

## **Appendix C: Financial Statements and Supplementary Information for Bond Indebtedness**

**Faculty Housing Assistance Programs  
Bond Indebtedness  
1999-00**



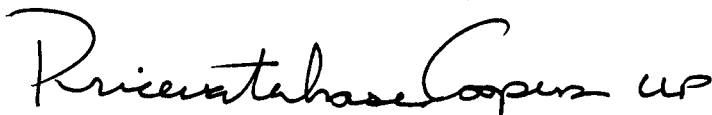
**University of California  
1979 Faculty Residential  
Mortgage Revenue Bond  
Program**

**Financial Statements  
For the Year Ended June 30, 2000 and  
Report of Independent Accountants**

**Report of Independent Accountants**

To The Regents of the University of California:

In our opinion, the accompanying balance sheet as of June 30, 2000 and the related statement of revenue, expenditures and changes in fund balance present fairly, in all material respects, the financial position of the University of California 1979 Faculty Residential Mortgage Revenue Bond Program (the "Program") at June 30, 2000, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University of California's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The fund balance of the Program as of June 30, 1999 was audited by other independent accountants whose report dated October 7, 1999 expressed an unqualified opinion on those statements.



October 6, 2000

**University of California**  
**1979 Faculty Residential Mortgage Revenue Bond Program**  
**Balance Sheet**  
**June 30, 2000**

---

<b>Assets</b>	
Cash and cash equivalents	\$ 539,255
Accrued interest receivable	68,514
Investments, at fair value	3,462,795
Mortgage notes receivable	<u>1,889,155</u>
 Total assets	 <u>\$ 5,959,719</u>
 <b>Liabilities and fund balance</b>	
Accrued interest payable	\$ 132,022
Revenue bonds payable	<u>5,565,000</u>
 Total liabilities	 5,697,022
 Fund balance	 <u>262,697</u>
 Total liabilities and fund balance	 <u>\$ 5,959,719</u>

**University of California**  
**1979 Faculty Residential Mortgage Revenue Bond Program**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2000**

---

**Revenue**

Interest income on mortgage notes	\$ 166,928
Interest income on investments	265,711
Net depreciation in fair value of investments	<u>(92,179)</u>

Total revenue 340,460

**Expenditures**

Interest expense on revenue bonds	399,747
Fees and expenses	<u>17,707</u>

Total expenditures 417,454

Excess of expenditures over revenue (76,994)

Fund balance as of June 30, 1999 339,691

Fund balance as of June 30, 2000 \$ 262,697

**University of California**  
**1979 Faculty Residential Mortgage Revenue Bond Program**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2000**

---

**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 revenue collected from mortgage loans and are secured by a pledge and assignment of this revenue.

**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.

**Interest income and expense**

Interest income on investments is recorded when earned. Interest income on mortgage notes is accrued on the outstanding balances using the simple interest method. Interest expense on revenue bonds is recorded when incurred using the simple interest method.

**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 of California (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.

**University of California**  
**1979 Faculty Residential Mortgage Revenue Bond Program**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2000**

---

**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. The notes are collateralized by the liened property.

**5. Revenue Bonds Payable**

Revenue bonds in the principal amount of \$5,565,000 were outstanding at June 30, 2000. These bonds bear interest at rates ranging from 6.85% to 7.20% per annum.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2001	\$ 195,000	\$ 389,389	\$ 584,389
2002	190,000	376,155	566,155
2003	210,000	362,303	572,303
2004	225,000	347,186	572,186
2005	245,000	330,793	575,793
2006 - 2010	1,430,000	1,372,234	2,802,234
2011 - 2013	3,070,000	512,573	3,582,573
<b>Total</b>	<b><u>\$5,565,000</u></b>	<b><u>\$3,690,633</u></b>	<b><u>\$9,255,633</u></b>

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.



**University of California  
1987 Faculty Mortgage  
Revenue Bond Program**

**Financial Statements  
For the Year Ended June 30, 2000 and  
Report of Independent Accountants**

**Report of Independent Accountants**

To The Regents of the University of California:

In our opinion, the accompanying balance sheet as of June 30, 2000 and the related statement of revenue, expenditures and changes in fund balance present fairly, in all material respects, the financial position of the University of California 1987 Faculty Mortgage Revenue Bond Program (the "Program") at June 30, 2000, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University of California's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The fund balance of the Program as of June 30, 1999 was audited by other independent accountants whose report dated October 7, 1999 expressed an unqualified opinion on those statements.



October 6, 2000

**University of California**  
**1987 Faculty Mortgage Revenue Bond Program**  
**Balance Sheet**  
**June 30, 2000**

---

**Assets**

Cash and cash equivalents	\$ 245,018
Accrued interest receivable	17,097
Investments, at contract value	129,523
Mortgage notes receivable	<u>2,088,422</u>

Total assets \$ 2,480,060

**Liabilities and fund balance**

Accrued interest payable	\$ 47,533
Revenue bonds payable	<u>1,840,000</u>

Total liabilities 1,887,533

Fund balance 592,527

Total liabilities and fund balance \$ 2,480,060

**University of California**  
**1987 Faculty Mortgage Revenue Bond Program**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2000**

---

**Revenue**

Interest income on mortgage notes	\$ 182,512
Interest income on investments	<u>58,180</u>

Total revenue	<u>240,692</u>
---------------	----------------

**Expenditures**

Interest expense on revenue bonds	198,658
Service and administration fees paid to The Regents of the University of California	8,192
Fees and expenses	<u>5,600</u>

Total expenditures	<u>212,450</u>
--------------------	----------------

Excess of revenue over expenditures	28,242
-------------------------------------	--------

Fund balance as of June 30, 1999	<u>564,285</u>
----------------------------------	----------------

Fund balance as of June 30, 2000	<u>\$ 592,527</u>
----------------------------------	-------------------

**University of California  
1987 Faculty Mortgage Revenue Bond Program  
Notes to Financial Statements  
For the Year Ended June 30, 2000**

---

**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 revenue collected from mortgage loans and are secured by a pledge and assignment of this revenue.

**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.

**Interest income and expense**

Interest income on investments is recorded when earned. Interest income on mortgage notes is accrued on the outstanding balances using the simple interest method. Interest expense on revenue bonds is recorded when incurred using the simple interest method.

**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 of California (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.

**University of California**  
**1987 Faculty Mortgage Revenue Bond Program**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2000**

---

**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. These notes are collateralized by the lien property.

**5. Revenue Bonds Payable**

Revenue bonds in the principal amount of \$1,840,000 were outstanding at June 30, 2000 and are due and payable on September 1, 2017. These bonds bear interest at 7.75% per annum payable semi-annually on September 1<sup>st</sup> and March 1<sup>st</sup>.

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.