CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)

Financial Statements and
Supplementary Information

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)

Table of Contents

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Independent Auditors' Report

The Board of Directors
CSUCI Financing Authority:

We have audited the accompanying financial statements of the CSUCI Financing Authority (the Financing Authority), a component unit of the California State University, as of and for the years ended June 30, 2008 and 2007, as listed in the accompanying table of contents. These financial statements are the responsibility of the Financing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financing Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Financing Authority as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Financing Authority has not presented the management's discussion and analysis that U.S. generally accepted accounting principles require to supplement, although not be part of, the financial statements.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of net assets by program (unaudited) and supplementary schedule of revenues, expenses, and changes in net assets by program (unaudited) on pages 15 and 16, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

November 13, 2008

CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)

Statements of Net Assets

June 30, 2008 and 2007

Assets		**2008**	**2007**
Current assets:			
Cash held with fiscal agents	$	28	4,278,528
Investments		268,603	48,466,801
Total cash, cash equivalents, and investments		268,631	52,745,329
Accounts receivable – property taxes		11,172	17,039
Interest receivable on cash held with fiscal agents		—	142,820
Interest receivable from California State University, Channel Islands Site Authority		—	463,542
Total current assets		279,803	53,368,730
Noncurrent assets:			
Loans receivable		—	44,500,000
Total assets	$	279,803	97,868,730
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	2,500	37
Interest payable		—	463,542
Due to California State University, Channel Islands Site Authority		277,303	52,905,151
Total current liabilities		279,803	53,368,730
Noncurrent liabilities:			
Revenue bonds payable		—	44,500,000
Total liabilities		279,803	97,868,730
Total net assets		—	—
Total liabilities and net assets	$	279,803	97,868,730

See accompanying notes to financial statements.

CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2008 and 2007

		2008	2007
Operating revenues:			
Interest revenue	$	244,802	7,397,369
Operating expenses:			
Interest expense		92,708	4,918,577
General, administrative, and other costs		13,358	8,238
Total operating expenses		106,066	4,926,815
Operating income		138,736	2,470,554
Nonoperating revenues:			
Property taxes		433,971	455,273
Income before transfers		572,707	2,925,827
Transfer to California State University, Channel Islands Site Authority – special tax – Community Facilities District		(432,344)	(450,713)
Transfer to California State University, Channel Islands Site Authority – interest income on cash held with fiscal agents		(140,363)	(2,475,114)
Change in net assets		—	—
Net assets, beginning of year		—	—
Net assets, end of year	$	—	—

See accompanying notes to financial statements.

CSUCI FINANCING AUTHORITY

(A Component Unit of the California State University)

Statements of Cash Flows

Years ended June 30, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Interest income	$	708,344	9,429,732
Interest expense		(556,250)	(6,950,940)
Cash paid to suppliers		(13,358)	(8,238)
Net cash provided by operating activities		138,736	2,470,554
Cash flows from noncapital financing activities:			
Tax receipts		439,838	446,239
Cash paid to suppliers		—	248
Other receipts		—	(248)
Transfer of special tax to California State University, Channel Islands Site Authority		(432,344)	(450,713)
Transfer of interest income to California State University, Channel Islands Site Authority		(140,363)	(2,475,114)
Net cash used in noncapital financing activities		(132,869)	(2,479,588)
Cash flows from capital and related financing activities:			
Proceeds from repayments of loans receivable		44,500,000	151,025,000
Principal payments of bonds		(44,500,000)	(151,025,000)
Funding provided to California State University, Channel Islands Site Authority		(52,482,565)	(21,203,037)
Net cash used in capital financing activities		(52,482,565)	(21,203,037)
Cash flows from investing activities:			
Sales of investments		48,872,887	11,203,786
Purchases of investments		(674,689)	(5,635,152)
Net cash provided by investing activities		48,198,198	5,568,634
Net decrease in cash and cash equivalents		(4,278,500)	(15,643,437)
Cash and cash equivalents at beginning of year		4,278,528	19,921,965
Cash and cash equivalents at end of year	$	28	4,278,528
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	138,736	2,470,554
Net cash provided by operating activities	$	138,736	2,470,554

See accompanying notes to financial statements.

