implementation of the standard.

The effect of the changes from the implementation of GASB Statements Nos. 68 and 71 on the Program's financial statements for the year ended June 30, 2015 was as follows:

| | |
|---|---|
| Net position as of June 30, 2014, as previously reported | $ (2,975,849,751) |
| Adjustment due to implementation of GASB Statement Nos. 68 and 71 | (265,290,192) |
| Net position at beginning of year, as restated | $ (3,241,139,943) |

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for the Program's fiscal year beginning July 1, 2015. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash.

Before the issuance of Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. The Program has not yet determined the impact of GASB Statement No. 72 on the Program's financial statements.

In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the Program's fiscal year beginning July 1, 2017. This statement establishes how government employers should measure, recognize, display, and disclose the long-term obligations and annual costs arising from their promises to provide other postemployment



(Continued)

benefits to their retired employees. The Program has not yet determined the impact of GASB Statement No. 75 on the program's financial statements.

***(d) Classification of Current and Noncurrent Assets (Other than Investments) 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. For classification of current and noncurrent investments, refer to paragraph (e).

***(e) 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 a component of net investment income.

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, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for 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.

***(f) Prepaid Bond Insurance***

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

***(g) Unearned Revenue***

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

***(h) 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.

***(i) Deferred Outflows of Resources and Deferred Inflows of Resources***

The Program classifies loss on debt refunding as deferred outflows of resources and classifies gain on debt refunding as deferred inflows of resources. The Program amortizes these amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Changes in pension obligations not included in pension expense are reported as deferred outflows or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.



(Continued)

### *(j) Net Position*

The Program reports net position 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* – The unrestricted net position represents all other net resources available to the Program for general obligations. Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated for specific programs or projects related to certain revenue sources. The designated resources are derived from fee collections and other activities that are designated for very specific purposes and by statue are not to be repurposed and spent for other activities. 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.

### *(k) Cash and Cash Equivalents and Statement of Cash Flows*

The Program considers highly liquid investments with an original maturity date of three months or less to be cash equivalents. The Program considers accounts included in the CSU Consolidated Investment Pool (Investment Pool) to be investments. Certain transactions recorded as revenue or expenses in the accompanying statements of revenues, expenses, and changes in net position include transactions between entities that are also participants in the Investment Pool. The Program considers changes in the respective participants' balance in the Investment Pool resulting from these transactions to represent cash flows of the Program in the accompanying statement of cash flows.

### *(l) 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 and loan 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 Office of the Chancellor.

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 $770 per student for the year ended June 30, 2015.

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 $113 during the fiscal year ended June 30, 2015.

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 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 and loan revenue received by the campus and the Office of the Chancellor from the auxiliary organizations 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 $4,403,043,000 in Systemwide Revenue Bonds originally issued in 1980 through 1984 for old housing bonds and 2002 through 2014 for Systemwide Revenue Bonds (note 3). Proceeds from the bonds provided financing for the construction of the continuing education, health facilities, housing, parking, student union, and auxiliary organizations 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. As presented in note 3, the total debt service remaining to be paid on the bonds for the Program is $6,214,922,231. In fiscal year 2015, total debt service paid and net income available for debt service, which excluded the designated auxiliary net income, for the Program were $272,000,832 and $385,660,074, respectively.

### *(m) 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, contributions, and transfers.

### *(n) Other Postemployment Benefits Obligations*

The Program's other postemployment benefits obligations included in the accompanying financial statements reflect the Program's estimated funding liability of the State administered and sponsored plan as of the fiscal year ended. The State's actuary has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future amounts may deviate from those estimates.

### *(o) Pension Liability*

The Program records pension liability equal to the net pension liability for its cost-sharing defined benefit plans with the State of California's Miscellaneous Plan and Peace Officers & Firefighters Plan (Agent Multiple-Employer Defined-Benefit Pension Plans). The net pension liability is measured as the Program's proportionate share of total pension liabilities, less the Program's proportionate share of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the cost-sharing defined-benefit plans have been measured consistent with the accounting policies used by the plans.

For purposes of measuring the University's net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. The Program is allocated a portion of the University's net pension liability, deferred outflows or resources and deferred inflows of resources based on a systematic and rational approach. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.



(Continued)

### *(p) Transfers, Net*

The Program records transfers to/from other funds and auxiliary organizations primarily to support the operations of the programs discussed in note 1(l).

### *(q) 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 1.5% 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.

