



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

Financial Statements and
Supplementary Information

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

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

June 30, 2005 and 2004

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Net Assets – June 30, 2005 and 2004	2
Statements of Revenues, Expenses, and Changes in Net Assets – Years ended June 30, 2005 and 2004	3
Statements of Cash Flows – Years ended June 30, 2005 and 2004	4
Notes to Financial Statements	5
Supplementary Information	
Schedule 1 – Supplementary Schedule of Net Assets by Program (Unaudited)	14
Schedule 2 – Supplementary Schedule of Revenues, Expenses, and Changes in Net Assets by Program (Unaudited)	15



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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, 2005 and 2004, as listed in the 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, 2005 and 2004, 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 and supplementary schedule of revenues, expenses, and changes in net assets by program on pages 14 and 15, 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

September 23, 2005

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

Statements of Net Assets

June 30, 2005 and 2004

Assets	2005	2004
Current assets:		
Cash held with fiscal agents	\$ 7,062,158	4,340,296
Investments	<u>5,131,545</u>	<u>879,141</u>
Total cash, cash equivalents, and investments	12,193,703	5,219,437
Accounts receivable – property taxes	11,599	121,310
Due from California State University, Channel Islands Site Authority	10,003	129,743
Interest receivable on cash held with fiscal agents	282,019	126,276
Interest receivable from California State University, Channel Islands Site Authority	<u>2,193,558</u>	<u>1,484,359</u>
Total current assets	14,690,882	7,081,125
Noncurrent assets:		
Long-term investments	75,424,497	13,253,879
Loans receivable	<u>195,525,000</u>	<u>96,275,000</u>
Total assets	<u>285,640,379</u>	<u>116,610,004</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	—	406
Interest payable	2,193,558	1,484,359
Due to California State University, Channel Islands Site Authority	<u>87,921,821</u>	<u>18,850,239</u>
Total current liabilities	90,115,379	20,335,004
Noncurrent liabilities:		
Revenue bonds payable	<u>195,525,000</u>	<u>96,275,000</u>
Total liabilities	<u>285,640,379</u>	<u>116,610,004</u>
Total net assets	<u>\$ —</u>	<u>—</u>

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, 2005 and 2004

	2005	2004
Operating revenues:		
Interest revenue	\$ 7,933,609	5,227,023
Operating expenses:		
Interest expense	5,540,913	4,205,274
General, administrative, and other costs	10,427	—
Total operating expenses	5,551,340	4,205,274
Operating income	2,382,269	1,021,749
Nonoperating revenues:		
Property taxes	215,153	222,423
Income before transfers	2,597,422	1,244,172
Transfer to California State University, Channel Islands Site Authority – special tax – Community Facilities District	205,163	222,423
Transfer to California State University, Channel Islands Site Authority – interest income on cash held with fiscal agents	2,392,259	1,021,749
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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Interest income	\$ 7,224,410	5,227,023
Interest expense	(4,831,714)	(4,205,274)
Cash paid to suppliers	(10,427)	—
Net cash provided by operating activities	<u>2,382,269</u>	<u>1,021,749</u>
Cash flows from noncapital financing activities:		
Tax receipts	324,865	101,113
Transfer of special tax to California State University, Channel Islands Site Authority	(215,166)	(222,423)
Transfer of interest income to California State University, Channel Islands Site Authority	(2,392,259)	(1,021,749)
Net cash used in noncapital financing activities	<u>(2,282,560)</u>	<u>(1,143,059)</u>
Cash flows from capital and related financing activities:		
Funding provided to California State University, Channel Islands Site Authority	(30,204,825)	(26,709,565)
Repayment of funding to California State University, Channel Islands Site Authority	—	10,082,643
Proceeds from Revenue Bonds	99,250,000	—
Proceeds from Revenue Bond Anticipation Notes	—	10,240,000
Repayment of Revenue Bond Anticipation Notes	—	(10,240,000)
Net cash provided by (used in) capital and related financing activities	<u>69,045,175</u>	<u>(16,626,922)</u>
Cash flows from investing activities:		
Sales of investments	23,832,976	21,001,721
Purchases of investments	(90,255,998)	(792,883)
Net cash provided by (used in) investing activities	<u>(66,423,022)</u>	<u>20,208,838</u>
Net increase in cash and cash equivalents	2,721,862	3,460,606
Cash and cash equivalents at beginning of year	<u>4,340,296</u>	<u>879,690</u>
Cash and cash equivalents at end of year	<u>\$ 7,062,158</u>	<u>4,340,296</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,382,269	1,021,749
Net cash provided by operating activities	<u>\$ 2,382,269</u>	<u>1,021,749</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2005 and 2004

(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 Trustees of the California State University from the State of California and will be managed by the Site Authority. The property is comprised of two major sectors: the West Campus and East Campus. The West Campus consists of developed space on 42 acres of what was formerly the Camarillo State Hospital. This portion of the Campus is centered on academic uses and houses the California State University, Channel Islands campus. The East Campus is comprised of 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 December 2007. The infrastructure of the East Campus will be constructed in phases and is expected to be completed by December 2007.

