<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>Independent Auditors' Report</td>
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<td>Combined Balance Sheet</td>
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<td>Administration and Financial Staff</td>
<td>16</td>
</tr>
</tbody>
</table>
We are pleased to provide Chico State's audited combined financial statements for the year ended June 30, 2000. These financial statements present the financial position, changes in fund balances and net assets, and current funds revenues, expenditures and other changes of California State University, Chico and were audited by KPMG LLP. The operations of the University's three auxiliary organizations, Associated Students, California State University, Chico, The University Foundation, California State University, Chico and the CSU, Chico Research Foundation, are discretely presented in the accompanying combined financial statements.

These combined financial statements have been presented utilizing the AICPA Industry Audit Guide, Audits of Colleges and Universities, and are prepared in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. Therefore, these statements differ both in accounting basis and in reporting format from the financial and budget reports prepared on an appropriation basis by the University for the State of California.

Dennis C. Graham
Vice President for Business and Finance

George Wellman
Associate Vice President for Financial Services
We have audited the accompanying combined balance sheet of California State University, Chico as of June 30, 2000 and the related combined statements of changes in fund balances and net assets and current funds revenues, expenditures and other changes for the year then ended. These combined financial statements are the responsibility of the University’s management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the discretely presented auxiliary organizations. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented auxiliary organizations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2000, and the changes in its fund balances and net assets and its current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sacramento, California
October 20, 2000
## Combined Balance Sheet
### June 30, 2000

### Assets

<table>
<thead>
<tr>
<th></th>
<th>Current funds</th>
<th>Loan funds</th>
<th>Agency funds</th>
<th>Plant funds</th>
<th>Total associates</th>
<th>Auxiliary reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Restricted</td>
<td>Unrestricted</td>
<td>Restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,022,634</td>
<td>5,231</td>
<td>139,932</td>
<td>16,964</td>
<td>5,184,761</td>
<td>8,959,737</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>2,708,373</td>
<td>186,731</td>
<td>7,832,129</td>
<td>—</td>
<td>15,699,768</td>
<td>26,427,001</td>
</tr>
<tr>
<td>Investments</td>
<td>18,446,393</td>
<td>30,769</td>
<td>341,147</td>
<td>5,061,214</td>
<td>23,879,523</td>
<td>26,675,244</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>1,187,995</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,187,995</td>
<td>1,187,995</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>1,915,406</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,915,406</td>
<td>10,257,712</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>219,746,618</td>
<td>226,108,872</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$29,280,801</td>
<td>222,731</td>
<td>8,313,208</td>
<td>16,964</td>
<td>240,507,600</td>
<td>278,341,304</td>
</tr>
</tbody>
</table>

### Liabilities, Fund Balances and Net Assets

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Current funds</th>
<th>Loan funds</th>
<th>Agency funds</th>
<th>Plant funds</th>
<th>Total University (memorandum only)</th>
<th>Auxiliary reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>3,169,661</td>
<td>47,476</td>
<td>441,413</td>
<td>16,964</td>
<td>4,611,334</td>
<td>2,727,456</td>
</tr>
<tr>
<td>Accrued salaries and benefits payable</td>
<td>8,503,601</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>8,503,601</td>
<td>1,477,366</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>—</td>
<td>152,374</td>
<td>—</td>
<td>—</td>
<td>1,035,621</td>
<td>1,187,995</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>2,327,014</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,327,014</td>
<td>672,891</td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>4,912,599</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,912,599</td>
<td>230,439</td>
</tr>
<tr>
<td>Capitalized lease obligations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,756,714</td>
<td>3,756,714</td>
</tr>
<tr>
<td>Long-term debt obligations</td>
<td>284,302</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35,018,730</td>
<td>35,030,032</td>
</tr>
<tr>
<td>Self-insurance claims liability</td>
<td>1,445,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,445,000</td>
<td>1,445,000</td>
</tr>
<tr>
<td>Depository accounts</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,566,400</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,427,713</td>
<td>146</td>
<td>—</td>
<td>—</td>
<td>247,179</td>
<td>7,622,954</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>22,069,890</td>
<td>199,996</td>
<td>441,413</td>
<td>16,964</td>
<td>40,994,064</td>
<td>18,297,506</td>
</tr>
</tbody>
</table>