### *(r) 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, Cash Equivalents, and Investments

The Program's cash, cash equivalents, and investments as of June 30, 2015 are classified in the accompanying statements of net position as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 945,446 |
| Short-term investments | 1,191,528,389 |
| Long-term investments | 216,705,326 |
| Total investments | 1,408,233,715 |
| Total cash, cash equivalents, and investments | $ 1,409,179,161 |

### *(a) Cash and Cash Equivalents*

The deposits of the Program that are maintained at financial institutions are fully insured or collateralized as required by state law. At June 30, 2015, 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 $945,446 at June 30, 2015.

Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

### *(b) Custodial Credit Risk for Deposits*

Custodial credit risk is the risk that in the event of failure of the custodian, deposits may not be returned to the Program. The Program deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation (FDIC) secured. As a result, custodial credit risk for deposits is remote.

### *(c) Investments*

At June 30, 2015, the Program's investment portfolio consists of investments in the CSU Consolidated Investment Pool and the State of California Surplus Money Investment Fund (SMIF). Separate accounting is maintained as to the amounts allocable to the various funds and programs.

### *(d) Custodial Credit Risk for Investments*

Custodial credit risk is the risk that in the event of the failure of the custodian the investments or deposits may not be returned to the Program. Substantially all of the Program's securities are registered in the Program's name by the custodial bank as an agent for the Program. The Program's deposits are maintained at financial institutions that are FDIC insured. As a result, custodial credit risk for such investments and deposits are remote.

### *(e) Investment Policy*

State law and regulations require that surplus monies 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-quality domestic corporate and fixed-income securities, and certain other investment instruments.

### *(f) Interest Rate Risk*

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of any investment, the greater the sensitivity of its fair market value to fluctuations in market interest rates. The Program investment guidelines manage interest rate risk by limiting an eligible investment to a maximum effective maturity and by limiting the average duration of the portfolio. The effective maturity date reflects a bond with embedded options such as a call, put, reset date, and prepayment speed resulting in the maturity of a bond being less than the final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates.



(Continued)

Durations of the Program's investment portfolio for each investment type, except for SMIF in which weighted average life is used, as of June 30, 2015 are presented in the table below:

| Investment type | | Fair value | Duration |
|---|---|---|---|
| Money market funds | $ | 9,554,186 | — |
| Repurchase agreements | | 3,025,587 | 0.00274 |
| Certificates of deposit | | 54,761,305 | 0.19372 |
| U.S. agency securities | | 414,237,967 | 1.60424 |
| State of California Surplus Money Investment Fund | | 227,855,660 | 0.65479 |
| U.S. Treasury securities | | 265,602,771 | 1.51918 |
| Municipal bonds | | 8,221,598 | 1.00814 |
| Corporate bonds | | 344,872,089 | 1.12087 |
| Asset-backed securities | | 79,514,045 | 1.18643 |
| Mortgage-backed securities | | 588,507 | 2.40316 |
| Total | $ | 1,408,233,715 | |

Another way 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 cash flow and liquidity needed for operations.

***(g) 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.

By law, the Program invests in low-credit risk securities such as: U.S. government securities; securities of federally sponsored agencies; highly rated domestic corporate bonds; prime-rated commercial paper, repurchase and reverse repurchase agreements; banker's acceptances; and negotiable certificates of deposits. Therefore, the occurrence of credit risk is remote. Ratings of the Program's investment portfolio for each investment type as of June 30, 2015 are presented in the table below:

| Investment type | Fair value | AAA | AA | A | Not rated |
|---|---|---|---|---|---|
| Money market funds | $ 9,554,185 | 145 | — | — | 9,554,040 |
| Repurchase agreement | 3,025,587 | — | — | 1,923,777 | 1,101,810 |
| Certificates of deposit | 54,761,306 | — | 3,934,218 | 50,827,088 | — |
| U.S. agency securities | 414,237,967 | — | 414,237,967 | — | — |
| State of California Surplus Money Investment Fund (SMIF) | 227,855,660 | — | — | — | 227,855,660 |
| U.S. Treasury securities | 265,602,771 | — | — | — | 265,602,771 |
| Municipal bonds | 8,221,598 | — | 8,221,598 | — | — |
| Corporate bonds | 344,872,089 | 8,997,058 | 75,281,201 | 260,593,830 | — |
| Asset-backed securities | 79,514,045 | 79,514,045 | — | — | — |
| Mortgage-backed securities | 588,507 | — | 588,507 | — | — |
| Total | $ 1,408,233,715 | 88,511,248 | 502,263,491 | 313,344,695 | 504,114,281 |

### (h) *Concentration of Credit Risk*

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counter party, or sovereign nation and is best mitigated by diversification. The Program's investment policy has concentration limits that provide sufficient diversification. As a result, the occurrence of concentration of credit risk is remote.