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 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 California State University, Channel Islands 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.

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

Notes to Financial Statements

June 30, 2005 and 2004

(c) *New Accounting Pronouncements*

For the fiscal year ended June 30, 2005, the Financing Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*. This statement addresses common deposits and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on the Financing Authority's financial statements as of and for the year ended June 30, 2005, but required additional disclosures related to deposits and investment risks (note 2).

(d) *Election of Applicable FASB Statements*

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

(e) *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 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 California State University, Channel Islands Site Authority and collection of special tax revenues (see note 8).

(f) *Statements of Cash Flows*

For purposes of the statements of cash flows, the Financing Authority considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

(g) *Loans Receivable*

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

(h) *Fiscal Year and Principal and Interest Payment Dates*

The end of the fiscal year of the Financing Authority is specified in the bond resolution as June 30. Interest on the Revenue Bonds, 2001 Series A ranges from 3.85% to 5.25% and is paid semiannually on March 1 and September 1. The principal payments are paid on September 1, beginning in 2008, with the final payment due September 1, 2031.

Interest on the Rental Housing Revenue Bonds Series 2001 ranges from 3.375% to 4.08% and is paid semiannually on February 1 and August 1. The principal payments are paid on August 1, beginning in 2006, with the final payment due August 1, 2031.

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

Notes to Financial Statements

June 30, 2005 and 2004

The Bonds will be secured by amounts payable under an irrevocable direct pay letter of credit provided by Citibank, N.A. as the Credit Bank (the Letter of Credit). The Letter of Credit, during the initial term period, will be in a stated amount 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. Under the Indenture, the Trustee will draw on the Letter of Credit to pay the principal of and interest on the Bonds when due. Unless extended, the Letter of Credit will expire by its terms on August 6, 2007 unless it expires earlier in accordance with its terms.

Interest on the For-Sale Housing Revenue Bonds Series 2004 is 2.50% and is paid semiannually on February 1 and August 1. The principal payments are paid on August 1, beginning in 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. The bonds will be repaid upon the completion of construction and sale of the home on the expected completion date of August 1, 2007.

Interest on the Rental Housing and Town Center Bonds Series 2004 ranges from 2.50% to 4.08% and is paid semiannually on February 1 and August 1. The principal payments are paid on August 1, beginning in 2011, with the final payment due August 1, 2044.

Interest on the Rental Housing and Town Center Bonds (Taxable) Series 2004 ranges from 3.79% to 5.59% and is paid semiannually on February 1 and August 1. The principal payments are paid on August 1, beginning in 2026, with the final payment due August 1, 2044.

(i) ***Income Taxes***

The Financing Authority is a component unit of the California State University System (the System). The System was established under the State of California Education Code as an agency of the State of California. The Financing Authority is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Financing Authority is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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

Notes to Financial Statements

June 30, 2005 and 2004

(2) Cash, Cash Equivalents, and Investments

The Financing Authority's cash and cash equivalents and investments as of June 30, 2005 and 2004, are classified in the accompanying financial statements as follows:

	2005	2004
Cash and cash equivalents	\$ 7,062,158	4,340,296
Short-term investments	5,131,545	879,141
Long-term investments	75,424,497	13,253,879
Total investments	80,556,042	14,133,020
Total cash and investments	\$ 87,618,200	18,473,316

(a) Cash and Cash Equivalents

At June 30, 2005 and 2004, cash and cash equivalents consisted of deposits held with fiscal agents. The bank balance and the carrying value of this cash was \$7,062,158 and \$4,340,296 at June 30, 2005 and 2004, 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, 2005 and 2004, 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 monies 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 Section 89721 and 89724 to be invested in

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

Notes to Financial Statements

June 30, 2005 and 2004

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-term 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, 2005 is presented in the table below.

