

CSU FULLERTON HOUSING AUTHORITY  
Independent Auditor's Report  
Financial Statements  
And Supplementary Information

For the Year Ended  
June 30, 2013

## CSU FULLERTON HOUSING AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
CSU Fullerton Housing Authority  
Fullerton, California

We have audited the accompanying statements of financial position of CSU Fullerton Housing Authority, which comprise the balance sheet as of June 30, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

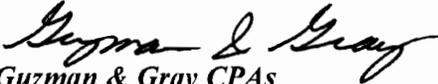
### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSU Fullerton Housing Authority as of June 30, 2013, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis-of matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 16 to the financial statements, the Authority has suffered recurring losses from operations and has a net capital deficiency, which will raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on pages 17 to 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information on future major repairs and replacements on page 25 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
*Guzman & Gray CPAs*

Long Beach, California  
September 3, 2013

CSU FULLERTON HOUSING AUTHORITY  
Statement Of Financial Position  
June 30, 2013

Assets

Current assets:

Cash and cash equivalents	\$ 203,780
Accounts receivable	17,601
Total current assets	<u>221,381</u>

Property and equipment:

Land	<u>1,900,000</u>
Total property and equipment	<u>1,900,000</u>

Other assets:

Cash-board designated for long term purpose	828,412
Assets held for sale	<u>11,000,000</u>
	<u>11,828,412</u>
Total assets	<u>\$ 13,949,793</u>

See independent auditor's report and the accompanying notes to financial statements

CSU FULLERTON HOUSING AUTHORITY  
Statement Of Financial Position, Continued  
June 30, 2013

Liabilities And Net Assets

Current liabilities:

Accounts payable	\$	405,230
Current portion of accrued liabilities		15,819
Current portion of note payable		85,000
Current portion of obligation to FLBC		50,400
Total current liabilities		556,449

Long-term liabilities:

Security deposits		65,725
Line of credit, ASC		1,249,991
Accrued liabilities, net of current portion		408,915
Note payable, net of current portion		13,500,000
Obligation to FLBC, net of current portion		1,525,967
Total long-term liabilities		16,750,598
Total liabilities		17,307,047

Net assets, unrestricted:

Designated		828,412
Undesignated		(4,185,666)
Total net assets		(3,357,254)
Total liabilities and net assets	\$	13,949,793

See independent auditor's report and the accompanying notes to financial statements

CSU FULLERTON HOUSING AUTHORITY  
Statement Of Activities And Changes In Net Assets  
For The Year Ended June 30, 2013

Operating Revenue:	
Maintenance assessments	\$ 189,360
Ground lease income	62,585
Land lease income	33,530
Interest income	2,600
Other income	<u>9,099</u>
Total operating revenue	<u>297,174</u>
Operating Expenses:	
Salaries and staff benefits	45,904
Management and administrative services	13,800
Professional fees	21,858
Insurance	40,215
Landscaping	26,774
Property management fee	3,000
Rent	708
Repair and maintenance	23,372
Utilities	22,830
Taxes and licenses	390
Other	<u>1,318</u>
Total operating expenses	<u>200,169</u>
(Decrease) increase in unrestricted net assets from continuing operations	97,005
Discontinued operations - loss from operations of discontinued U Heights Development and Property Management (including loss on write down of \$3,631,541)	<u>(3,977,501)</u>
(Decrease) increase in unrestricted net assets	<u>\$ (3,880,496)</u>
Net assets, beginning	<u>523,242</u>
Net assets, ending	<u>\$ (3,357,254)</u>

See independent auditor's report and the accompanying notes to financial statements

CSU FULLERTON HOUSING AUTHORITY  
Statement Of Cash Flows  
For The Year Ended June 30, 2013

Cash flows from operating activities:

Change in net assets	\$ (3,880,496)
Adjustments necessary to reconcile net assets to net cash provided by operating activities, depreciation	380,316
Loss on write down of fixed assets	3,631,541
Changes in net assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	2,805
Assets held for sale	
Notes receivable	28,963
Cash-board designated for long-term purpose	(118,377)
Increase (decrease) in:	
Accounts payable	403,378
Accrued liabilities	(55,138)
Security deposit	251
Net cash provided by operating activities	393,243
Cash flows (used) by financing activities:	
Loan activity	(316,000)
Obligation to FLBC	41,682
Net cash (used) by financing activities	(274,318)
Net increase in cash	118,925
Cash, beginning	84,855
Cash ending	\$ 203,780

See independent auditor's report and the accompanying notes to financial statements

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements  
For The Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Description Of Operations

The CSU Fullerton Housing Authority (Housing Authority) is a nonprofit California corporation which is an auxiliary organization of California State University, Fullerton (University). The Housing Authority is organized to assist the University through the development, provision, and maintenance of affordable housing and other related facilities and activities for the faculty, staff and students of the University.