As of June 30, 2015, the following investments of the CSU Consolidated Investment Pool (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Program's total investment portfolio: Federal Home Loan Banks (177,906,449 or 12.63%), Federal National Mortgage Association, Inc. ($93,500,172 or 6.64%), and Federal Home Loan Mortgage Corporation ($75,739,855 or 5.38%).

### (i) *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, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.



(Continued)

## (3) Revenue Bonds Payable

Revenue bonds payable of the Program as of June 30, 2015 consist of the following:

| Description | Interest rate | Final maturity date | Original issue amount | Amount outstanding |
|---|---|---|---|---|
| Systemwide Revenue Bonds, Housing Series J-Q | 3.00% | 2019/20–2021/22 | $ 20,763,000 | 4,908,000 |
| Systemwide Revenue Bonds, Series 2005A | 3.80%–5.00% | 2016/17–2032/33 | 163,015,000 | 126,890,000 |
| Systemwide Revenue Bonds, Series 2005B | 5.00% | 2015/16–2021/22 | 134,805,000 | 52,620,000 |
| Systemwide Revenue Bonds, Series 2005C | 4.50%–5.25% | 2015/16–2038/39 | 540,900,000 | 148,465,000 |
| Systemwide Revenue Bonds, Series 2007A | 4.50%–5.00% | 2024/25–2044/45 | 254,770,000 | 235,365,000 |
| Systemwide Revenue Bonds, Series 2007B | 5.27%–5.55% | 2027/28–2037/38 | 13,165,000 | 11,015,000 |
| Systemwide Revenue Bonds, Series 2007C | 5.00% | 2020/21–2028/29 | 63,275,000 | 47,230,000 |
| Systemwide Revenue Bonds, Series 2007D | 4.00% –5.00% | 2037/38 | 80,360,000 | 71,640,000 |
| Systemwide Revenue Bonds, Series 2008A | 3.50%–5.00% | 2022/23–2039/40 | 375,160,000 | 335,065,000 |
| Systemwide Revenue Bonds, Series 2009A | 3.50%–6.00% | 2015/16–2040/41 | 465,365,000 | 430,880,000 |
| Systemwide Revenue Bonds, Series 2010A | 3.00%–5.00% | 2019/20–2031/32 | 146,950,000 | 119,595,000 |
| Systemwide Revenue Bonds, Series 2010B | 5.45%–6.48% | 2035/36–2041/42 | 205,145,000 | 205,145,000 |
| Systemwide Revenue Bonds, Series 2011A | 2.50%–5.25% | 2020/21–2042/43 | 429,855,000 | 397,700,000 |
| Systemwide Revenue Bonds, Series 2012A | 3.00%–5.00% | 2021/22–2042/43 | 436,220,000 | 430,865,000 |
| Systemwide Revenue Bonds, Series 2012B | 2.79%–4.17% | 2036/37 | 16,700,000 | 15,990,000 |
| Systemwide Revenue Bonds, Series 2013A | 1.50%–5.00% | 2024/25–2026/27 | 308,855,000 | 308,215,000 |
| Systemwide Revenue Bonds, Series 2014A | 3.00%–5.00% | 2018/19–2044/45 | 747,740,000 | 745,920,000 |
| Total Revenue bonds payable | | | $ 4,403,043,000 | 3,687,508,000 |
| Less current portion | | | | (101,150,000) |
| Revenue bonds payable, net of current portion | | | | $ 3,586,358,000 |

Revenue Bonds payable activity for the year ended June 30, 2015 was as follows:

| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 3,507,043,000 | 747,740,000 | (567,275,000) | 3,687,508,000 | 101,150,000 |
| Premium on bonds, net | 191,833,519 | 107,261,461 | (34,291,490) | 264,803,490 | 16,763,800 |
| | $ 3,698,876,519 | 855,001,461 | (601,566,490) | 3,952,311,490 | 117,913,800 |

Revenue bonds payable at June 30, 2015 mature as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal years: | | | |
| 2016 | $ 101,150,000 | 180,734,544 | 281,884,544 |
| 2017 | 108,255,000 | 176,057,955 | 284,312,955 |
| 2018 | 115,180,000 | 171,062,097 | 286,242,097 |
| 2019 | 120,805,000 | 165,556,601 | 286,361,601 |
| 2020 | 124,813,000 | 159,685,381 | 284,498,381 |
| 2021–2025 | 687,055,000 | 701,234,401 | 1,388,289,401 |
| 2026–2030 | 791,935,000 | 517,674,712 | 1,309,609,712 |
| 2031–2035 | 830,100,000 | 310,324,553 | 1,140,424,553 |
| 2036–2040 | 593,090,000 | 125,324,514 | 718,414,514 |
| 2041–2045 | 215,125,000 | 19,759,473 | 234,884,473 |
| | $ 3,687,508,000 | 2,527,414,231 | 6,214,922,231 |

As specified in the bond resolution, the revenue bonds payable at June 30, 2015 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 are currently two authorized projects for financing with maturity beyond three years; these projects will remain as BANs 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 each issuance of the CP. The maximum and minimum weighted average interest rates for the year ended June 30, 2015 were 0.18% and 0.04%, respectively.