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 weighted average maturity and actual rating by investment type of the Financing Authority's investment portfolio as of June 30, 2005:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year end			
			AAA	Aa	A	Not rated
Certificates of deposit	\$ 1,299,203	1.12	\$ —	—	1,299,203	—
U.S. agency securities	13,778	1.41	13,778	—	—	—
Guaranteed Investment Contract	79,243,061	2.74	—	—	—	79,243,061
Total investments	\$ 80,556,042		\$ 13,778	—	1,299,203	79,243,061

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.

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

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

Notes to Financial Statements

June 30, 2005 and 2004

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.

As of June 30, 2004, the Financing Authority's investments at fair values are as follows:

	2004
Metropolitan West Short-term Fund	\$ 72,446
Metropolitan West Medium-term Fund	28,667
Guaranteed investment contracts	14,031,907
	\$ 14,133,020

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

Pursuant to the terms of a Trust Agreement with U.S. Bank or BNY Western Trust (the Trustee), the Financing Authority holds the cash from the sale of the Revenue Bonds with the Trustee, and the Trustee disburses cash to the Site Authority as expenses are incurred. Amounts due to the California State University, Channel Islands Site Authority will include interest earned on cash held with fiscal agent and receivables on property taxes.

(4) Loans Receivable

Loans receivable at June 30, 2005 and 2004 are as follows:

	2005	2004
\$49,460,000 Revenue Bonds, 2001 Series A loan to Site Authority due in annual installments beginning September 1, 2008	\$ 49,460,000	49,460,000
\$46,815,000 Rental Housing Revenue Bonds Series 2001 loan to Site Authority due in annual installments beginning August 1, 2006	46,815,000	46,815,000
\$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	—
\$50,735,000 Rental Housing and Town Center Bonds Series A 2004 to Site Authority due in annual installments beginning August 1, 2011	50,735,000	—
\$4,015,000 Rental Housing and Town Center Bonds Series B 2004 to Site Authority due in annual installments beginning August 1, 2026	4,015,000	—
	\$ 195,525,000	96,275,000

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

Notes to Financial Statements

June 30, 2005 and 2004

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).

In July 2003, the Financing Authority provided an additional \$10,240,000 to the Site Authority for the development of certain West Campus facilities. The Site Authority repaid this loan, plus interest, on June 30, 2004.

(5) Revenue Bonds Payable

To fund the Revenue Bonds, 2001 Series A loan receivable described in note 4 above, 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 are limited obligations of the Financing Authority and secured by special taxes, tax increment revenues, and pledged rental housing revenues of the Site Authority. Debt issuance costs of \$2,665,435 were passed through to the Site Authority.

To fund the Rental Housing Revenue Bonds Series 2001 loan receivable described in note 4 above, 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 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. Debt issuance costs of \$415,658 were passed through to the Site Authority.

To fund the For-Sale Housing Revenue Bonds Series 2004 loan receivable described in note 4 above, 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. Debt issuance costs of \$478,942 were passed through to the Site Authority.

To fund the Rental Housing and Town Center Revenue Bonds 2004 Series A and B loan receivables described in note 4 above, the Financing Authority issued revenue bonds on August 12, 2004 in the aggregate of \$50,735,000 and \$4,015,000 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. Debt issuance costs of \$353,853 were passed through to the Site Authority.

The Financing Authority is required to maintain reserves equal to 125% of the average annual debt service in the bonds, held by the Trustee for the benefit of the owners of the bonds. Certain of the bonds are subject to mandatory sinking fund requirements beginning in fiscal year 2023.

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

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

Notes to Financial Statements

June 30, 2005 and 2004

Long-term debt activity for the years ended June 30, 2005 and 2004 was as follows:

2005					
	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	—
	\$ 96,275,000	99,250,000	—	195,525,000	—
2004					
	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	—
	\$ 96,275,000	—	—	96,275,000	—

Bonds payable at June 30, 2005 mature as follows:

	Principal	Interest
Fiscal years:		
2006	\$ —	6,340,658
2007	220,000	6,916,676
2008	44,790,000	6,760,866
2009	750,000	6,604,718
2010	920,000	6,591,348
2011 – 2015	9,125,000	32,150,990
2016 – 2020	17,990,000	29,236,295
2021 – 2025	23,205,000	24,613,242
2026 – 2030	37,365,000	17,718,670
2031 – 2035	25,370,000	9,281,505
2036 – 2040	13,850,000	6,214,468
2041 – 2045	21,940,000	2,481,035
Total	\$ 195,525,000	154,910,471

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

Notes to Financial Statements

June 30, 2005 and 2004

As specified in the bond resolution, the bonds payable at June 30, 2005 and 2004 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.