### Fund Balances and Net Assets

<table>
<thead>
<tr>
<th>Fund balances</th>
<th>Current funds</th>
<th>Loan funds</th>
<th>Agency funds</th>
<th>Plant funds</th>
<th>Total University (memorandum only)</th>
<th>Auxiliary reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted - designated</td>
<td>7,210,911</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7,210,911</td>
<td>2,509,187</td>
</tr>
<tr>
<td>Unrestricted - undesignated</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,150,296</td>
</tr>
<tr>
<td>Restricted</td>
<td>—</td>
<td>22,735</td>
<td>7,871,795</td>
<td>—</td>
<td>8,794,530</td>
<td>7,894,530</td>
</tr>
<tr>
<td>Unexpended plant, restricted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13,481,148</td>
<td>13,481,148</td>
</tr>
<tr>
<td>Net investment in plant</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>186,032,388</td>
<td>199,513,536</td>
<td>214,618,977</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td>7,210,911</td>
<td>22,735</td>
<td>7,871,795</td>
<td>—</td>
<td>199,513,536</td>
<td>221,419,228</td>
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</tbody>
</table>

### Net Assets

<table>
<thead>
<tr>
<th>Net assets</th>
<th>Current funds</th>
<th>Loan funds</th>
<th>Agency funds</th>
<th>Plant funds</th>
<th>Total University (memorandum only)</th>
<th>Auxiliary reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6,458,319</td>
<td>6,458,319</td>
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<tr>
<td>Temporarily restricted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10,814,017</td>
<td>10,814,017</td>
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<tr>
<td>Permanently restricted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>18,434,942</td>
<td>18,434,942</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35,707,278</td>
<td>35,707,278</td>
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</tbody>
</table>

### Total liabilities, fund balances and net assets

<table>
<thead>
<tr>
<th></th>
<th>Current funds</th>
<th>Loan funds</th>
<th>Agency funds</th>
<th>Plant funds</th>
<th>Total University (memorandum only)</th>
<th>Auxiliary reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>$29,280,801</td>
<td>222,731</td>
<td>8,313,208</td>
<td>16,964</td>
<td>240,507,600</td>
<td>278,341,304</td>
<td>60,805,035</td>
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</tbody>
</table>

See accompanying notes to combined financial statements.
## Combined Statement of Changes in Fund Balances and Net Assets