BANs activity for the year ended June 30, 2015 was as follows:

| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Revenue Bond Anticipation Notes | $ 168,511,000 | 134,324,000 | (153,550,000) | 149,285,000 | 148,185,000 |

Revenue BANs payable as of June 30, 2015 mature as follows:

| | Principal |
|---|---|
| Fiscal years: | |
| 2016 | $ 148,185,000 |
| 2017 | 400,000 |
| 2018 | 400,000 |
| 2019 | 300,000 |
| Revenue bond anticipation notes payable | 149,285,000 |
| Less current portion | (148,185,000) |
| Revenue bond anticipation notes payable, net of current portion | $ 1,100,000 |

## (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) Construction Loan Payable

At June 30, 2015, the Program had an outstanding construction loan payable to the Affordable Student Housing Program bearing interest at rates ranging from 0.18% to 6.80%. The loans currently outstanding will be repaid up to a 38-year period, primarily from future residence and dining hall revenues and interest earned thereon.



(Continued)

Construction loan payable activity for the year ended June 30, 2015 was as follows:

| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Construction loan payable | $ 9,384,819 | — | (66,953) | 9,317,866 | 71,274 |

Payments on the construction loan are scheduled as follows:

| | Principal |
|---|---|
| Fiscal years: | |
| 2016 | $ 71,274 |
| 2017 | 243,754 |
| 2018 | 291,551 |
| 2019 | 297,144 |
| 2020 | 303,073 |
| 2021–2025 | 1,617,725 |
| 2026–2030 | 1,431,178 |
| 2031–2035 | 1,082,729 |
| 2036–2040 | 1,092,509 |
| 2041–2045 | 1,102,377 |
| 2046–2050 | 1,112,334 |
| 2051–2054 | 672,218 |
| Construction loan payable | 9,317,866 |
| Less current portion | (71,274) |
| Construction loan payable, net of current portion | $ 9,246,592 |

## (7) Long-term Debt Refundings

In August 2014, the Program partially defeased certain (Series 2004A, 2005A, and 2005C) Systemwide Revenue Bonds by placing a portion of the proceeds from the issuance of the Systemwide Revenue Bonds Series 2014A refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The proceeds from the Series 2014A 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 $73,912,350 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 $52,294,175. 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, 2015 totaled $469,365,000.

The unamortized loss on debt refunding for Series 2014A of $5,737,691 was included in deferred outflows of resources in the statement of net position. The unamortized gain on debt refunding for Series 2014A of $1,076,538 was included in deferred inflows of resources in the statement of net position. The loss on debt refunding and gain on debt refunding is the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized difference from the prior refunding. A portion of the proceeds from issuance of Series 2014A refunded Series 2004A, which is a prior refunding. The loss on debt refunding and gain on debt refunding is deferred and amortized over the shorter of the old debt (or original amortization period remaining in the prior refunding) or the life of the latest refunding debt.

## (8) Pension Plan and Other Postemployment Benefits (OPEB)

### *(a) Pension Plan*

#### Plan Description

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

A full description of the pension plan regarding numbers of employees covered, benefit provision, assumptions, and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report.

CalPERS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. Copies of the CalPERS CAFR may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

### Contributions

Section 20814(c) of the California Public Employees' Retirement law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, the average active employee contribution rates for State Miscellaneous and Peace Officer & Firefighters Plans are 6.525% and 11.252% of annual pay, respectively. The employer's contribution rates for State Miscellaneous and Peace Officer & Firefighters Plans are 21.137% and 31.320% of annual payroll, respectively.

University personnel are required to contribute 5.0% of their annual earnings in excess of $513 per month to CalPERS. Effective January 1, 2013 all new employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Miscellaneous Member is 6.0% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate; the current rate for State Miscellaneous is approximately 24.28% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by CalPERS. The contractual maximum contribution required for the University is determined by the annual CalPERS compensation limit(s), which are based on provisions of Assembly Bill (AB) 340 and the Internal Revenue Code (IRC) 401 (a) 17 limits.

