

Appendix C: Financial Statements and Supplementary Information for Bond Indebtedness

**Faculty Housing Assistance Programs
Bond Indebtedness
1997-98**

UNIVERSITY OF CALIFORNIA
1979 FACULTY RESIDENTIAL MORTGAGE
REVENUE BOND PROGRAM

Financial Statements

June 30, 1998

(With Independent Auditors' Report Thereon)



INDEPENDENT AUDITORS' REPORT

The Regents of the University of California:

We have audited the accompanying balance sheet of the University of California 1979 Faculty Residential Mortgage Revenue Bond Program as of June 30, 1998, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the University of California's (the "University") management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of California 1979 Faculty Residential Mortgage Revenue Bond Program as of June 30, 1998, and its revenues, expenditures and changes in fund balance for the year then ended in conformity with generally accepted accounting principles.

Deloitte + Touche LLP

October 9, 1998

**UNIVERSITY OF CALIFORNIA
1979 FACULTY RESIDENTIAL MORTGAGE
REVENUE BOND PROGRAM**

**BALANCE SHEET
JUNE 30, 1998**

ASSETS

CASH AND EQUIVALENTS	\$ 706,677
ACCRUED INTEREST RECEIVABLE	75,491
INVESTMENTS, at fair value	3,624,813
MORTGAGE NOTES RECEIVABLE	<u>2,947,344</u>
TOTAL ASSETS	<u>\$7,354,325</u>

LIABILITIES AND FUND BALANCE

ACCRUED INTEREST PAYABLE	\$ 160,400
REVENUE BONDS PAYABLE	<u>6,790,000</u>
Total liabilities	6,950,400
FUND BALANCE	<u>403,925</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$7,354,325</u>

See notes to financial statements.

**UNIVERSITY OF CALIFORNIA
1979 FACULTY RESIDENTIAL MORTGAGE
REVENUE BOND PROGRAM**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1998**

REVENUES:	
Interest income on mortgage notes	\$ 256,781
Investment income	288,560
Net appreciation in fair value of investments	<u>84,975</u>
Total revenues	<u>630,316</u>
EXPENDITURES:	
Interest on revenue bonds	491,846
Fees and expenses	<u>23,862</u>
Total expenditures	<u>515,708</u>
EXCESS OF REVENUES OVER EXPENDITURES	114,608
FUND BALANCE AS OF JUNE 30, 1997	<u>289,317</u>
FUND BALANCE AS OF JUNE 30, 1998	<u>\$ 403,925</u>

See notes to financial statements.

UNIVERSITY OF CALIFORNIA 1979 FACULTY RESIDENTIAL MORTGAGE REVENUE BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of California 1979 Faculty Residential Mortgage Revenue Bond Program (the "Program") began operations in September 1979 with the issuance of the University of California 1979 Faculty Residential Mortgage Revenue Bonds. The Program provided low-interest home mortgage loans to designated employees of the University. The fund balance is accumulated pursuant to provisions of the Indenture relating to the University of California 1979 Faculty Residential Mortgage Revenue Bonds dated September 1, 1979.

As per the Indenture, the bonds are limited obligations of The Regents of the University of California, payable solely from revenues collected from mortgage loans and are secured by a pledge and assignment of these revenues.

Basis of Accounting - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and the accounts are maintained in accordance with the principles of fund accounting.

Use of Estimates - The preparation of financial statements in conformity with 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 expenditures during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - All of the mortgage loans provided by the Program have been made to faculty of the University for properties located in California.

2. CASH EQUIVALENTS

Cash equivalents consist of short-term notes maturing within 90 days of purchase and are held by the University's trustee as agent for the University.

3. INVESTMENTS

Investments are stated at fair value, based on quoted market prices, and consist of U.S. Treasury securities. Investments are held by the University's trustee as agent for the University.

4. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable bear interest at the rate of 7.875% per annum. Principal and interest payments are due monthly over the remaining term of the 30-year notes.

5. REVENUE BONDS PAYABLE

Revenue bonds in the principal amount of \$6,790,000 were outstanding at June 30, 1998. These bonds bear interest at rates ranging from 6.75% to 7.2% per annum.

The future maturities of debt obligations for the years ending June 30 are:

1999	\$ 215,000
2000	235,000
2001	225,000
2002	245,000
2003	270,000
2004 and thereafter	<u>5,600,000</u>
Total	<u>\$6,790,000</u>

Due to the significant amount of mortgage refinancing activity resulting from lower market interest rates on home mortgage loans, the Program has used proceeds from retired mortgage loans to prepay principal on outstanding bonds in excess of the debt service requirements under the Indenture.