### Year ended June 30, 2000

<table>
<thead>
<tr>
<th>Category</th>
<th>Current funds</th>
<th>Loan funds</th>
<th>Plant funds</th>
<th>Total University (memorandum only)</th>
<th>Auxiliary organizations (memorandum only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Restricted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>REVENUES AND OTHER ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>$ 98,367,199</td>
<td>—</td>
<td>13,581,000</td>
<td>111,948,199</td>
<td>111,948,199</td>
</tr>
<tr>
<td>Fees and tuition</td>
<td>35,377,620</td>
<td>—</td>
<td>—</td>
<td>35,377,620</td>
<td>2,761,001</td>
</tr>
<tr>
<td>Investment income</td>
<td>791,873</td>
<td>458</td>
<td>148,125</td>
<td>940,456</td>
<td>1,956,866</td>
</tr>
<tr>
<td>Endowment income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>795,185</td>
<td>795,185</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>181,078</td>
<td>12,283,201</td>
<td>262,819</td>
<td>12,727,098</td>
<td>8,098,537</td>
</tr>
<tr>
<td>State grants and contracts</td>
<td>—</td>
<td>1,896,612</td>
<td>—</td>
<td>1,896,612</td>
<td>7,562,636</td>
</tr>
<tr>
<td>Private gifts, grants, and contracts</td>
<td>—</td>
<td>1,252,382</td>
<td>—</td>
<td>9,336,194</td>
<td>8,818,299</td>
</tr>
<tr>
<td>Sales and service of educational activities</td>
<td>391,677</td>
<td>—</td>
<td>—</td>
<td>391,677</td>
<td>391,677</td>
</tr>
<tr>
<td>Sales and service of auxiliary enterprises</td>
<td>6,968,211</td>
<td>—</td>
<td>—</td>
<td>6,968,211</td>
<td>21,987,999</td>
</tr>
<tr>
<td>Expended for plant facilities</td>
<td>—</td>
<td>—</td>
<td>18,255,955</td>
<td>18,255,955</td>
<td>28,956,210</td>
</tr>
<tr>
<td>(including current funds of $3,985,811)</td>
<td>—</td>
<td>—</td>
<td>18,255,955</td>
<td>18,255,955</td>
<td>28,956,210</td>
</tr>
<tr>
<td>Retirement of indebtedness</td>
<td>—</td>
<td>—</td>
<td>1,473,407</td>
<td>1,473,407</td>
<td>1,473,407</td>
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<tr>
<td>Other</td>
<td>183,442</td>
<td>—</td>
<td>—</td>
<td>1,684,993</td>
<td>4,387,374</td>
</tr>
<tr>
<td><strong>Total revenues and other additions</strong></td>
<td>142,261,100</td>
<td>15,432,653</td>
<td>410,944</td>
<td>44,931,549</td>
<td>203,036,246</td>
</tr>
<tr>
<td><strong>EXPENDITURES AND OTHER DEDUCTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and general expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>61,835,484</td>
<td>359,872</td>
<td>—</td>
<td>62,195,356</td>
<td>68,018,553</td>
</tr>
<tr>
<td>Research</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,961,506</td>
<td>2,961,506</td>
</tr>
<tr>
<td>Public service</td>
<td>228,584</td>
<td>—</td>
<td>—</td>
<td>228,584</td>
<td>10,007,443</td>
</tr>
<tr>
<td>Academic support</td>
<td>21,482,788</td>
<td>465,813</td>
<td>—</td>
<td>21,948,601</td>
<td>26,268,804</td>
</tr>
<tr>
<td>Student services</td>
<td>12,897,688</td>
<td>274,896</td>
<td>—</td>
<td>13,172,584</td>
<td>17,088,129</td>
</tr>
<tr>
<td>Institutional support</td>
<td>14,363,722</td>
<td>224,641</td>
<td>—</td>
<td>14,588,363</td>
<td>21,391,616</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>10,595,894</td>
<td>80,174</td>
<td>—</td>
<td>10,676,068</td>
<td>12,118,027</td>
</tr>
<tr>
<td>Student grants and scholarships</td>
<td>6,978,054</td>
<td>14,707,882</td>
<td>—</td>
<td>21,685,936</td>
<td>22,470,394</td>
</tr>
<tr>
<td><strong>Total educational and general expenditures</strong></td>
<td>128,382,214</td>
<td>16,113,278</td>
<td>—</td>
<td>144,495,492</td>
<td>180,553,050</td>
</tr>
<tr>
<td>Other expenditures and deductions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary enterprise expenditures</td>
<td>4,837,333</td>
<td>—</td>
<td>—</td>
<td>4,837,333</td>
<td>20,301,450</td>
</tr>
<tr>
<td>Loan cancellations and write-offs</td>
<td>—</td>
<td>332,798</td>
<td>—</td>
<td>332,798</td>
<td>332,798</td>
</tr>
<tr>
<td>Expended for plant facilities</td>
<td>—</td>
<td>—</td>
<td>14,270,144</td>
<td>14,270,144</td>
<td>14,270,144</td>
</tr>
<tr>
<td>Retirement of indebtedness</td>
<td>—</td>
<td>—</td>
<td>1,473,407</td>
<td>1,473,407</td>
<td>1,473,407</td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>—</td>
<td>—</td>
<td>1,850,985</td>
<td>1,850,985</td>
<td>1,850,985</td>
</tr>
<tr>
<td>Disposal of plant facilities</td>
<td>—</td>
<td>—</td>
<td>6,269,747</td>
<td>6,269,747</td>
<td>6,269,747</td>
</tr>
<tr>
<td><strong>Total other expenditures and deductions</strong></td>
<td>4,837,333</td>
<td>332,798</td>
<td>23,864,283</td>
<td>29,034,414</td>
<td>49,335,864</td>
</tr>
<tr>
<td><strong>Total expenditures and other deductions</strong></td>
<td>133,219,547</td>
<td>16,113,278</td>
<td>23,864,283</td>
<td>173,529,066</td>
<td>229,888,914</td>
</tr>
<tr>
<td><strong>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal program matching</td>
<td>(725,349)</td>
<td>671,030</td>
<td>54,319</td>
<td>2,500,469</td>
<td></td>
</tr>
<tr>
<td>Principal and interest</td>
<td>(1,593,800)</td>
<td>—</td>
<td>1,593,800</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Payments on capital lease obligations</td>
<td>(906,669)</td>
<td>—</td>
<td>—</td>
<td>906,669</td>
<td></td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>(3,225,818)</td>
<td>671,030</td>
<td>54,319</td>
<td>2,500,469</td>
<td></td>
</tr>
<tr>
<td><strong>Net increase in fund balances and net assets</strong></td>
<td>5,815,735</td>