The primary activities of the Housing Authority are related to the following:

University Gables – The development, sale and operations of the University Gables, an 86 unit affordable housing residential community located in Buena Park, California. The sales of new homes in the University Gables were completed in August, 2002. The Housing Authority is currently administering the housing program in accordance with the terms of the related ground lease agreements.

University Heights – In November 2005, the Housing Authority acquired 3.25 acres of land in Fullerton, California from Fullerton Lodge Building Corporation, an affiliate of the Fullerton Elks Lodge, and commenced development and construction of forty-two residential units for faculty and staff of the University. The homes in University Heights were completed in September 2008; sixteen homes were sold as of June 2009. The Housing Authority is currently administering this housing program in accordance with the terms of the ground lease agreements. In October 2008, the board of Directors voted to allow the Housing Authority to lease the unsold units. All of the unsold homes were leased as of November 2009.

Under the housing programs administered by the Housing Authority, for University Gables and University Heights, the Housing Authority retains the ownership of the land and leases the land to individual homeowners under formal standard ground lease agreements that provide for various conditions and restrictions including ownership priorities for faculty and staff of the University, limitations and restrictions on the future sales prices and potential buyers of the homes, specified options and rights of the Housing Authority to reacquire homes, compliance by homeowners with certain other community standards and regulations, and for the University Gables, limitations on the household income of homebuyers and the payment of an initial land use payment. Each ground lease is for a term of 99 years.

Basis Of Presentation

The financial statements of the Housing Authority have been presented in accordance with the *Auditing and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

Basis Of Presentation, continued

Under the provisions of Generally Accepted Accounting Principles (GAAP), net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Housing Authority and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Housing Authority and/or the passage of time. The Housing Authority does not have any temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Housing Authority. Generally, the donors of these assets would permit the Housing Authority to use all or part of the income earned on related investments for general or specific purposes. The Housing Authority does not have any permanently restricted net assets.

The Housing Authority's unrestricted net assets are further classified for display purposes as follows:

Designated – Specified amounts set aside by the Board of Directors to use for future major repairs and replacements.

Undesignated – Includes unrestricted resources representing the portion of expendable funds that are available for support of the Housing Authority's operations.

Cash And Cash Equivalents

The Housing Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Revenue Recognition

Revenues from sales of homes are recognized when the sales are closed and title passes to the new homeowners.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, CONTINUED:

Income Taxes

The Organization is exempt from federal income taxes under the 501(c)(3) provisions of the Internal Revenue Code and Section 23701(d) of the California Tax Code. Accordingly, no income tax provision has been recorded for the fiscal year ended June 30, 2013. The Organization has also been classified as an entity that is not a private Foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(c)(2).

The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. As of June 30, 2013, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosure. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Fair Value Of Financial Instruments

The fair value of accounts receivable and accounts payable approximates their carrying value due to their short-term maturities. The carrying amounts of the lines of credit and note payable approximate fair value because their interest rates are based on variable reference rates or rates approximating those currently available to the Housing Authority for debt with similar terms.

NOTE 2: ACCOUNTS RECEIVABLE:

Accounts receivable include amounts due from homeowners for recurring maintenance, ground lease assessments, and home lease income. No allowance for doubtful accounts has been made as management has determined that all accounts receivable will be fully collected.

NOTE 3: LAND

Land consists of the following at June 30, 2013

University Gables - 7.9 acres of land in Buena Park, California	\$ <u>1,900,000</u>
	\$ <u>1,900,000</u>

Land at University Gables was acquired from the City of Buena Park in 2001 for a purchase price of \$1. The land has been recorded at the fair value based on a formal appraisal which considered the various conditions and restrictions imposed by the Disposition and Development Agreement.

