# HUMBOLDT STATE UNIVERSITY CENTER

# BOARD OF DIRECTORS

## BASIC FINANCIAL STATEMENTS

## AND SUPPLEMENTARY INFORMATION

Including Schedules Prepared for
Inclusion in the Financial Statements of the
California State University

Year Ended June 30, 2015

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt State University Center
Arcata, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, of the Humboldt State University Center, a component unit of Humboldt State University (HSU), as of and for the year ended June 30, 2015. and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### *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 internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 the business-type activities of the Humboldt State University Center as of June 30, 2015, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Humboldt State University Center

**Emphasis of a Matter**

During fiscal year ended June 30, 2015, HSU adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, HSU reported a restatement for the change in accounting principal (see Note 11.) Our auditors' opinion was not modified with respect to the restatement.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress of other postemployment benefits, schedule of proportionate share of the net pension liability, and the schedule of contributions on pages 3 to 6, and 24 to 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt State University Center's basic financial statements. The schedule of net position, the schedule of revenues, expenses, and changes in net position, and other information (supplementary information on pages 27-34) are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of the Humboldt State University Center, referred to above, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, on our consideration of the Humboldt State University Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Humboldt State University Center's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Bellevue, Washington
October 8, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Humboldt State University Center Board of Directors (University Center) annual financial report presents management's overview and analysis of the financial activities of the University Center for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

**Introduction to the Basic Financial Statements**

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standard Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. This standard is applicable to University Center because it is a component unit of Humboldt State University (HSU). Consistent with HSU, University Center has adopted the business-type activity (BT) reporting model to represent its activities.

The financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections should be considered together to obtain complete understanding of the financial picture of University Center.

**Statement of Net Position -** The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Assets and liabilities are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions on the net position of University Center.

**Statement of Revenues, Expenses, and Changes in Net Position -** The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year on an accrual basis.

**Statement of Cash Flows -** The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows, and therefore, presents gross rather than net amounts for the year's operating activities.

**Reporting Entity -** The financial statements of HSU will be separated between HSU and its component units. The latter are separate I.R.C. 501 (c) (3) non-profit auxiliary organizations whose financial information will be presented in a discrete column and in the footnotes of HSU's financial statements. Consequently, these auxiliaries must comply with the same governmental rulings and present their individual separate audited financial statements in the same format.

## Analytical Overview

A summary of key financial statement information is presented below:

**Condensed Summary of Net Position**

| | 2015 | 2014 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets | $ 9,055,195 | $ 6,064,677 | $ 2,990,518 | 49% |
| Capital assets, net of acculumated depreciation | 791,211 | 989,980 | ( 198,769) | -20% |
| Restricted cash and cash equivalents | 3,245,395 | 5,533,318 | ( 2,287,923) | -41% |
| Total assets | 13,091,801 | 12,587,975 | 503,826 | 4% |
| Deferred outflows of resources - pension obligation | 265,777 | 212,471 | 53,306 | 25% |
| Liabilities: | | | | |
| Current liabilities | 938,659 | 788,548 | 150,111 | 19% |
| Non-current liabilities | 3,196,822 | 5,309,608 | ( 2,112,786) | -40% |
| Total liabilities | 4,135,481 | 6,098,156 | ( 1,962,675) | -32% |
| Deferred outflows of resources - pension obligation | 966,584 | - | 966,584 | N/A |
| Net position: | | | | |
| Net investment in capital assets | 791,211 | 989,980 | (198,769) | -20% |
| Restricted for: expendable - other | - | 6,500 | (6,500) | -100% |
| Unrestricted | 7,464,302 | 5,713,298 | 1,751,004 | 31% |
| Total net position | $ 8,255,513 | $ 6,702,290 | $ 1,553,223 | 23% |

### *Statement of Net Position Variance Analysis between 2015 and 2014*

Current assets increased by $2,990,518. Current assets include: cash and cash equivalents, unreserved cash in Local Agency Investment Fund (LAIF), accounts receivable, prepaid expenses, inventory and other current assets. The increase is largely due to reductions in the other postemployment benefits (OPEB) and CalPERS pension obligations which reduced the amount of cash that must be reserved to cover the obligations.