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

| | | |
|---|---|---|
| 2013 | $ | 19,246,340 |
| 2014 | | 21,208,838 |
| 2015 | | 27,943,533 |

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the University reported a liability of $5,513,655,000 for its proportionate share of the net pension liability. The University's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation as of June 30, 2014. The University's proportion of the State's net pension liability was calculated based on its proportionate share of pensionable compensation. The State considered this a practical, systematic and a rational approach. At June 30, 2014, the University's proportionate share of the total State net pension liability for the Miscellaneous Plan and Peace Officers & Firefighters Plan were 22.72891% and 1.006233%, respectively.

As of June 30, 2015, the Program reported a liability of $236,624,023 for its proportionate share of the University's net pension liability. Since the Program is a segment of the University, the University has allocated the net pension liability to the Program based on the Program's proportion of the University's retirement contribution. At June 30, 2014, the Program's proportionate share of the University's proportion for the Miscellaneous Plan and Peace Officers & Firefighters Plan are 4.29052% and 4.34891%, respectively.

For the year ended June 30, 2015, the Program recognized pension expense of $17,971,356, which was reported as benefits expense. At June 30, 2015, the Program reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|
| Program retirement contribution subsequent to the measurement date | $ | 27,943,533 | — |
| Net difference between projected and actual earnings on pension plan investments | | — | 46,637,525 |
| Total | $ | 27,943,533 | 46,637,525 |

The deferred outflows of resources related to pension resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. The Program's proportion of the University's deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

| | | Deferred inflows of resources |
|---|---|---|
| Measurement period ending June 30: | | |
| 2015 | $ | 11,659,381 |
| 2016 | | 11,659,381 |
| 2017 | | 11,659,381 |
| 2018 | | 11,659,382 |
| Total | $ | 46,637,525 |

### Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the University's total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and 2014 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry age normal |
| Actuarial Assumptions: | |
| Discount rate | 7.65% |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and service |
| Investment rate of return | 7.65%, net of pension plan investment expense but without reduction for administrative expenses including inflation |
| Post Retirement Benefit Increase | Contract cost of living allowance up to 2.75% until purchasing power protection allowance floor on purchasing power applies |

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates.

### Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset class | New strategic allocation | Real return years 1–10[1] | Real return years 11+[2] |
|---|---|---|---|
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00 | 0.99 | 2.43 |
| Inflation Sensitive | 6.00 | 0.45 | 3.36 |
| Private Equity | 12.00 | 6.83 | 6.95 |
| Real Estate | 11.00 | 4.50 | 5.13 |
| Infrastructure and Forestland | 3.00 | 4.50 | 5.09 |
| Liquidity | 2.00 | (0.55) | (1.05) |

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Program's proportionate share of the University's net pension liability of the Plans as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.65%) or one-percentage-point higher (8.65%) than the current rate:

| Plan | | Discount rate -1% (6.65%) | Current discount rate (7.65%) | Discount rate +1% (8.65%) |
|---|---|---|---|---|
| Miscellaneous Plan | $ | 341,557,426 | 232,178,745 | 138,323,457 |
| Peace Officers and Firefighters Plan | | 6,697,215 | 4,445,268 | 2,553,629 |

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

***(b) Postretirement Healthcare Plan***

**Plan Description**

The State of California (State) provides retiree healthcare benefits to statewide employees, including employees of the University, through the programs administered by CalPERS. The State's substantive plan represents a substantive single-employer defined-benefit other postemployment 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, 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.

The State contributes to the California Employers' Retiree Benefit Trust Fund (CERBTF). The CERBTF is self-funded trust fund for the prefunding of health, dental, and other nonpension benefits. CalPERS reports on the CERBTF as part of its separately issued annual financial statements which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

**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



(Continued)

accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. 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. The funding for the current year dental contribution was made by the University general fund without reimbursement from the Program.

### 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, 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 2015:

| | | |
|---|---|---|
| ARC: | | |
| Housing | $ | 13,092,751 |
| Student union | | 674,976 |
| Parking | | 3,757,027 |
| Continuing education | | 19,931,366 |
| Total ARC | | 37,456,120 |
| Contributions: | | |
| Housing | | (5,211,702) |
| Student union | | (268,681) |
| Parking | | (1,495,523) |
| Continuing education | | (7,933,882) |
| Total contributions | | (14,909,788) |
| Increase in NOO | | 22,546,332 |
| NOO – beginning of year | | 115,480,413 |
| NOO – end of year | $ | 138,026,745 |