(1) Description of Reporting Entity and Summary of Significant Accounting Policies

(a) Reporting Entity

The CSUCI Financing Authority (the Financing Authority) was formed on May 10, 2000 under and pursuant to a Joint Powers Authority formed by and between the Trustees of the California State University (the CSU Trustees) and the California State University, Channel Islands Site Authority (the Site Authority). The Financing Authority's purpose is to provide financing for public capital improvements serving the California State University, Channel Islands (the Campus).

The proceeds of the revenue bonds will be used to finance and refinance the cost of constructing various public improvements on property transferred to the CSU Trustees and will be managed by the Site Authority. The property comprises of two major sectors: the West Campus and East Campus. The West Campus consists of developed space on 42 acres of the property previously known as the Camarillo State Hospital. This portion of the Campus is centered on academic uses and houses the Campus. The East Campus comprises 162 acres of developable land, which is expected to contain 900 residential units and approximately 31,000 square feet of retail commercial uses. The development of the East Campus began in October 2000 and is projected to be completed by early 2010.

The Financing Authority is an integral part of the California State University, and the financial transactions of the Financing Authority are also included in the financial statements of the California State University as a blended component unit.

(b) Basis of Presentation

The accompanying financial statements for the Financing Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The Financing Authority is considered a special-purpose government under the provisions of GASB Statement No. 34. The Financing Authority records revenue primarily from special taxes and interest collected from the Site Authority, as well as interest earned on cash held with fiscal agents, 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 Financing Authority to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, the Financing Authority prepares its statements of cash flows using the direct method.

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(c) Election of Applicable FASB Statements

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

(d) Classification of Revenues and Expenses

The Financing Authority considers operating revenues and expenses in the statements of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange and nonexchange transactions or other activities that are connected directly to the Financing Authority's primary functions. Exchange transactions primarily include interest income and interest expense. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 34. These nonoperating activities are primarily transfers to the Site Authority and collection of special tax revenues (see note 1(i)).

(e) Cash and Cash Equivalents and Statements of Cash Flows

The Financing Authority considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The Financing Authority considers amounts included in the California State University investment pool to be investments.

(f) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statements of revenues, expenses, and changes in net assets as interest revenue.

(g) Loans Receivable

Loans receivable represent moneys provided to the Site Authority for the development of property, will be repaid from revenues collected by the Site Authority, and are reported at their outstanding principal balance.

(h) Income Taxes

The Financing Authority was formed pursuant to Articles 1-4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California and, as a governmental entity, is not subject to federal or state income taxes.

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(i) Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Property is originally assessed at 100% of full cash or market value at the date of transfer or completion of construction pursuant to Article XIII (A) of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the CSUCI Financing Authority formed Community Facilities District No. 2000-1 (the District) on November 6, 2000 to assist in financing the development of the Campus. The District is authorized to incur a maximum of $50,000,000 of indebtedness to provide for the cost of certain public facilities and services. The District may levy and collect a special tax within the district to repay such indebtedness. The special taxes are payable and are collected in the same manner and time as are general and *ad valorem* taxes on real property.

Property taxes are levied on both real and personal property. Secured property taxes become a lien on the property on January 1 or the date on which title to the property transfers or improvements to the property are completed. Secured property taxes are levied July 1 and payable in two equal installments; the first is generally due on November 1 and delinquent with penalties after December 10; the second is generally due on February 1 and delinquent with penalties after April 10. Special tax revenues are recognized in the period in which they are levied, net of amounts determined to be uncollectible.

Supplemental property tax assessments/refunds associated with changes in assessed valuations due to transfers of title and completed property improvements are levied in two equal installments and have variable due dates based on the date of title transfer and/or completion of the property improvements.