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 4: LEASED LAND:

The Housing Authority, as lessor, leases the land on which housing units have been constructed under the terms of operating ground lease agreements. Homeowners take title to the housing structures, but the Housing Authority retains ownership of the related land. These leases are for periods of 99 years and are subject to periodic adjustments for inflation as defined in the ground lease agreements. These leases also contain certain terms and restrictions as defined. Minimum annual land lease payments receivable under operating lease agreements for properties not held for sale (Note 17) are \$65,100 for each of the next five years and \$5,596,956 in aggregate.

NOTE 5: ACCRUED LIABILITIES:

Accrued liabilities for University Heights include estimates for the City of Fullerton park dwelling and traffic impact fees, the remaining expenditures payable to Fullerton Elks Lodge (FLBC) per the settlement agreement, other miscellaneous fees and accruals, and warranty liability (see note 12).

NOTE 6: LINES OF CREDIT:

The Board of Directors approved borrowing by the Housing Authority from the CSU Fullerton Auxiliary Service Corporation (ASC), in the total original principal loan amount of \$1,250,000, for the purpose of paying current and expected obligations. The loan is structured as a "line of credit" which bears interest at ASC's required minimum interest rate of 0.95% and 1.06% at June 30, 2013. The loan is open-ended and silent on repayment terms. The outstanding balance at June 30, 2013 is \$1,249,991.

NOTE 7: NOTE PAYABLE:

The CSU Fullerton Auxiliary Service Corporation (ASC) Board of Directors approved a resolution authorizing the ASC to loan funds to the Housing Authority for the purpose of repaying the loans used to acquire the University Heights and Creekside projects and to finance certain other costs related to the aforementioned projects. The Housing Authority has subsequently divested itself of the Creekside project. The loan amount is not to exceed \$16,930,000. The loan is long term financing available to ASC through the CSU's commercial paper program. Interest expense and related debt service expense are passed to the Housing Authority through ASC. The loan is to be repaid upon the sale of project assets or receipt of leasing revenue. The outstanding balance is \$13,585,000 as of June 30, 2013. Interest expense and debt service expense incurred on the loan for the year ending June 30, 2013 were:

For the year ended June 30, 2013

Interest expense	\$ 26,017
Debt service expense	<u>426,002</u>
	<u>\$ 452,019</u>

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 8: FUTURE MAJOR REPAIRS AND MAINTENANCE:

The Housing Authority is responsible for maintenance of common areas and other activities within the University Gables and University Heights housing projects. The Housing Authority collects monthly assessments from University Gables homeowners, a portion of which is set aside as reserves for estimated costs of future major repairs and replacements based on the estimated useful lives of the components and estimated current replacement costs. Interest earned on the reserve fund increases the reserve fund balance while expenditures for repairs and maintenance decrease the reserve fund balance. Actual expenditures may vary from the estimated amounts.

University Gables had a reserve analysis update report and summary prepared. Management of the Housing Authority believes that the accrued reserves for University Gables are adequate for major components of the study. The reserve balance at June 30, 2013 is \$684,768. Expenditures for the year ended June 30, 2013 were \$8,860. The major components are presented in the unaudited supplementary information.

University Heights had a reserve analysis report and summary prepared. Management of the Housing Authority believes that the accrued reserves for University Heights are adequate for major components of the study. The reserve balance at June 30, 2013 is \$143,644. Expenditures for the year ended June 30, 2013 were \$8,445.

NOTE 9: OBLIGATION TO FULLERTON LODGE BUILDING CORPORATION (FLBC):

In connection with the acquisition of real property for the University Heights housing project, the Housing Authority originally agreed to pay to the FLBC monthly payments of \$100 per housing unit (\$4,200 per month maximum) commencing with the sale of the homes in the project and continuing for a period of 99 years. Due to a subsequent Settlement Agreement dated October 30, 2009, the monthly lease payments are set at \$4,200 per month regardless of whether the homes are sold, leased or vacant, and the 99 year period began anew as of November 1, 2009. The monthly payments are subject to adjustments at five year intervals based upon the Consumer Price Index (as defined). Terms of the agreement provide for the obligation to be secured by an assignment of ground rents receivable by the Housing Authority, and also provide the Housing Authority with a right of first refusal to acquire adjacent property owned by the FLBC and with rights to prepay the obligation, both on terms defined in the agreement.