The Program's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

| **Program** | **Fiscal year** | **Annual ARC** | **Percentage of annual ARC contributed** | **NOO** |
|---|---|---|---|---|
| Housing | 2013 | $ 12,418,234 | 37.0% | $ 37,362,557 |
| | 2014 | 13,106,189 | 37.5% | 45,560,405 |
| | 2015 | 13,092,751 | 39.8% | 53,441,454 |
| Student union | 2013 | 161,485 | 37.0% | 503,532 |
| | 2014 | 328,539 | 37.5% | 709,032 |
| | 2015 | 674,976 | 39.8% | 1,115,326 |
| Parking | 2013 | 3,721,120 | 37.0% | 13,309,363 |
| | 2014 | 3,909,774 | 37.5% | 15,754,904 |
| | 2015 | 3,757,027 | 39.8% | 18,016,409 |
| Continuing education | 2013 | 16,300,734 | 37.0% | 41,974,649 |
| | 2014 | 18,253,787 | 37.5% | 53,392,288 |
| | 2015 | 19,931,366 | 39.8% | 65,389,773 |
| Auxiliary organizations | 2013 | — | — | 63,784 |
| | 2014 | — | — | 63,784 |
| | 2015 | — | — | 63,784 |

**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 a portion related to billable accounts is allocated to the University. The University allocates to the Program the ARC, which only includes the health benefit portion for the billable accounts. Since the ARC allocated by the SCO does not provide a breakdown of the ARC for health and dental benefits separately, the ARC for the nonbillable accounts, which related only to dental benefits, was estimated based on dental contributions as a percentage of the total OPEB contributions.

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, 2013 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return, and 4.25% discount rate. Both rates included a 2.75% annual inflation assumption. Annual wage inflation is assumed to be 3.00%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.



(Continued)

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 CAFR for the fiscal year ended 2015.

## (9) Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2015 is summarized as follows:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Loss on debt refundings | $ 45,316,095 | — |
| Gain on debt refundings | — | 1,527,114 |
| Pension deferrals | 27,943,533 | 46,637,525 |
| Total | $ 73,259,628 | 48,164,639 |

## (10) Subsequent Events

In August 2015, the University issued its Systemwide Revenue Bonds Series 2015A (Tax Exempt) and 2015B (Taxable) with a par amount of $1,063,675,000 and net proceeds of $1,180,762,165. The proceeds were used to refund certain maturities of Systemwide Revenue Bonds Series 2005A, 2005B, 2005C, and 2007A of $409,725,672, fund new capital projects of $541,970,809, pay Bond Anticipation Notes of $147,829,089, refund outstanding bond indebtedness issued by an auxiliary organization of $14,115,256, and pay capitalized interest of $65,996,688 and cost of issuance of $1,124,651.

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

Residence and Dining Halls Operating Data by Campus[1]