(j) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents and Investments

The Financing Authority's cash and cash equivalents and investments at June 30, 2008 and 2007 are classified in the accompanying financial statements as follows:

		2008	2007
Cash and cash equivalents	$	28	4,278,528
Investments		268,603	48,466,801
Total cash and cash equivalents and investments	$	268,631	52,745,329

(a) Cash and Cash Equivalents

At June 30, 2008 and 2007, cash and cash equivalents consisted of deposits held with fiscal agents. The bank balance and the carrying value of this cash was $28 and $4,278,528 at June 30, 2008 and 2007, respectively.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the Financing Authority 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 in that the Financing Authority's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

(b) Investments

At June 30, 2008 and 2007, the Financing Authority's investment portfolio consists primarily of contracts and certificates of deposits held with financial institutions and investments held in the California State University Investment Pool. For the California State University Investment Pool, separate accounting is maintained as to the amounts allocable to the various funds and programs.

Investment Policy

State law and regulations require that surplus moneys of the Financing Authority must be invested. The primary objective of the Financing Authority's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Financing Authority. The third objective is to return an acceptable yield. The Financing Authority'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 Financing Authority's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, and certain other investment instruments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Financing Authority manages its exposure to interest rate risk is by purchasing a combination of short- and mid-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 Financing Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The weighted average maturity of the Financing

Authority's investment portfolio for each investment type as of June 30, 2008 and 2007 is presented in the table on the following page.

Credit Risk

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

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Financing Authority's investment portfolio, including its participation in the California State University's Investment Pool as of June 30, 2008:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end AAA	Aa	A	BBB	Not rated
Certificates of deposit	$ 57,963	0.13	$ —	—	57,963	—	—
Money market	101	—	101	—	—	—	—
Commercial paper	68,226	0.05	—	—	68,226	—	—
U.S. agency securities	33,362	1.17	28,262	—	5,100	—	—
Repurchase agreements	6,389	0.50	—	—	6,389	—	—
Mortgage-backed securities	8,953	11.97	8,953	—	—	—	—
Corporate and fixed income securities	92,971	1.68	28,670	30,652	31,443	776	1,430
Total investments	267,965		$ 65,986	30,652	169,121	776	1,430
Not subject to ratings							
U.S. Treasury securities	638						
Total investments	$ 268,603						

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Financing Authority's investment portfolio, including its participation in the California State University's Investment Pool as of June 30, 2007:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end AAA	Aa	A	Not rated
Certificates of deposit	$ 118,545	0.38	$ —	86,951	31,594	—
Money market mutual funds	433	0.01	—	—	—	433
Commercial paper	122,615	0.01	—	—	121,225	1,390
U.S. agency securities	15,107	1.07	15,107	—	—	—
Mortgage-backed securities	7,876	8.94	7,876	—	—	—
Corporate and fixed income securities	180,758	1.42	19,325	75,941	85,492	—
Guaranteed investment contracts	48,020,442	0.09	—	—	—	48,020,442
Total investments	48,465,776		$ 42,308	162,892	238,311	48,022,265
Not subject to ratings						
U.S. Treasury securities	1,025					
Total investments	$ 48,466,801					

Concentration of Credit Risk

The Financing Authority's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2008, the following investments (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5.0% or more of the Financing Authority's investment portfolio: Federal Home Loan Bank totaling $18,824, or 7.0%; and Freddie Mac totaling $15,785, or 5.9%. As of June 30, 2007, the following investments (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5.0% or more of the Financing Authority's investment portfolio: Rabobank International totaling $48,020,442, or 99.1%.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 investments. All securities owned by the Financing Authority are deposited in trust for safekeeping with a custodial bank. Securities are not held in broker/dealer accounts.

Risks and Uncertainties

The Financing Authority 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 change could materially affect the amounts reported in the statements of net assets.

The Financing Authority 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 value, 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.

(3) Due to California State University, Channel Islands Site Authority

Pursuant to the terms of Trust Agreements with U.S. Bank and The Bank of New York (each a Trustee), the Financing Authority holds the cash from the sale of the Revenue Bonds with the Trustee for those Revenue Bonds, and the Trustee disburses cash to the Site Authority as expenses are incurred. Amounts due to the California State University, Channel Islands Site Authority June 30, 2007 include interest earned on cash held with fiscal agent and receivables on property taxes. Amounts due to the California State University, Channel Islands Site Authority at June 30, 2008 consist of special tax receipts yet to transfer, which will be used for upcoming capitalized lease payment.