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 9: OBLIGATION TO FULLERTON LODGE BUILDING CORPORATION (FLBC),  
CONTINUED:

The stated balance of the obligation included in the accompanying statements of financial position has been computed assuming a 99 year payment period with periodic adjustments for inflation, and the resulting stream of cash payments has been discounted at a rate of 6%. For financial reporting purposes, any periods when the amount paid to the FLBC is less than the imputed interest on the balance outstanding, the difference will be accrued with a charge to interest expense and a corresponding credit to the amount of the obligation. As of June 30, 2013, the Housing Authority had paid \$50,400 to the FLBC. As a result, \$92,081 was charged to interest expense for year ended June 30, 2013. The balance of the obligation is \$1,576,367 as of June 30, 2013.

NOTE 10: RELATED PARTY TRANSACTION:

The Housing Authority and the CSU Fullerton Auxiliary Services Corporation (ASC) have entered into a Business Service Agreement for the ASC to provide certain management and administrative services through June 30, 2013. The total fees paid to ASC for the year ended June 30, 2013 was \$13,800.

The Business Service Agreement provides the Housing Authority a space license for rent. Total rent paid to the ASC was \$708 for the year ended June 30, 2013.

NOTE 11: COMMITMENTS:

Terms of the University Gables' ground lease agreements provide that upon the sale of a home, a specified portion of the initial land use payment paid by the homeowner at the time of the home purchase will be refunded to the selling homeowner. Terms of the ground leases also provide that upon the resale of any home, the new homeowner must enter into a new ground lease that also provides for the corresponding land use prepayment. Accordingly, the Housing Authority has not provided for any liability related to the refund of prepaid initial land use payments in the accompanying financial statements.

Under terms of the ground lease, in certain instances the Housing Authority has the right and the option, but not the obligation, to acquire ownership of the home. In such instances, the ground lease provides for various option and notice periods as well as for the respective purchase price to be paid to the homeowner.

The development and ongoing operations of the University Gables are subject to a Disposition and Development Agreement between the Community Redevelopment Agency of the City of Buena Park and the Housing Authority which includes restrictions that the ownership of the homes be made available only to buyers who represent low or moderate income households, as defined. These restrictions will remain in place until the year 2031.

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 11: COMMITMENTS, CONTINUED:

In connection with the housing projects at University Gables and University Heights, the Housing Authority entered into Homebuyer Default Agreements for both properties with Schools First Federal Credit Union, SFFCU (Lender). As an inducement to the Lender to provide loans to qualifying homeowners, the Housing Authority has agreed that in the event of an uncured loan default of any homeowner who has a loan held by Lender, the Housing Authority will either acquire the home and pay off the loan, or cure the loan default and pursue the Housing Authority's remedies, or purchase the homeowners' note and deed of trust. The Lender will subordinate its deed of trust securing purchase money loans on the homes to the ground lease in favor of the Housing Authority and will permit refinancing of a loan up to the purchase price of the home.

Subsequently, some homeowners have acquired loans through other lenders without the commitment from the Housing Authority to cure defaults. There are at the University Gables 86 homeowners and 26 homeowners, as of June 30, 2013, with loans provided by SFFCU which are subject to this commitment and at the University Heights 15 homeowners and 7 homeowners, as of June 30, 2013, with loans provided by SFFCU which are also subject to this commitment.

NOTE 12: CONTINGENCY:

As part of the Settlement with FLBC, the Housing Authority agreed to be financially responsible for selected items to complete the Elks Lodge and to provide the Elks Lodge with a ten-year warranty for defects relating to the building or any soil related deficiencies beginning November 1, 2009. There were no warranty expenditures for the year ended June 30, 2013. The Housing Authority believes that the warranty expenses, if any, will be minimal over the 10-year period. As of June 30, 2013 the remaining warranty obligation is estimated at \$28,158 and is reported in the non-current accrued liabilities.

NOTE 13: FAIR VALUE MEASUREMENTS AND HIERARCHY:

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure for fair value. This hierarchy consists of three broad levels, listed from highest to lowest priority:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets
  
- Level 2 – inputs are based upon quoted prices for similar instruments in active or non-active markets, or other observable or market-corroborated data
  
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the instrument

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 13: FAIR VALUE MEASUREMENTS AND HIERARCHY, CONTINUED:

The Housing Authority uses appropriate valuation techniques based on the available inputs to measure the fair value of instruments. The following tables set forth by level, within the fair value hierarchy, the Housing Authority's assets at fair value for the year ended June 30, 2013.