Year ended June 30, 2015

| | Operating and other revenue | Operating expenditures | Excess (deficiency) of revenue over (under) expenditures | Design capacity | Operational capacity (2) | Average number of spaces occupied | Percentage of spaces occupied (3) | Average Annual Rates Per Academic Year (4) – Residence halls – Single | Residence halls – Double | Residence halls – Suite | Apartments – Single | Apartments – Double | Apartments – Suite |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CSU, Bakersfield (5) | $ 4,166,374 | 3,052,255 | 1,114,119 | 512 | 504 | 376 | 75% | $ 11,017 | 6,447 | — | — | — | — |
| CSU, Channel Islands | 12,889,555 | 6,076,471 | 6,813,084 | 820 | 1,359 | 1,243 | 91 | 10,610 | 9,620 | — | 11,530 | 10,060 | — |
| CSU, Chico | 23,284,061 | 15,264,937 | 8,019,124 | 2,128 | 2,222 | 2,089 | 94 | 9,036 | 7,462 | — | 9,036 | 7,462 | — |
| CSU, Dominguez Hills | 4,412,844 | 3,163,495 | 1,249,349 | 712 | 659 | 648 | 98 | — | — | — | 9,516 | 8,142 | — |
| CSU, East Bay | 11,950,729 | 6,253,179 | 5,697,550 | 1,296 | 1,542 | 1,476 | 96 | — | — | 7,476 | 8,414 | 6,634 | — |
| CSU, Fullerton | 27,114,685 | 12,250,764 | 14,863,921 | 1,918 | 1,904 | 1,910 | 100 | — | 10,445 | — | 11,125 | 8,470 | — |
| Humboldt State University | 13,958,553 | 7,836,409 | 6,122,144 | 2,021 | 2,047 | 1,981 | 97 | 7,058 | 5,700 | — | 7,058 | 5,700 | — |
| CSU, Long Beach | 22,746,573 | 12,107,838 | 10,638,735 | 1,962 | 2,052 | 2,009 | 98 | 8,650 | 7,650 | — | — | — | — |
| CSU, Los Angeles | 7,794,467 | 4,086,881 | 3,707,586 | 1,069 | 1,010 | 1,005 | 100 | — | — | — | 8,021 | 6,197 | — |
| California Maritime Academy | 8,392,555 | 5,665,301 | 2,727,254 | 722 | 722 | 679 | 94 | 7,180 | 5,400 | — | — | — | — |
| CSU, Northridge | 21,957,312 | 10,627,917 | 11,329,395 | 3,431 | 2,898 | 2,774 | 96 | — | — | 5,806 | 10,236 | 6,020 | — |
| CSPU, Pomona | 23,930,450 | 10,009,813 | 13,920,637 | 2,440 | 2,463 | 2,425 | 98 | 9,300 | 8,112 | — | 10,722 | 8,850 | 13,059 |
| CSU, Sacramento | 18,380,936 | 13,014,935 | 5,366,001 | 1,672 | 1,696 | 1,670 | 98 | 7,096 | 6,580 | — | 8,362 | — | — |
| CSU, San Bernardino | 9,838,048 | 5,279,847 | 4,558,201 | 1,529 | 1,443 | 1,354 | 94 | 6,165 | 4,950 | — | 8,397 | — | 8,352 |
| San Diego State University | 34,929,240 | 24,747,093 | 10,182,147 | 2,674 | 3,135 | 2,904 | 93 | 9,600 | 7,984 | — | 9,600 | 7,984 | — |
| San Francisco State University (6) | 44,878,220 | 26,656,599 | 18,221,621 | 3,038 | 2,995 | 2,973 | 99 | — | 7,852 | — | 10,954 | 9,802 | — |
| San Jose State University | 45,690,880 | 27,768,061 | 17,922,819 | 3,370 | 3,721 | 3,668 | 99 | 8,112 | 7,115 | — | 14,231 | 11,311 | — |
| CPSU, San Luis Obispo | 47,710,513 | 24,904,572 | 22,805,941 | 6,239 | 7,150 | 7,035 | 98 | 10,133 | 6,754 | — | 7,814 | 6,250 | — |
| Sonoma State University | 27,205,552 | 9,300,381 | 17,905,171 | 3,146 | 3,107 | 2,971 | 96 | 7,904 | 6,014 | — | 9,330 | 7,440 | — |
| CSU, Stanislaus | 4,798,262 | 4,030,550 | 767,712 | 460 | 490 | 459 | 94 | 7,121 | — | — | 7,584 | 6,347 | — |
| | 416,029,809 | 232,097,298 | 183,932,511 | 41,159 | 43,119 | 41,649 | 97% | $ 8,499 | 7,206 | 6,641 | 9,451 | 7,701 | 8,352 |
| Systemwide Offices | | 556,907 | (556,907) | | | | | | | | | | |
| Interest income | 1,944,909 | | 1,944,909 | | | | | | | | | | |
| Total | $ 417,974,718 | 232,654,205 | 185,320,513 | | | | | | | | | | |

(1) Housing facilities at the Fresno, Monterey Bay and San Marcos campuses are operated by Auxiliary Organizations.

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

(3) % of spaces occupied is based on Operational Capacity. In certain cases,% occupancy by Design Capacity is over 100%.

(4) 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.

(5) Capacity and occupancy reflect the new housing facility that opened in Spring 2015 and replaced the entire existing housing facility.

(6) The operational capacity does not include 653 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 $1,600 and $3,600.

See accompanying independent auditors' report.

**Schedule 2**

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

Statement of Insurance Coverage

June 30, 2015

| Expiration date | Coverage | Amount | Company | Policy number |
|---|---|---|---|---|
| July 1, 2015* | CSU Master Property Policy, "All Risk" Building, Equipment, and Rental Income | $ 1,000,000,000 per occurrence | Public Entity Property Insurance Program (PEPIP) | PPROP1415 |
| July 1, 2015* | CSU Master Property Policy, Boiler, and Machinery | 100,000,000 | Public Entity Property Insurance Program (PEPIP) | PBOILER1415 |
| July 1, 2015* | Bodily Injury and Property Damage Liability (Primary) | 5,000,000 | CSURMA | RMA-SYST-1415-1 |
| July 1, 2015* | Bodily Injury and Property Damage Liability (Excess) | 5,000,000 | Ironshore | _000541304 |
| July 1, 2015* | Bodily Injury and Property Damage Liability (Excess) | 10,000,000 | Allied World Assurance Company (AWAC) | _03057227 |

* New insurance policies are maintained for the period from July 1, 2015 to June 30, 2016. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.