(4) Loans Receivable

Loans receivable at June 30, 2008 and 2007 are as follows:

	2008	2007
$44,500,000 For-Sale Housing Revenue Bonds Series 2004 loan to Site Authority due in annual installments beginning August 1, 2007	$ —	44,500,000
	$ —	44,500,000

The payments to be received from the Site Authority in future years are equal to the future annual debt service requirements of the revenue bonds payable and are paid directly to the Trustee (see note 5). On July 18, 2007, the CSU Institute issued Revenue Bond Anticipation Notes (BANs) to refinance the For-Sale Housing Revenue Bonds Series 2004 through the commercial paper program. The proceeds were used to pay off the bonds on August 1, 2007. The Site Authority used the proceeds from the commercial paper to pay off the loan due to the Financing Authority.

(5) Revenue Bonds Payable

As of June 30, 2008 and 2007, these loans aggregated $0 and $44,500,000, respectively. The CSU Trustees, the Site Authority, and the Financing Authority have authorized the use of the California State University Systemwide Revenue Bonds (SRB) program to provide funds to refinance certain outstanding Financing Authority bonds. The SRB bond proceeds were used to defease certain of the bonds on March 14, 2007.

To fund the Revenue Bonds, 2001 Series A loan receivable, the Financing Authority issued revenue bonds on June 27, 2001 in the aggregate of $49,460,000 under a Trust Agreement with the Trustee. The bonds were limited obligations of the Financing Authority and secured by special taxes, tax increment revenues, and pledged rental housing revenues of the Site Authority. Interest on these bonds ranged from 3.85% to 5.25% and was paid semiannually on March 1 and September 1. The principal payments were due on September 1, beginning in 2008, with the final payment due September 1, 2031. On March 14, 2007, the Financing Authority defeased the revenue bond and is no longer obligated for the loan receivable to the Site Authority.

To fund the Rental Housing Revenue Bonds Series 2001 loan receivable, the Financing Authority issued revenue bonds on December 31, 2001 in the aggregate of $46,815,000 under an Indenture dated December 1, 2001 by and between the Financing Authority and the Trustee. The bonds were limited obligation bonds of the Financing Authority and secured by special taxes, tax increment revenues, and pledged rental housing revenues of the Site Authority. Interest on these bonds ranged from 3.15% to 4.08% and was paid semiannually on February 1 and August 1. The principal payments were due beginning on August 1, 2006, with the final payment due August 1, 2031. The SRB bond proceeds and other funds were used to defease the Rental Housing Revenue Bonds Series 2001 on April 18, 2007.

To fund the For-Sale Housing Revenue Bonds Series 2004 loan receivable from the Site Authority, the Financing Authority issued revenue bonds on August 12, 2004 in the aggregate of $44,500,000 under an Indenture dated August 1, 2004 by and between the Financing Authority and the Trustee. The bonds are limited obligation bonds of the Financing Authority and secured by special taxes, tax increment revenues, and pledged rental housing revenues of the Site Authority. Interest on these bonds was 2.50% and was paid semiannually on February 1 and August 1. The principal payments were due beginning on August 1, 2007, with a maturity date of August 31, 2034, and a mandatory tender date of August 1, 2007. Proceeds from the sale of homes constructed with these bonds must be used to repay the bond or to construct additional homes. The bonds were to be repaid upon the completion of construction and sale of the home on the expected completion date of July 18, 2010. Due to unfavorable market conditions, the vertical construction of the final two phases has been deferred until the market conditions improve. The Site Authority repaid the For-Sale Housing Revenue Bonds Series 2004 loan receivable and these proceeds were used to fund an escrow on July 18, 2007. Such escrow fully redeemed the For-Sale Housing Revenue Bonds Series 2004 on its August 1, 2007 mandatory tender date.