Capital assets, net, decreased by $198,769, which was the result of new dining equipment purchases of $22,121, offset by depreciation expense of $220,890.

Restricted cash and cash equivalents decreased by $2,287,923, primarily as a result of a $400,000 contribution and other reductions to the OPEB and pension obligations.

The University Center has a cash balance of $493,609 in the checking account and $11,333,458 held in LAIF of which $3,245,395 is restricted to fund OPEB and CalPERS pension obligations. This combined total of unrestricted cash of $8,581,672 is approximately 56.04% of the operating revenue of the 2014-15 fiscal year. This balance allows the University Center the ability to fund ongoing repair and maintenance projects, the ability to weather an unforeseen circumstance or expense, and provides adequate operating capital.

Current liabilities increased by $150,111. Current liabilities include: accounts payable, unearned revenue, current portion of OPEB and CalPERS pension obligations, and other current liabilities. The increase is largely due to the increase of current pension liabilities and the timing of receiving 2015-2016 CenterArts season orders. The brochure was mailed a week in earlier in June than the previous year, resulting in a higher amount of monies placed in unearned revenues at June 30, 2015.

Non-current liabilities decreased by $2,112,786. The noncurrent liabilities represent the OPEB obligation and pension cost liability that are required to be recognized and recorded in accordance with the parameters of GASB Statement No. 45 and No. 68. The decrease in the OPEB obligation was a result of the University Center's efforts to fund the liability with contributions to VEBA Trust. The decrease in the pension obligation was a result of the difference between projected and actual investment income. These obligations, along with the current portion of the OPEB and pension obligations, have been offset by a restriction of cash shown in total assets.

The GASB 45 requirement to recognize postemployment benefit liability, as determined by an actuarial study dated December 1, 2014, found the actuarial accrued liability to be $3,775,096. University Center participates in the VEBA Trust developed by the California State University Auxiliary Organizations Association to hold plan assets to fund this accrued liability. University Center approved and transferred $400,000 to the VEBA trust in the current year to further meet this obligation. As of the December 1, 2014 valuation, plan assets held by VEBA were $3,726,523 leaving an unfunded actuarial liability of $48,573.

The GASB 68 requirement to recognize net pension liability, as determined by an actuarial valuation dated June 30, 2013 and rolled forward to June 30, 2014, found the net pension liability to be $3,196,822. University Center participates in a cost sharing multiple-employer defined benefit plan though California Public Employees' Retirement System (CalPERS).

Net position increased by $1,553,223 reflecting the cumulative net change in assets and liabilities for the year.

## Operating Results

The Board of Directors Humboldt State University Center condensed summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is as follows:

**Condensed Summary of Revenues, Expenses, and Changes in Net Position**

| Revenues: | 2015 | 2014 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Revenue from operations | | | | |
| Dining sales | $ 11,855,658 | $ 11,140,111 | $ 715,547 | 6% |
| CenterArts sales | 1,256,322 | 1,235,377 | 20,945 | 2% |
| Center Activities sales | 502,380 | 480,565 | 21,815 | 5% |
| Student fees | 970,214 | 960,000 | 10,214 | 1% |
| Other revenues | 727,588 | 763,050 | (35,462) | -5% |
| Total operating revenues | 15,312,162 | 14,579,103 | 733,059 | 5% |
| Expenses: | | | | |
| Operating expenses | 14,320,265 | 13,538,415 | 781,850 | 6% |
| Depreciation expense | 220,890 | 227,331 | (6,441) | -3% |
| Total operating expenses | 14,541,155 | 13,765,746 | 775,409 | 6% |
| Operating income | 771,007 | 813,357 | (42,350) | -5% |
| Nonoperating revenues: | | | | |
| Investment income | 30,129 | 28,469 | 1,660 | 6% |
| Postretirement related changes other than net periodic pension cost | 752,087 | - | 752,087 | N/A |
| Net nonoperating revenues | 782,216 | 28,469 | 753,747 | 2648% |
| Increase in net position | 1,553,223 | 841,826 | 711,397 | 85% |
| Net position: | | | | |
| Net position at beginning of year, as previously reported | 10,075,601 | 9,233,775 | 841,826 | 9% |
| Cumulative effect of GASB 68, net pension liability | (3,373,311) | - | (3,373,311) | N/A |
| Net position at beginning of year, after cumulative effect | 6,702,290 | 9,233,775 | (2,531,485) | -27% |
| Net position at end of year | $ 8,255,513 | $ 10,075,601 | $ (1,820,088) | -18% |