The carrying value of cash equivalents, receivables, prepaid expenses, other assets, accounts payable, accrued expenses and notes payable are reasonable estimates of fair value due to the short term nature of these financial instruments and consequently these instruments are not present in the table shown below.

Fair Value Measurement Using:

	<u>Total</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Financial assets:		
Land	\$ 1,900,000	\$ 1,900,000
Total financial assets	<u>\$ 1,900,000</u>	<u>\$ 1,900,000</u>

NOTE 14: EVALUATION OF SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 3, 2013, which is the date the financial statements were available to be issued.

NOTE 15: FUNCTIONAL EXPENSE:

Functional expenses are allocated as follows:

Program	\$	163,063
Management		<u>37,106</u>
	\$	<u>200,169</u>

CSU FULLERTON HOUSING AUTHORITY  
Notes To Financial Statements, Continued  
For The Year Ended June 30, 2013

NOTE 16: GOING CONCERN:

As indicated in the accompanying financial statements, the Housing Authority showed a decrease in net assets of \$3,880,496 during the year ended June 30, 2013. As of that date, the Authority's current liabilities exceeded its current assets by \$335,068 and its total liabilities exceeded its total assets by \$3,357,254. Those factors create an uncertainty about the Authority's ability to continue as a going concern. Management of the Authority is developing a plan to reduce its liabilities through sales of assets. The ability of the Authority to continue as a going concern is dependent on acceptance of the plan by the Authority's bank creditors and the plan's success. The financial statements do not include any adjustments that might be necessary if the Authority is unable to continue as a going concern.

NOTE 17: ASSETS HELD FOR SALE:

Properties known as University Heights were being held for sale as of June 30, 2013. Management entered into an agreement to sell such properties for \$11,000,000 in August 2013. Escrow is expected to close after normal escrow procedures are completed. Activity for the fiscal year ending June 30, 2013 for University Heights is as follows:

Total revenues	\$	860,692
Total (expenditures)		<u>(1,206,652)</u>
(Loss) from operations		(345,960)
(Loss) on write down		<u>(3,631,541)</u>
Loss from discontinued operations		<u><u>(3,977,501)</u></u>

Assets held for sale consist of land at University Heights that was acquired from the Fullerton Lodge Building Corporation (FLBC), an affiliate of the Fullerton Elks Lodge (Fullerton Elks). In consideration for the property, the Housing Authority paid FLBC a total of \$275,000 in cash and incurred costs of approximately \$3 million in connection with the construction of the new lodge facility to be utilized by the Fullerton Elks. Additionally the Housing Authority will make monthly payments to the FLBC of \$4,200 per month, adjusted for inflation at five year intervals, for 99 years. Leased homes represent University Heights properties owned by the Housing Authority and leased under lease agreements with tenants.

**California State University Fullerton Housing Authority**

Schedule of Net Position

June 30, 2013

(for inclusion in the California State University)

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 203,780
Short-term investments	—
Accounts receivable, net	17,601
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	—
<b>Total current assets</b>	<b>221,381</b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	828,412
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	—
Capital assets, net	12,900,000
Other assets	—
<b>Total noncurrent assets</b>	<b>13,728,412</b>
<b>Total assets</b>	<b>13,949,793</b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on refunding(s)	—
<b>Total deferred outflows of resources</b>	<b>—</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	405,230
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	—
Unearned revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	135,400
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	15,819
<b>Total current liabilities</b>	<b>556,449</b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	16,299,807
Self-insurance claims liabilities, net of current portion	—
Depository accounts	65,725
Other postemployment benefits obligation	—
Other liabilities	385,066
<b>Total noncurrent liabilities</b>	<b>16,750,598</b>
<b>Total liabilities</b>	<b>17,307,047</b>
<b>Deferred inflows of resources:</b>	
Deferred inflows from SCAs, grants, and others	—
<b>Total deferred inflows of resources</b>	<b>—</b>
<b>Net Position:</b>	
Net investment in capital assets	(3,535,207)
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	177,953
<b>Total net position</b>	<b>\$ (3,357,254)</b>