<td>(9,595)</td>
<td>132,465</td>
<td>29,506,340</td>
<td>29,515,229</td>
</tr>
<tr>
<td><strong>Fund balance and net assets at beginning of year</strong></td>
<td>1,395,176</td>
<td>32,330</td>
<td>7,739,330</td>
<td>185,112,637</td>
<td>42,498,640</td>
</tr>
<tr>
<td><strong>Fund balance and net assets at end of year</strong></td>
<td>$ 7,210,911</td>
<td>22,735</td>
<td>7,871,795</td>
<td>199,513,536</td>
<td>257,126,506</td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Current Funds (Unrestricted)</th>
<th>Current Funds (Restricted)</th>
<th>Total (memorandum only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations                                                   $ 98,367,199</td>
<td>—</td>
<td>98,367,199</td>
<td></td>
</tr>
<tr>
<td>Fees and tuition                                                       35,377,620</td>
<td>—</td>
<td>35,377,620</td>
<td></td>
</tr>
<tr>
<td>Investment income                                                      7,918,873</td>
<td>458</td>
<td>7,923,331</td>
<td></td>
</tr>
<tr>
<td>Federal grants and contracts                                           181,078</td>
<td>12,292,796</td>
<td>12,473,874</td>
<td></td>
</tr>
<tr>
<td>State grants and contracts                                             —</td>
<td>1,896,612</td>
<td>1,896,612</td>
<td></td>
</tr>
<tr>
<td>Private gifts, grants, and contracts                                   —</td>
<td>1,252,382</td>
<td>1,252,382</td>
<td></td>
</tr>
<tr>
<td>Sales and service of educational activities                            391,677</td>
<td>—</td>
<td>391,677</td>
<td></td>
</tr>
<tr>
<td>Sales and service of auxiliary enterprises                             6,968,211</td>
<td>—</td>
<td>6,968,211</td>
<td></td>
</tr>
<tr>
<td>Other                                                                  183,442</td>
<td>—</td>
<td>183,442</td>
<td></td>
</tr>
<tr>
<td>Total current revenues                                                 142,261,100</td>
<td>15,442,248</td>
<td>157,703,348</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES AND MANDATORY TRANSFERS</th>
<th>Current Funds (Unrestricted)</th>
<th>Current Funds (Restricted)</th>
<th>Total (memorandum only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and general</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction                                                           61,835,484</td>
<td>359,872</td>
<td>62,195,356</td>
<td></td>
</tr>
<tr>
<td>Public Service                                                         228,584</td>
<td>—</td>
<td>228,584</td>
<td></td>
</tr>
<tr>
<td>Academic support                                                       21,482,788</td>
<td>465,813</td>
<td>21,948,601</td>
<td></td>
</tr>
<tr>
<td>Student services                                                       12,897,688</td>
<td>274,896</td>
<td>13,172,584</td>
<td></td>
</tr>
<tr>
<td>Institutional support                                                  14,363,722</td>
<td>224,641</td>
<td>14,588,363</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance of plant                                     10,595,894</td>
<td>80,174</td>
<td>10,676,068</td>
<td></td>
</tr>
<tr>
<td>Student grants and scholarships                                       6,978,054</td>
<td>14,707,882</td>
<td>21,685,936</td>
<td></td>
</tr>
<tr>
<td>Total educational and general expenditures                             128,382,214</td>
<td>16,113,278</td>
<td>144,495,492</td>
<td></td>
</tr>
<tr>
<td>Auxiliary enterprises expenditures                                     4,837,333</td>
<td>—</td>
<td>4,837,333</td>
<td></td>
</tr>
<tr>
<td>Transfers among funds – additions (deductions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory transfers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal program matching                                               (725,349)</td>
<td>671,030</td>
<td>(54,319)</td>
<td></td>
</tr>
<tr>
<td>Principal and interest                                                 (1,593,800)</td>
<td>—</td>
<td>(1,593,800)</td>
<td></td>
</tr>
<tr>
<td>Payments on capital lease obligations                                  (906,669)</td>
<td>—</td>
<td>(906,669)</td>
<td></td>
</tr>
<tr>
<td>Total transfers                                                        (3,225,818)</td>
<td>671,030</td>
<td>(2,554,788)</td>
<td></td>
</tr>
<tr>
<td>Total expenditures and transfers                                       136,445,365</td>
<td>15,442,248</td>
<td>151,887,613</td>
<td></td>
</tr>
<tr>
<td>Excess of restricted receipts over transfers                           —</td>
<td>(9,595)</td>
<td>(9,595)</td>
<td></td>
</tr>
<tr>
<td>Net increase in fund balances                                          $5,815,735</td>
<td>(9,595)</td>
<td>5,806,140</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
California State University, Chico (the University) was established as a campus of the California State University under the State of California Education Code to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As one of 23 campuses in the California State University system (the System), the University is included in the combined financial statements of the System. Responsibility for the System is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, the chief executive officer of the System and the University President, the chief executive officer of the University.