**Schedule 3**

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

Pledged Income and Expenses against Systemwide Revenue Bonds

Year ended June 30, 2015

| | | |
|---|---|---|
| Gross revenues: | | |
| Housing system | $ | 417,974,720 |
| Student unions/Recreation Ctrs. | | 205,309,379 |
| Parking | | 109,657,635 |
| Health centers | | 10,301,741 |
| Continuing education | | 366,185,698 |
| Auxiliary (1) | | 578,279,217 |
| Related governmental entities (2) | | 13,391,403 |
| Total gross revenues | $ | 1,701,099,793 |
| Debt service: | | |
| Auxiliary – other (3) | $ | 3,343,612 |
| Systemwide revenue bonds (4) | | 262,357,559 |
| Total debt service | $ | 265,701,171 |
| Operating expenditures (5): | | |
| Housing system | $ | 247,153,214 |
| Student unions/Recreation Ctrs. | | 88,848,432 |
| Parking | | 64,163,570 |
| Health centers | | 3,980,073 |
| Continuing education | | 333,015,213 |
| Auxiliary (3) | | 493,993,480 |
| Total operating expenditures | $ | 1,231,153,982 |

(1) 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 under the Indenture are a smaller amount derived from payments under certain leases or loans with the Board of Trustees.

(2) 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; operating expenditures are not paid from Gross Revenues.

(3) Includes 17 auxiliary organizations as of fiscal year ended June 30, 2015.

(4) Debt service shown excludes interest that has been funded from bond proceeds. Cash subsidy payments for the U.S. Treasury under the Build America Bonds program are not pledged to Systemwide Revenue Bonds and are neither included as Gross Revenues nor deducted from Systemwide Revenue Bonds debt service in Schedule 3 above.

(5) Operating Expenditures include both extraordinary maintenance and repair projects, which are generally paid from existing program fund balances, and which total $38.8 million in the fiscal year ended June 30, 2015, and an ARC related to OPEB in an approximate amount of $37 million as of June 30, 2015 pursuant to GASB Statement No. 45.

See accompanying independent auditors’ report.

**Schedule 4**

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

Schedule of Program's Proportionate Share of the Net Pension Liability

Year ended June 30, 2015

Last Ten Fiscal Years*

(Dollar amounts in thousands)

(Unaudited)

| | State of California Miscellaneous Plan | State of California Peace Officers & Firefighters Plan | Total |
|---|---|---|---|
| The Program's proportion of the net pension liability | 4.29052% | 4.34891% | |
| The Program's proportionate share of the net pension liability | $ 232,179 | 4,445 | 236,624 |
| The Program's covered-employee payroll | 94,811 | 1,312 | 96,123 |
| The Program's proportionate share of the net pension liability as a percentage of covered-employee payroll | 244.88614% | 338.79573% | |
| Plan fiduciary net position as a percentage of the total pension liability | 74.17418 | 72.18915 | |

* The Program implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

See accompanying independent auditors' report.

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

Schedule of Employer Contributions

Year ended June 30, 2015

Last Ten Fiscal Years*

(Dollar amounts in thousands)

(Unaudited)

| | State of California Miscellaneous Plan | State of California Peace Officers & Firefighters Plan | Total |
|---|---|---|---|
| Actuarially determined contribution | $ 20,937 | 409 | 21,346 |
| Contributions in relation to the actuarially determined contributions | (21,028) | (420) | (21,448) |
| Contribution excess | (91) | (11) | (102) |
| Covered-employee payroll | $ 94,811 | 1,312 | 96,123 |
| Contributions as a percentage of covered-employee payroll | 22.18% | 32.01% | 22.31% |

**Notes to Schedule:**

Valuation date: Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumption used to determine contribution rates:

| | |
|---|---|
| Actuarial Cost Method | Entry age normal in accordance with the requirements of GASB |
| Amortization Method/Period | For details, see June 30, 2012 Funding Valuation Report |
| Asset Valuation Method | Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report. |
| Inflation | 2.75% |
| Salary Increases | Varies by entry age and service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 7.65%, net of pension plan investment expenses but without reduction including inflation administrative expenses; |
| Retirement Age | The probabilities of retirement are based on the 2010 CalPERS experience |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS experience retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

* The Program implemented GASB Statement No. 68 effective July 1, 2014, therefore, no other information is available for the measurement periods prior to June 30, 2014.

See accompanying independent auditors' report.