See independent auditor's report

**California State University Fullerton Housing Authority**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2013  
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ _____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)	1,154,569
Other operating revenues	—
Total operating revenues	<u>1,154,569</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	1,026,505
Depreciation and amortization	380,316
Total operating expenses	<u>1,406,821</u>
Operating income (loss)	<u>(252,252)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	—
Investment income (loss), net	3,297
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	<u>(3,631,541)</u>
Net nonoperating revenues (expenses)	<u>(3,628,244)</u>
Income (loss) before other additions	(3,880,496)
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>(3,880,496)</u>
Net position:	
Net position at beginning of year, as previously reported	523,242
Restatements	—
Net position at beginning of year, as restated	<u>523,242</u>
Net position at end of year	<u>\$ (3,357,254)</u>

See independent auditor's report

**California State University Fullerton Housing Authority**  
**Other Information**  
**June 30, 2013**  
(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2013:**  
Portion of restricted cash and cash equivalents related to endowments  
All other restricted cash and cash equivalents  
Total restricted cash and cash equivalents

\$ -  
828,412  
\$ 828,412

**2.1 Composition of investments at June 30, 2013:**

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
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Add description	-						

California State University Fullerton Housing Authority  
Other Information  
June 30, 2013  
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3.1 Composition of capital assets at June 30, 2013:

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Amounts of Completed CWIP	Balance June 30, 2013
<b>Nondepreciable/nonamortizable capital assets:</b>								
Land and land improvements	\$ 6,650,000	-	-	6,650,000	-	(1,067,577)	-	5,582,423
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
<b>Intangible assets:</b>								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>								
Total nondepreciable/nonamortizable capital assets	6,650,000	-	-	6,650,000	-	(1,067,577)	-	5,582,423
<b>Depreciable/amortizable capital assets</b>								
Buildings and building improvements	11,407,912	-	-	11,407,912	-	(2,563,964)	-	8,843,948
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
<b>Personal property:</b>								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
<b>Intangible assets:</b>								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>								
Total depreciable/amortizable capital assets	11,407,912	-	-	11,407,912	-	(2,563,964)	-	8,843,948
<b>Total capital assets</b>	<b>18,057,912</b>			<b>18,057,912</b>		<b>(3,631,541)</b>		<b>14,426,371</b>
<b>Less accumulated depreciation/amortization</b>								
Buildings and building improvements	(1,146,055)	-	-	(1,146,055)	(380,316)	-	-	(1,526,371)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
<b>Personal property:</b>								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
<b>Intangible assets:</b>								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>								
Total accumulated depreciation/amortization	(1,146,055)	-	-	(1,146,055)	(380,316)	-	-	(1,526,371)
<b>Total capital assets, net</b>	<b>\$ 16,911,857</b>			<b>16,911,857</b>	<b>(380,316)</b>	<b>(3,631,541)</b>		<b>12,900,000</b>

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2013:

Depreciation and amortization expense related to capital assets	\$ 380,316
Amortization expense related to other assets	-
<b>Total depreciation and amortization</b>	<b>\$ 380,316</b>

See independent auditor's report

**California State University Fullerton Housing Authority**  
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**June 30, 2013**  
(for inclusion in the California State University)

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2012	Prior period adjustments	Re classifications	Balance June 30, 2012 (restated)	Additions	Reductions	Balance June 30, 2013	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	-	-	—	—	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	13,901,000	—	—	13,901,000	-	(316,000)	13,585,000	85,000	13,500,000
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Obligation to Fullerton Lodge Building Corporation	1,534,685	—	—	1,534,685	65,531	-	1,600,216	50,400	1,549,816
ASC Line of Credit	1,249,991	—	—	1,249,991	-	-	1,249,991	—	1,249,991
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	16,685,676	—	—	16,685,676	65,531	(316,000)	16,435,207	135,400	16,299,807
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Unamortized loss on refunding	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	16,685,676	—	—	16,685,676	65,531	(316,000)	16,435,207	135,400	16,299,807
Total long-term liabilities	\$ 16,685,676	—	—	16,685,676	65,531	(316,000)	16,435,207	135,400	16,299,807