The University provides instruction for baccalaureate, master’s and certificate programs, and operates various auxiliary enterprises such as student residence halls and parking facilities. In addition, the University administers a variety of financial aid programs which are funded primarily through state and Federal programs.

### Summary of Significant Accounting Policies

#### Financial Reporting Entity

The accompanying combined financial statements include the accounts of the University and the University's three recognized Auxiliary Organizations. These Auxiliary Organizations are legally separate entities that provide services primarily to the University's students and faculty. Separate financial statements are issued for each of the recognized Auxiliary Organizations and may be obtained from the University.

The discretely presented Auxiliary Organizations are as follows:
- Associated Students, California State University, Chico
- The University Foundation, California State University, Chico
- The CSU, Chico Research Foundation

#### Table: Summary Information for the Discretely Presented Auxiliary Organizations

<table>
<thead>
<tr>
<th></th>
<th>The University Foundation, California State University, Chico</th>
<th>The CSU, Chico Research Foundation</th>
<th>Associated Students, California State University, Chico</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$38,668,431</td>
<td>10,990,041</td>
<td>4,784,309</td>
<td>54,442,781</td>
</tr>
<tr>
<td>Investment in plant</td>
<td>337,246</td>
<td>4,334,890</td>
<td>1,690,118</td>
<td>6,362,254</td>
</tr>
<tr>
<td>Total assets</td>
<td>39,005,677</td>
<td>15,324,931</td>
<td>6,474,427</td>
<td>60,805,035</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>703,636</td>
<td>8,304,006</td>
<td>1,928,694</td>
<td>10,936,336</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>7,140,496</td>
<td>220,674</td>
<td>—</td>
<td>7,361,170</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>7,844,132</td>
<td>8,524,680</td>
<td>1,928,694</td>
<td>18,297,506</td>
</tr>
<tr>
<td>Revenues</td>
<td>6,197,525</td>
<td>32,206,603</td>
<td>17,963,769</td>
<td>56,367,897</td>
</tr>
<tr>
<td>Current expenditures</td>
<td>4,831,525</td>
<td>32,412,197</td>
<td>19,115,286</td>
<td>56,359,008</td>
</tr>
<tr>
<td>Excess of revenues over expenditures (expenditures over revenues)</td>
<td>1,366,000</td>
<td>(205,594)</td>
<td>(1,151,517)</td>
<td>8,889</td>
</tr>
</tbody>
</table>

Continued
NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Auxiliary Organizations are presented in the accompanying combined financial statements as component units due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to the activities that the organizations carry out on behalf of the University, such as research, grant administration, food-service and academic support. The Auxiliary Organizations are discretely presented to allow the financial statement users to distinguish them from the University.

Basis of Presentation

The accompanying combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and the financial statement model of the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of Colleges and Universities.

The accompanying combined statement of current funds revenue, expenditures and other changes is a statement of financial activities of funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income and expense.

Fund Accounting

In order to ensure the observance of limitations and restrictions placed on the use of the resources available to the University, the accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. This is done in accordance with regulations, restrictions or limitations imposed by donors or sponsoring agencies outside the University, or in accordance with directives issued by the Trustees.