***Revenue and Expense Variance Analysis between 2015 and 2014***

Operating revenues are sales from operations and student fee monies. Sales from operations are comprised of dining services (The "J" and the Cupboard in the Residence Halls, The Depot, Library Cafe, Hilltop Marketplace and College Creek Marketplace), outsourced bookstore operations to Follett Inc. and student programming services for Center Activities, Student Recreation Center, Humboldt Bay Aquatic Center and CenterArts.

Current year operating revenues increased by $733,059. Dining sales increased due to an increase in student enrollment and meal contracts. The increase in these revenues was also attributable to increases in operating expenses.

Current year operating expenses consist of auxiliary enterprise expenses of $14,320,265 and depreciation expense of $220,890. Prior year operating expenses consisted of auxiliary enterprise expenses of $13,538,415 and depreciation expense of $227,331. Current year operating expenses increased by $781,850. The majority of the increases were incurred in the areas of cost of sales, employee wages & benefits (due to an increase in the minimum wage), rent & utilities (due to a change in operating agreement with HSU) and event costs when compared to the prior year.

Investment income was $30,129 which was an increase of $1,660 over the prior year. Investment income is comprised of interest from LAIF. The increase from the prior year is primarily due to market fluctuation and more monies being held with LAIF.

Postretirement related changes other than net periodic pension cost of $752,087 were the result of timing of the December 1 actuarial valuations performed in 2015 and 2014.

**Factors Impacting Future Periods**

Highlights of Humboldt State University's budget for 2015-16 include an enrollment target that is 3.2% higher than HSU's target for 2014-15. Higher enrollment numbers would likely have a positive impact on the revenue of University Center.

The University Center is a participant in CalPERS. CalPERS is a defined-benefit retirement program that relies heavily on investments in financial markets for the assets required to pay benefits to retirees. This reliance on investment returns to meet expectations eposes the University Center to potentially large rate increases when the CalPERS investment portfolio fails to meet expectations.

Management continues to monitor operating costs in the University Center and review its operations and make adjustments accordingly.

**Request for Information**

This financial report is designed to provide a general overview of the University Center's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the University Center, 1 Harpst Street, Arcata, CA 95521.

# BASIC FINANCIAL STATEMENTS

**HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS**

**Statement of Net Position**
**June 30, 2015**

| | | |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ | 493,609 |
| Cash invested in LAIF | | 8,088,063 |
| Accounts and other receivable, net | | 266,517 |
| Inventories | | 185,430 |
| Prepaid expenses | | 21,576 |
| Total current assets | | 9,055,195 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents | | 3,245,395 |
| Capital assets, net | | 791,211 |
| Total noncurrent assets | | 4,036,606 |
| Total assets | | 13,091,801 |
| Deferred outflows of resources | | |
| Net pension obligation - contributions | | 265,777 |
| Total deferred outflows of resources | | 265,777 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | | 84,743 |
| Accrued salaries and benefits payable | | 66,569 |
| Accrued compensated absences | | 135,009 |
| Postemployment benefits obligation - current portion | | 48,573 |
| Unearned revenues | | 481,586 |
| Other liabilities | | 122,179 |
| Total current liabilities | | 938,659 |
| Noncurrent liabilities | | |
| Pension obligation | | 3,196,822 |
| Total noncurrent liabilities | | 3,196,822 |
| Total liabilities | | 4,135,481 |
| Deferred inflows of resources | | |
| Net pension obligation | | 966,584 |
| Total deferred inflows of resources | | 966,584 |
| Net position | | |
| Net investment in capital assets | | 791,211 |
| Unrestricted | | 7,464,302 |
| Total net position | $ | 8,255,513 |

HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS

**Statement of Revenues, Expenses, and Changes in Net Position**
**Year ended June 30, 2015**

| | | |
|---|---|---|
| Revenues: | | |
| Operating revenues: | | |
| Revenue from operations | $ | 14,341,948 |
| Student fees | | 970,214 |
| Total operating revenues | | 15,312,162 |
| Expenses: | | |
| Operating expenses: | | |
| Cost of sales | | 5,039,029 |
| Salaries and wages | | 3,987,903 |
| Employee benefits | | 1,368,024 |
| Rent | | 993,129 |
| Depreciation | | 220,890 |
| Advertising and promotion | | 20,876 |
| Repairs and maintenance | | 516,074 |
| Utilities | | 332,736 |
| Communications | | 72,744 |
| Bank service charges | | 177,043 |
| Outside professional services | | 82,064 |
| Dues and subscriptions | | 8,127 |
| Business and professional meetings | | 24,337 |
| Insurance | | 72,839 |
| Services from other funds | | 58,139 |
| Supplies and services | | 238,625 |
| Event costs | | 1,075,316 |
| Vehicle | | 15,667 |
| Operating contributions to Humboldt State University | | 158,029 |
| Other and miscellaneous | | 79,564 |
| Total operating expenses | | 14,541,155 |
| Operating income | | 771,007 |
| Nonoperating revenues: | | |
| Investment income | | 30,129 |
| Postretirement related changes other than net periodic pension cost | | 752,087 |
| Net nonoperating revenues | | 782,216 |
| Increase in net position | | 1,553,223 |
| Net position: | | |
| Net postion at beginning of year, as previously reported | | 10,075,601 |
| Cumulative effect of change in accounting principle (see note 11) | | (3,373,311) |
| Net position at beginning of year, after cumulative effect | | 6,702,290 |
| Net position at end of year | $ | 8,255,513 |

**HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS**

**Statement of Cash Flows**
**Year ended June 30, 2015**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from customers | $ | 15,584,058 |
| Cash payments to suppliers for operations | | (8,691,330) |
| Cash payments to employees for services | | (5,929,926) |
| Cash payments for general and administrative expenses | | (428,691) |
| **Net cash provided by (used in) operating activities** | | **534,111** |
| **Cash flows from capital financing activities:** | | |
| Acquisition of capital assets | | (22,121) |
| **Net cash provided by (used in) capital activities** | | **(22,121)** |
| **Cash flows from investing activities:** | | |
| Investment income | | 30,129 |
| **Net cash provided by (used in) investing activities** | | **30,129** |
| **Net increase (decrease) in cash and cash equivalents** | | 542,119 |
| Cash and cash equivalents at beginning of the year | | 11,284,948 |
| **Cash and cash equivalents at end of the year** | **$** | **11,827,067** |
| **Reconciliation to cash per statement of net position:** | | |
| Cash and cash equivalents | $ | 493,609 |
| Short term investments | | 7,965,282 |
| Restricted cash | | 3,368,176 |
| **Total cash and cash equivalents at end of year** | **$** | **11,827,067** |
| **Reconciliation of operating income to net cash provided by (used in) operating activities:** | | |
| Operating income | $ | 771,007 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Depreciation | | 220,890 |
| Changes in operating assets and liabilities: | | |
| Accounts receivables | | (106,943) |
| Inventories | | (42,854) |
| Prepaid expenses | | (10,679) |
| Deferred outflows from resources | | (53,306) |
| Accounts payable | | 14,930 |
| Accrued salaries and benefits | | 8,606 |
| Accrued compensated absenses | | 18,279 |
| Unearned revenue | | 378,839 |
| Pension obligation | | (915,085) |
| Postemployment benefit obligation | | (620,751) |
| Other liabilities | | (95,406) |
| Deferred inflows from resources | | 966,584 |
| **Net cash provided by (used in) operating activities** | **$** | **534,111** |