**5 Future minimum lease payments - capital lease obligations:**

	Principal	Interest	Principal and Interest
Year ending June 30:			
2014	-	-	—
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019 - 2023	-	-	—
2024 - 2028	-	-	—
2029 - 2033	-	-	—
2034 - 2038	-	-	—
2039 - 2043	-	-	—
2044 - 2048	-	-	—
2049 - 2053	-	-	—
2054 - 2058	-	-	—
2059 - 2063	-	-	—
Total minimum lease payments	—	—	—
Less amounts representing interest	—	—	—
Present value of future minimum lease payments	—	—	—
Less: current portion	—	—	—
Capitalized lease obligation, net of current portion	—	—	\$ —

See independent auditor's report

**California State University Fullerton Housing Authority**  
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**6 Long-term debt obligation schedule**

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30.									
2014	\$ -	-	-	135,400	-	135,400	135,400	-	135,400
2015	-	-	-	16,299,807	-	16,299,807	16,299,807	-	16,299,807
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019 - 2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>16,435,207</b>	<b>-</b>	<b>16,435,207</b>	<b>16,435,207</b>	<b>-</b>	<b>16,435,207</b>

**7 Calculation of net position**

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
<b>7.1 Calculation of net position - Net investment in capital assets</b>			
Capital assets, net of accumulated depreciation	\$ ---	12,900,000	12,900,000
Capitalized lease obligations - current portion	---	---	---
Capitalized lease obligations, net of current portion	---	---	---
Long-term debt obligations - current portion	---	(135,400)	(135,400)
Long-term debt obligations, net of current portion	---	(16,299,807)	(16,299,807)
Portion of outstanding debt that is unspent at year-end	---	---	---
Other adjustments: (please list)			
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
Add description	---	---	---
<b>Net position - net investment in capital asset</b>	<b>\$ ---</b>	<b>(3,535,207)</b>	<b>(3,535,207)</b>
<b>7.2 Calculation of net position - Restricted for nonexpendable - endowments</b>			
Portion of restricted cash and cash equivalents related to endowments	\$ ---	---	---
Endowment investments	---	---	---
Other adjustments: (please list)			
Add description	---	---	---
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Add description	---	---	---
<b>Net position - Restricted for nonexpendable - endowments per SNP</b>	<b>\$ ---</b>	<b>---</b>	<b>---</b>

See independent auditor's report

California State University Fullerton Housing Authority  
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**8 Transactions with Related Entities**

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ —
Payments to University for other than salaries of University personnel	—
Payments received from University for services, space, and programs	—
Gifts-in-kind to the University from Auxiliary Organizations	—
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
Accounts (payable to) University (enter as negative number)	—
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	—
Other amounts receivable from University	—

**9 Other Postemployment Benefits Obligation (OPEB)**

Annual required contribution (ARC)	\$ —
Contributions during the year	—
Increase (decrease) in net OPEB obligation (NOO)	—
NOO - beginning of year	—
NOO - end of year	\$ —

**10 Pollution remediation liabilities under GASB Statement No. 49:**

Description	Amount
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

**11 The nature and amount of the prior period adjustment(s) recorded to beginning net position**

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2012, as previously reported	\$	523,242
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2012, as restated	\$	523,242

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California State University Fullerton Housing Authority  
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Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Net position class: _____ 1 (breakdown of adjusting journal entry)	\$ —	—
Net position class: _____ 2 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 3 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 4 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 5 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 6 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 7 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 8 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 9 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 10 (breakdown of adjusting journal entry)	—	—

See independent auditor's report

CSU FULLERTON HOUSING AUTHORITY  
Information On Future Major Repairs And Replacements  
June 30, 2013

In January 2011, SCT Reserve Consultants, Inc. conducted studies to estimate the remaining useful lives and replacement costs of the components of the University Gable and University Heights properties. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2% and interest of 2% on amounts funded for future major repairs and replacements.

The following table is based on the studies and presents significant information about the components of common property. The estimated allocation of reserve balance is rounded to the nearest one hundred.

University Gables

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Allocation of Reserve Balance</u>
Roof	4 - 32	\$ 282,700
Paint	4 - 9	130,600
Streets	0 - 15	71,200
Other exterior	0 - 21	163,000
Fire safety	16	37,300
		<u>\$ 684,800</u>

University Heights

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Allocation of Reserve Balance</u>
Roof	37 - 38	\$ 30,700
Paint	2 - 12	40,600
Streets	0 - 29	12,600
Other exterior	2 - 37	59,700
		<u>\$ 143,600</u>

See independent auditor's report