A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance and changes in the fund balance. Separate accounts are maintained for each fund; however, funds with similar characteristics are combined into fund groups for reporting purposes. The funds maintained by the University are as follows:

- Current Funds – Used primarily to account for transactions that are expended in performing the primary and support objectives of the University, i.e., instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships and auxiliary enterprise activities. Current funds are segregated into separately balanced fund groups as follows:

  Unrestricted – Used to account for transactions related to the University's general fund appropriations, its operation of extended education programs, its portion of State of California lottery revenues allocated to the System and the activities of auxiliary enterprises and other substantially self-supporting activities. Extended education instructional programs include master's, certificate and other non-degree programs. Lottery revenues are used to support augmented instructional programs for specific purposes not necessarily funded from general fund appropriations. Auxiliary enterprises
Note 2—Summary of Significant Accounting Policies (continued)

include, but are not limited to, parking and student housing and are separate and distinct from the recognized Auxiliary Organizations discussed in the Financial Reporting Entity section above. Whereas assets, liabilities and fund balances of auxiliary enterprises are combined with other unrestricted current funds for reporting purposes, revenue and expenditures of auxiliary enterprises are reported separately. Self-supporting activities primarily provide services for students, faculty and staff and are funded by fees, unrestricted gifts and other income designated for specific purposes by the Trustees.

Fund balances, even though considered unrestricted for reporting purposes, have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures from the funds may be made and require that fund balances be designated to support future operations in those areas. Primary among the funds that have designated uses are those related to the operations of the campus housing program.

Restricted—Used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

- Loan Funds—Consist of funds received primarily from the Federal government for student loans. Funds under Federal loan programs may be re-loaned after collection, but are ultimately refundable to the Federal government.

- Agency Funds—Consist primarily of resources held by the University on behalf of others. As these funds are custodial in nature and transactions do not represent activities carried out by the University, such transactions are not included in the combined statement of changes in fund balances.

- Plant Funds—Consist primarily of property, plant, equipment, library books, bound periodicals and collections and the related debt. This fund also accounts for transactions related to the University’s State of California capital outlay appropriations.

Investments

University investments are reflected at fair value. Gains and losses on the investments are included in the accompanying combined statement of changes in fund balances and net assets as investment income.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or estimated historical cost when purchased and estimated fair value when donated. Equipment with a value of less than $5,000 is not capitalized. Title to all assets, whether purchased, constructed or donated, is held by the State of California. No provision for depreciation has been recorded in the accompanying combined financial statements for these assets.

Due to/from Other Funds

All interfund borrowings and claims are generally payable within one year without interest.

Deferred Revenues

Deferred revenues consist primarily of fees collected in advance for summer session continuing education programs and fall housing rent.

Continued
Compensated Absences
University employees accrue annual leave at rates based on length of service and job classification.

State Appropriations
The State of California appropriates funds to the System on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue when authorization is received and are reported in either the Current Unrestricted Fund when used to support general operations or in the Plant Fund when used for capital projects. State appropriations revert back to the State of California after five years.

Income Taxes
The System was established under the State of California Education Code as an agency of the State of California. As a campus of the System, the University is generally not subject to Federal or state income taxes. However, the University remains subject to income taxes on any net income which is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was 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 combined financial statements taken as a whole.

The University has not undergone any recent Internal Revenue Service or state income tax audits and no provision has been made for any assessments that may result from such audits. In the opinion of management, any such possible assessments would not be material to the combined financial statements taken as a whole.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the accompanying combined financial statements. Actual results could differ from those estimates.

Total Columns (Memorandum Only)
The total columns on the accompanying combined financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation as interfund eliminations have not been made. Therefore, amounts in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

Note 3
CASH, CASH EQUIVALENTS AND INVESTMENTS
The deposits of the University, included as cash and cash equivalents in the accompanying combined financial statements, are maintained at financial institutions and are fully insured or collateralized as required by state law.

State law and regulations stipulate the eligible securities for investment of surplus monies for the University. The System’s investment policy authorizes excess funds to be invested in obligations of the Federal and California State governments, certificates of deposit and certain other investment instruments.