To fund the Rental Housing and Town Center Revenue Bonds 2004 Series A and B loan receivables, the Financing Authority issued revenue bonds on August 12, 2004 in the aggregate of $50,735,000 and $4,015,000, respectively, under an Indenture dated August 1, 2004 by and between the Financing Authority and the Trustee. The bonds were limited obligation bonds of the Financing Authority and secured by special taxes, tax increment revenues, and pledged rental housing revenues of the Site Authority. Interest on the Rental Housing and Town Center Bonds 2004 Series A ranged from 2.50% to 4.08% and was paid semiannually on February 1 and August 1. The principal payments were due beginning on August 1, 2011, with the final payment due August 1, 2044. Interest on the Rental Housing and Town Center Bonds (Taxable) 2004 Series B ranged from 3.79% to 5.59% and was paid semiannually on February 1 and August 1. The principal payments were due beginning on August 1, 2026, with the final payment due August 1, 2044. The SRB bond proceeds and other funds were used to fund an escrow on

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March 14, 2007. Such escrow fully redeemed the Rental Housing and Town Center Bonds (Taxable) on its August 1, 2007 mandatory tender date.

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

Long-term debt activity for the years ended June 30, 2008 and 2007 was as follows:

	2008				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
For-Sale Housing Revenue Bonds Series 2004	$ 44,500,000	—	(44,500,000)	—	—
	$ 44,500,000	—	(44,500,000)	—	—

	2007				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Revenue Bonds, 2001 Series A	$ 49,460,000	—	(49,460,000)	—	—
Rental Housing Revenue Bonds Series 2001	46,815,000	—	(46,815,000)	—	—
For-Sale Housing Revenue Bonds Series 2004	44,500,000	—	—	44,500,000	—
Rental Housing and Town Center Bonds Series A 2004	50,735,000	—	(50,735,000)	—	—
Rental Housing and Town Center Bonds Series B 2004	4,015,000	—	(4,015,000)	—	—
	$ 195,525,000	—	(151,025,000)	44,500,000	—

As specified in the bond resolution, the bonds payable at June 30, 2008 and 2007 are secured by the future revenue streams derived from both the for-sale and rental housing to be built on campus, 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, accrued interest to date, plus a premium as specified in the bond resolution. With the defeasance of the revenue bonds on March 14, 2007 and August 1, 2007, the Financing Authority is no longer responsible for repayment of any bonds.

(6) Revenue Bond Refundings

On March 14, 2007, the CSU Trustees, Site Authority, and Financing Authority authorized the use of the SRB Program to provide funds to refinance certain of the outstanding Financing Authority Bonds. The SRB bond proceeds and other funds were used to defease the following: (i) Revenue Bonds, 2001 Series A (infrastructure bonds); (ii) Rental Housing Bonds Series 2001; and (iii) Rental Housing and Town Center Revenue Bonds Series 2004A (Nontaxable) and 2004B (Taxable).

Concurrent with the defeasance of the bonds on March 14, 2007, the Site Authority entered into a capitalized lease arrangement with the SRB Program. The lease will be repaid from revenues received by the Site Authority. Interest ranging from 4.00% to 5.45% is paid semiannually on May 1 and November 1. The principal payments are paid on November 1 of each year beginning November 1, 2008 with the final payment due November 1, 2044.

In March 2007, the Financing Authority defeased the Revenue Bonds, Series 2001 A, the Rental Housing Revenue Bonds Series 2001, the Rental Housing and Town Center Bonds Series A 2004, and the Rental Housing and Town Center Bonds Series 2004 B (Taxable) (refunded bonds) by placing a portion of the proceeds from the issuance of the Systemwide Revenue Bonds Series 2007A refunding bonds in an irrevocable trust with the bond trustee to provide for all future debt service payments on the refunded bonds. The proceeds from the Series 2007A refunding bonds were used to purchase U.S. government securities that were placed in an escrow account. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matured. This transaction will reduce the University's total debt service payments by $14,543,706 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 this transaction was $10,935,053. Accordingly, the refunded bonds have been considered defeased and therefore removed as a liability from the accompanying financial statements. The amount of the University's current year defeased bonds outstanding as of June 30, 2008 totaled $68,550,000.