## Note (1) Organization

Humboldt State University Center Board of Directors (University Center) is an auxiliary organization of Humboldt State University (HSU) in Arcata, California, and the California State University System. As an affiliated organization component unit of HSU, University Center's financial data is included in HSU's financial statements. University Center is a nonprofit corporation formed to promote the welfare of HSU and its students and employees.

The primary activities of University Center are to develop, finance and operate the College Union, bookstore (currently under outside management), and dining services on the HSU campus. During the fiscal year ending June 30, 2015, University Center provided management services to the Northern Humboldt Recreation and Park District. University Center is primarily supported by student fees and dining sales, and contracted revenues from students at HSU.

University Center has a management agreement with Follett Higher Education Group, Inc. (Follett) which gives Follett the exclusive right to operate the bookstore on campus and the internet for the University Center. The agreement has an initial termination date of June 30, 2018.

## Note (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

University Center has determined that it should apply generally accepted accounting principles applicable to governmental entities based on an amendment to the articles of incorporation and bylaws that has clarified University Center's relationship as a component unit of HSU.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. University Center has elected to use the proprietary fund reporting model for special-purpose governments engaged only in business-type activities. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. In accordance with the business-type activities reporting model, University Center prepares its statement of cash flows using the direct method.

### *(b) Basis of Accounting*

The financial statements of have been prepared to conform with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The summary of significant accounting policies is presented to assist in understanding University Center's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

### (c) *Classification of Current and Noncurrent Assets and Liabilities*

The University Center considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net assets date. Liabilities that reasonably can be expected, as part of normal University Center business operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered to be noncurrent.

### (d) *Cash and Cash Equivalents*

University Center considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. Amounts included in the Local Agency Investment Fund (LAIF) are considered to be investments.

### (e) *Accounts Receivable*

University Center provides a reserve for uncollectible accounts that is based upon a review of outstanding receivables. Accounts receivable considered uncollectible are charged against the reserve account in the year they are deemed to be uncollectible. No reserve for uncollectible accounts was deemed necessary as of June 30, 2015.

### (f) *Inventories*

The food and beverage inventory is stated at cost, using the first-in, first-out (FIFO) method. At June 30, 2015, the cost of the food and beverage inventory was $185,430.

### (g) *Reserved Cash*

The Board of Directors has reserved cash in the amount of $3,245,395 to be used for pension and postretirement health benefits.

### (h) *Capital Assets*

Capital assets are recorded at cost less depreciation calculated by the straight-line method. Building improvements are depreciated over a five- to twenty-year life. Equipment, furniture, and fixtures are depreciated over a five- to ten-year life. Work in progress represents expenditures for facility improvements not placed in service during the year.

University Center capitalizes acquisitions of equipment that have a useful life greater than one year and are in excess of $5,000, improvements in excess of $10,000, and intangible property in excess of $5,000.

At June 30, 2015, $232,608 of equipment is used by University Center but is not recorded on the statement of net position because title is held by an outside granting agency. Additionally, University Center uses office facilities and equipment which are the property of the California State University. No lease payments are required for the use of these facilities.

***(i) Deferred Outflows of Resources***

Deferred outflow or resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflow of resources related to pensions resulted from University Center contributions to employee pension plan subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

***(j) Accounts Payable***

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30.

***(k) Compensated Absences***

Compensated absences consist of vacation leave earned by employees based on services rendered. Employees may accumulate up to 400 hours of vacation depending on years of service. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with the employee. Therefore, a liability for sick leave benefits is not accrued.

***(l) Unearned Revenue***

Unearned revenue consist of unamortized contribution revenue and amounts collected in advance for season tickets and class registrations. Unearned contribution revenue of $42,857 represents the unamortized portion of $100,000 received from Follett to be amortized over a seven-year term on a straight line basis.