At June 30, 2000, University investments are pooled at both the campus and systemwide levels. Separate accounting is maintained as to the amounts allocable to the various campuses, funds and programs. Investments for the University consisted of the following at June 30, 2000:
Note 5

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2000 consisted of the following:

- Land $4,118,427
- Buildings and building improvements 87,093,964
- Improvements, other than buildings 36,532,120
- Equipment 37,494,912
- Library books, bound periodicals and collections 24,177,264
- Construction work in process 30,329,931

Total $219,746,618

Note 6

LEASE OBLIGATIONS

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. Capital leases consist primarily of leases of certain facility and office equipment with a carrying value of $6,792,927 at June 30, 2000. The leases bear interest at rates ranging from 4.34% to 9.7% and have terms expiring in various years through fiscal year 2008. Operating leases consist of miscellaneous facility rentals and have terms expiring in various years through fiscal year 2002.

Continued
Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2000 are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th>Capital leases</th>
<th>Operating leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$869,599</td>
<td>$10,000</td>
</tr>
<tr>
<td>2002</td>
<td>536,799</td>
<td>—</td>
</tr>
<tr>
<td>2003</td>
<td>536,799</td>
<td>—</td>
</tr>
<tr>
<td>2004</td>
<td>527,599</td>
<td>—</td>
</tr>
<tr>
<td>2005</td>
<td>500,000</td>
<td>—</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,500,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total minimum lease payments</strong></td>
<td><strong>4,470,796</strong></td>
<td><strong>$10,000</strong></td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>(714,082)</td>
<td></td>
</tr>
<tr>
<td><strong>Present value of future minimum lease payments</strong></td>
<td><strong>$3,756,714</strong></td>
<td></td>
</tr>
</tbody>
</table>
The operating entity may derive additional revenue from facility subrental, recreational and commercial activities, and interest income.

Long-term debt principal obligations outstanding at June 30, 2000 mature in the following fiscal years:

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,366,372</td>
</tr>
<tr>
<td>2002</td>
<td>1,129,132</td>
</tr>
<tr>
<td>2003</td>
<td>1,211,522</td>
</tr>
<tr>
<td>2004</td>
<td>1,294,514</td>
</tr>
<tr>
<td>2005</td>
<td>1,368,950</td>
</tr>
<tr>
<td>2006 and thereafter</td>
<td>28,932,542</td>
</tr>
<tr>
<td></td>
<td>$35,303,032</td>
</tr>
</tbody>
</table>

Long-term Debt Obligations of the University at June 30, 2000

<table>
<thead>
<tr>
<th>Description</th>
<th>Interest rate</th>
<th>Fiscal year maturity date</th>
<th>Original issue amount</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing System Revenue Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series B</td>
<td>3%</td>
<td>2006/07</td>
<td>$3,141,531</td>
<td>819,230</td>
</tr>
<tr>
<td>Series N</td>
<td>3%</td>
<td>2021/22</td>
<td>4,320,000</td>
<td>3,590,000</td>
</tr>
<tr>
<td>Series AW</td>
<td>4.75–5%</td>
<td>2017/18</td>
<td>4,580,000</td>
<td>4,580,000</td>
</tr>
<tr>
<td>Student Union Revenue Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A</td>
<td>3%</td>
<td>2006/07</td>
<td>1,100,000</td>
<td>305,000</td>
</tr>
<tr>
<td>Series B</td>
<td>4–12%</td>
<td>2028/29</td>
<td>23,370,000</td>
<td>23,370,000</td>
</tr>
<tr>
<td>IBM</td>
<td>6%</td>
<td>2004/05</td>
<td>129,527</td>
<td>129,527</td>
</tr>
<tr>
<td>Housing Loan University Village Acquisition</td>
<td>6%</td>
<td>2006/07</td>
<td>3,900,000</td>
<td>2,212,209</td>
</tr>
<tr>
<td>Centrix Services</td>
<td>8%</td>
<td>2000/01</td>
<td>1,802,904</td>
<td>284,302</td>
</tr>
<tr>
<td>ISDN Phone</td>
<td>7%</td>
<td>2000/01</td>
<td>25,628</td>
<td>12,764</td>
</tr>
<tr>
<td>Total long-term debt obligations</td>
<td></td>
<td></td>
<td>$42,369,590</td>
<td>35,303,032</td>
</tr>
</tbody>
</table>

Continued
Note 8
PENSION PLAN AND POSTRETIREMENT BENEFITS

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

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy
University personnel are required to contribute 5% of their monthly earnings in excess of $513 per month to CalPERS. The University is required to contribute at an actuarially determined rate. The contribution requirements of the plan members are established and may be amended by CalPERS.