(7) Letters of Credit

The Bonds are secured by amounts payable under four irrevocable letters of credit (the Letters of Credit) provided by Citibank, N.A. The Letters of Credit are in stated amounts equal to the principal amount of the outstanding Bonds plus 183 days of interest, or $45,065,521, on the Bonds at the initial Term Interest Rate. The CSU Institute is entitled to draw on the Letters of Credit to pay the principal and interest on the Bonds when due. Unless they are extended or expire earlier in accordance with their terms, the Letters of Credit will expire beginning August 6, 2007 through August 6, 2009. The Financing Authority passes through to the Site Authority all costs associated with maintaining the Letters of Credit. Costs for the years ended June 30, 2008 and 2007 were $28,825 and $1,834,460, respectively. Concurrent with the defeasance of the Financing Authority's outstanding bonds, the Letters of Credit is no longer required on the bonds outstanding as of June 30, 2008. The SRB program secured the bonds by entering into a lease agreement with the Site Authority for the term of the bonds. The CSU Institute issued the BANs to refinance the For-Sale Housing Revenue Bonds Series 2004 through the commercial paper program on July 18, 2007. The commercial paper is not required to secure the Letters of Credit.

(8) Related Party

Substantially all of the transactions entered into by the Financing Authority are with the Site Authority.

(9) Subsequent Events

Recent market conditions have resulted in an unusually high degree of volatiling and increased the risks associated with certain investments held by the Financing Authority which could impact the value of investments after the date of these financial statements.

Schedule 1

CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)

Supplementary Schedule of Net Assets by Program (Unaudited)

June 30, 2008

		Infrastructure	Rental Housing	For Sale Housing	Special Tax – Community Facilities District	Total
Assets:						
Cash held with fiscal agent:						
Interest account	$	28	—	—	—	28
Total cash held with fiscal agent		28	—	—	—	28
Investments		—	—	—	268,603	268,603
Accounts receivable – property taxes		—	—	—	11,172	11,172
Special tax receivable due from (to) Community Facilities District		277,275	—	—	(277,275)	—
Total assets		277,303	—	—	2,500	279,803
Liabilities:						
Accounts payable		—	—	—	2,500	2,500
Due to California State University, Channel Islands Site Authority		277,303	—	—	—	277,303
Total liabilities		277,303	—	—	2,500	279,803
Total net assets		—	—	—	—	—
Total liabilities and net assets	$	277,303	—	—	2,500	279,803

See accompanying independent auditors' report.

CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)

Supplementary Schedule of Revenues, Expenses, and
Changes in Net Assets by Program (Unaudited)

Year ended June 30, 2008

	Infrastructure	Rental Housing	For Sale Housing	Special Tax – Community Facilities District	Total
Operating revenues:					
Interest revenue	$ 1,967	8,586	222,518	11,731	244,802
Operating expenses:					
Interest expense	—	—	92,708	—	92,708
General, administrative, and other costs	—	—	—	13,358	13,358
Total operating expenses	—	—	92,708	13,358	106,066
Operating income (loss)	1,967	8,586	129,810	(1,627)	138,736
Nonoperating revenues:					
Property taxes	—	—	—	433,971	433,971
Income before transfers	1,967	8,586	129,810	432,344	572,707
Transfer from (to) other programs	432,344	—	—	(432,344)	—
Transfer to California State University, Channel Islands Site Authority – special tax	(432,344)	—	—	—	(432,344)
Transfer to California State University, Channel Islands, Site Authority – interest income on cash held with fiscal agent	(1,967)	(8,586)	(129,810)	—	(140,363)
Total transfers	(1,967)	(8,586)	(129,810)	(432,344)	(572,707)
Change in net assets	—	—	—	—	—
Net assets, beginning of year	—	—	—	—	—
Net assets, end of year	$ —	—	—	—	—

See accompanying independent auditors' report.