(6) 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. The Trustees are 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, 2005 and 2004 were \$1,875,988 and \$1,229,223, respectively.

(7) Related Party

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

(8) 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.

CSUCI FINANCING AUTHORITY
(A Component Unit of the California State University)
Supplementary Schedule of Net Assets by Program (Unaudited)
June 30, 2005

	Infrastructure Program	Rental Housing Program	For-Sale Housing Program	Special Tax – Community Facilities District Program	Campus Building Program	Total
Assets:						
Cash held with fiscal agent:						
Capitalized interest	\$ —	375,279	1,196	—	—	376,475
Bond debt reserve	—	981,429	—	—	—	981,429
Project fund	540,636	163,747	—	—	—	704,383
Revenue fund	369,383	19,170	50,758	—	—	439,311
Rental housing trust account	—	7,782	34,832	—	—	42,614
HR trust account	457,657	—	—	—	—	457,657
Net rental housing account	172,650	3,337,839	—	—	—	3,510,489
Bond proceeds account	—	—	38,777	—	—	38,777
Contingency account	—	—	420,000	—	—	420,000
CFD – SP tax fund	90,289	—	—	—	—	90,289
Interest account	734	—	—	—	—	734
Total cash held with fiscal agent	<u>1,631,349</u>	<u>4,885,246</u>	<u>545,563</u>	<u>—</u>	<u>—</u>	<u>7,062,158</u>
Investments	9,540,385	33,617,994	37,383,886	13,777	—	80,556,042
Accounts receivable – property taxes	—	—	—	11,599	—	11,599
Due from California State University, Channel Islands Site Authority	10,003	—	—	—	—	10,003
Due from other programs	—	—	—	10,003	—	10,003
Interest receivable on cash held with fiscal agent	108,526	96,154	77,339	—	—	282,019
Interest receivable from California State University, Channel Islands Site Authority	826,023	903,993	463,542	—	—	2,193,558
Special tax receivable due from (to) Community Facilities District	35,379	—	—	(35,379)	—	—
Loan to California State University, Channel Islands Site Authority	49,460,000	101,565,000	44,500,000	—	—	195,525,000
Total assets	<u>61,611,665</u>	<u>141,068,387</u>	<u>82,970,330</u>	<u>—</u>	<u>—</u>	<u>285,650,382</u>
Liabilities:						
Interest payable	826,023	903,993	463,542	—	—	2,193,558
Due to California State University, Channel Islands Site Authority	11,315,639	38,599,394	38,006,788	—	—	87,921,821
Due from other programs	10,003	—	—	—	—	10,003
Bonds payable	49,460,000	101,565,000	44,500,000	—	—	195,525,000
Total liabilities	<u>61,611,665</u>	<u>141,068,387</u>	<u>82,970,330</u>	<u>—</u>	<u>—</u>	<u>285,650,382</u>
Total net assets	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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, 2005

	Infrastructure Program	Rental Housing Program	For-Sale Housing Program	Special Tax – Community Facilities District Program	Campus Building Program	Total
Operating revenues:						
Interest revenue	\$ 3,058,952	3,020,078	1,854,513	437	(371)	7,933,609
Operating expenses:						
Bond interest expense	2,478,067	2,077,047	985,799	—	—	5,540,913
General, administrative, and other costs	—	—	—	10,427	—	10,427
Total operating expenses	2,478,067	2,077,047	985,799	10,427	—	5,551,340
Operating income (loss)	580,885	943,031	868,714	(9,990)	(371)	2,382,269
Nonoperating revenues:						
Property taxes	—	—	—	215,153	—	215,153
Income before transfers	580,885	943,031	868,714	205,163	(371)	2,597,422
Transfer (to)/from other programs	205,163	—	—	(205,163)	—	—
Transfer to California State University, Channel Islands Site Authority – special tax	(205,163)	—	—	—	—	(205,163)
Transfer to California State University, Channel Islands, Site Authority for interest income on cash held with fiscal agent	(580,885)	(943,031)	(868,714)	—	371	(2,392,259)
Total transfers	(580,885)	(943,031)	(868,714)	(205,163)	371	(2,597,422)
Change in net assets	—	—	—	—	—	—
Net assets, beginning of year	—	—	—	—	—	—
Net assets, end of year	\$ —	—	—	—	—	—

See accompanying independent auditors' report.