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

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$8,940,000</td>
</tr>
<tr>
<td>1999</td>
<td>6,215,765</td>
</tr>
<tr>
<td>2000</td>
<td>978,500</td>
</tr>
</tbody>
</table>

Note 9
SELF-INSURANCE CLAIMS LIABILITY

The System and certain Auxiliary Organizations have established a public entity risk pool to manage centrally workers' compensation, industrial and nonindustrial disability, and general organizational risks. The liability included in the accompanying combined financial statements reflects the estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2000. The liability includes the amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is estimated through an actuarial calculation using individual-case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is reasonably adequate at June 30, 2000. Changes in the System's self-insurance claims liability for the two years ended June 30, 2000 are as follows:

<table>
<thead>
<tr>
<th>Liability at June 30, 1998</th>
<th>$60,926,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incurred claims and changes in estimates</td>
<td>35,721,000</td>
</tr>
<tr>
<td>Claim payments</td>
<td>(24,524,000)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liability at June 30, 1999</th>
<th>72,123,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incurred claims and changes in estimates</td>
<td>17,612,000</td>
</tr>
<tr>
<td>Claim payments</td>
<td>(28,058,000)</td>
</tr>
</tbody>
</table>

| Liability at June 30, 2000 | $61,677,000 |
NOTE 9–SELF-INSURANCE CLAIMS LIABILITY (continued)

At June 30, 2000, approximately $25,420,000 in assets have been set aside to fund the claims liability. The System maintains excess general liability insurance coverage provided by Schools Excess Liability Fund (SELF), a Joint Powers Authority, with coverage for individual claims between $1,000,000 and $24,000,000 per occurrence. The System also maintains excess workers’ compensation insurance provided by SELF for individual claims over $350,000 per occurrence. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits.

The University’s allocation of the unfunded self-insurance claims liability at June 30, 2000 was approximately 3.99%, or $1,445,000, and has been recorded in the accompanying combined financial statements.

Note 10

COMMITMENTS AND CONTINGENCIES

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such review would not have a material effect on the financial position of the University.

Authorized expenditures for construction projects unexpended at June 30, 2000 totaled $3,818,000. These expenditures will be funded primarily from revenue bond proceeds.

Note 11

TRANSACTIONS WITH RELATED ENTITIES

The System is an agency of the State of California and, as such, processes substantially all of its revenue and expenditure activity through the Office of the California State Controller. State appropriations allocated to the University through the Office of the Chancellor aggregated $111,948,199 for the year ended June 30, 2000. State appropriations receivable aggregated $15,168,647 at June 30, 2000.

As headquarters for the System, the Office of the Chancellor administers certain activities centrally for the individual campuses. Primary among these activities are debt administration and risk pool administration. The administrative costs associated with the operations of the Office of the Chancellor are not allocated to the individual campuses’ financial statements.

As discussed at notes 6 and 7, the University has recorded property, plant and equipment and other related transactions which were financed by System or State of California obligations which have not been allocated to the University. The University has also recorded property, plant, and equipment that was financed by Associated Students, California State University, Chico through the Office of the Chancellor. For the year ended June 30, 2000, such additions of property, plant and equipment totaled $1,684,993 and are included in other revenue in the plant fund in the accompanying statement of changes in fund balances and net assets.
UNIVERSITY ADMINISTRATION

Manuel A. Esteban
President

Scott G. McNall
Provost and Vice President for Academic Affairs

Dennis C. Graham
Vice President for Business and Finance

Paul L. Moore
Vice President for University Advancement and Student Affairs

FINANCIAL SERVICES MANAGEMENT

George A. Wellman
Associate Vice President for Financial Services

Jan Burnham
Director, Student Financial Services

Cindy J. Cleland
Director, Accounting Operations

Sue P. Cottrell
Director, Budget Analysis & Research

Patrice M. Hannemann
Director, Procurement Services and Contracting

Michelle L. Korte
Director, External Reporting and Audits

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