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UNIVERSITY OF CALIFORNIA
1987 FACULTY RESIDENTIAL MORTGAGE
REVENUE BOND PROGRAM

Financial Statements

June 30, 1998

(With Independent Auditors' Report Thereon)



INDEPENDENT AUDITORS' REPORT

The Regents of the University of California:

We have audited the accompanying balance sheet of the University of California 1987 Faculty Mortgage Revenue Bond Program as of June 30, 1998, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the University of California's (the "University") management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of California 1987 Faculty Mortgage Revenue Bond Program as of June 30, 1998, and its revenues, expenditures and changes in fund balance for the year then ended in conformity with generally accepted accounting principles.

Deloitte + Touche LLP

October 9, 1998

**UNIVERSITY OF CALIFORNIA
1987 FACULTY MORTGAGE
REVENUE BOND PROGRAM**

**BALANCE SHEET
JUNE 30, 1998**

ASSETS

CASH AND EQUIVALENTS	\$ 7,438
ACCRUED INTEREST RECEIVABLE	57,055
INVESTMENTS, at contract value	1,206,846
MORTGAGE NOTES RECEIVABLE	<u>4,079,276</u>
TOTAL ASSETS	<u>\$5,350,615</u>

LIABILITIES AND FUND BALANCE

ACCRUED INTEREST PAYABLE	\$ 119,400
REVENUE BONDS PAYABLE	<u>4,690,000</u>
Total liabilities	4,809,400
FUND BALANCE	<u>541,215</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$5,350,615</u>

See notes to financial statements.

**UNIVERSITY OF CALIFORNIA
1987 FACULTY MORTGAGE
REVENUE BOND PROGRAM**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1998**

REVENUES:

Interest income on mortgage notes	\$ 389,534
Investment income	<u>81,770</u>
Total revenues	<u>471,304</u>

EXPENDITURES:

Interest on revenue bonds	383,003
Service and administration fees paid to The Regents of the University of California	17,636
Fees and expenses	<u>13,193</u>
Total expenditures	<u>413,832</u>

EXCESS OF REVENUES OVER EXPENDITURES 57,472

FUND BALANCE AS OF JUNE 30, 1997 483,743

FUND BALANCE AS OF JUNE 30, 1998 \$ 541,215

See notes to financial statements.

UNIVERSITY OF CALIFORNIA 1987 FACULTY MORTGAGE REVENUE BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of California 1987 Faculty Mortgage Revenue Bond Program (the "Program") began operations in August 1987 with the issuance of the University of California Faculty Mortgage Revenue Bonds, Series 1987. The Program provided low-interest home mortgage loans to designated employees of the University. The fund balance is accumulated pursuant to provisions of the Indenture relating to the University of California Faculty Mortgage Revenue Bonds, Series 1987 dated August 1, 1987.

As per the Indenture, the bonds are limited obligations of The Regents of the University of California, payable solely from revenues collected from mortgage loans and are secured by a pledge and assignment of these revenues.

Basis of Accounting - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and the accounts are maintained in accordance with the principles of fund accounting.

Use of Estimates - The preparation of financial statements in conformity with 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 expenditures during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - All of the mortgage loans provided by the Program have been made to faculty of the University for properties located in California.

2. CASH EQUIVALENTS

Cash equivalents consist of money market funds and are held by the University's trustee as agent for the University.

3. INVESTMENTS

Investments are stated at contract value, consist primarily of nonparticipating investment agreements between the trustee and a bank and an investment company which guarantee interest rates ranging from 7.45% to 7.57% per annum, and are held by the University's trustee as agent for the University.

4. MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable bear interest at the rate of 7.95% per annum. Principal and interest payments are due monthly over the remaining term of the notes, each having a final maturity date of August 1, 2017.

5. REVENUE BONDS PAYABLE

Revenue bonds in the principal amount of \$4,690,000 were outstanding at June 30, 1998. These bonds bear interest at rates ranging from 6.75% to 7.75% per annum.

The future maturities of debt obligations for the years ending June 30 are:

1999	\$ 170,000
2000	180,000
2001	200,000
2002	110,000
2003	-
2004 and thereafter	<u>4,030,000</u>
Total	<u>\$4,690,000</u>

Due to the significant amount of mortgage refinancing activity resulting from lower market interest rates on home mortgage loans, the Program has used proceeds from retired mortgage loans to prepay principal on outstanding bonds in excess of the debt service requirements under the Indenture.

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