***(m) Postretirement Health Benefits Obligation***

University Center recognizes other postretirement plans as a liability in the statement of net position and recognizes changes in the funded status in the year in which the changes occur in unrestricted net position, unless a minimum amortization is required to be included as a component of net periodic postretirement benefit cost in accordance with applicable accounting standards.

***(n) Net Pension Liability***

For purposes of measuring the net pension liability and deferred outflow/inflows of resources related to pensions, and pension expense, information about the fiduciary net positon of the California Public Employees' Retirement System (CalPERS) plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

***(o) Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net assets by the University Center that is applicable to a future reporting period. The deferred inflow of resources – pensions, result from the difference between the estimated and actual return on pension plan investments. This amount is deferred and amortized over 5 years.

### *(p) Net Position*

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. University Center reports three categories of net position, as follows:

**Net Investment in Capital Assets** - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

**Restricted Expendable – Other** – subject to externally imposed conditions that can be fulfilled by the actions of the University Center or the passage of time. At June 30, 2014, University Center had restricted funds of $6,500. In May 2014, University Center received a donation to be used for the purchase of olympic platforms for the student recreation center. The University Center purchased the platforms using these funds during the 2014-2015 fiscal year.

**Unrestricted Net Position** - consists of all other net position that does not meet the definition of the above component and is available for general use by University Center.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position.

### *(q) Classification of Revenues and Expenses*

University Center considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to University Center's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

Certain other transactions are reported as non-operating revenues and expense in accordance with GASB Statement No. 35. These non-operating activities include net investment income, non-operating contributions to HSU, and postretirement related changes other than net periodic pension cost.

### *(r) Revenue Recognition*

**Student Fees** - Student union fees are recorded when received from the revenue bond program.

**Revenue from operations** - All revenue from operations including, but not limited to, bookstore commissions, food sales, and vending, is recorded when earned.

**Investment Income** - Investment income is recorded at the time it is earned.

### *(s) Income Taxes*

University Center qualifies as a tax exempt organization under the applicable sections of the Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

### *(t) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Note (3) Cash and Cash Investments

University Center maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. At June 30, 2015, University Center's uninsured and uncollateralized cash balance was $253,003. Custodial credit risk is the risk that in the event of the failure of a counterparty, University Center would not be able to recover the value of its investments that are in the possession of an outside party. Financial instruments that potentially subject University Center to custodial risk are investments in excess of amounts insured by the FDIC. No policy exists related to custodial risk specifically. University Center's investment policy does not prohibit deposits in single institutions that expose University Center to custodial credit risk. Management believes the organization is not exposed to any significant credit risk related to cash.

University Center's short-term investment portfolio consists entirely of investments in LAIF, a voluntary program created by statute as an alternative for California's local governments and special districts that allow affiliates to participate in a major investment portfolio. It is under the administration of the California State Treasurer's Office. There are no significant interest rate risks or credit risks to be disclosed in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3.* The investment is not insured. However, these funds are invested in accordance with California Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account. At June 30, 2015, cash in LAIF was $11,333,458. Of this amount, $3,245,395 is reserved for pension and postretirement health benefits.

## Note (4) Capital Assets

The change in capital assets for the year ended June 30, 2015, is as follows:

| | Balance 6/30/2014 | Additions | Deletions | Balance 6/30/2015 |
|---|---|---|---|---|
| Equipment & furniture | $ 1,287,449 | $ 22,121 | $ - | $ 1,309,570 |
| Building & improvements | 2,775,939 | - | - | 2,775,939 |
| Accumulated depreciation | (3,073,408) | (220,890) | - | (3,294,298) |
| Capital assets, net | $ 989,980 | $ (198,769) | $ - | $ 791,211 |

Depreciation expense for the year ended June 30, 2015, was $220,890.

## Note (5) Pension Plan – California Public Employee's Retirement System (CalPERS)

University Center participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System (CalPERS) which covers substantially all regular full-time employees of the University Center. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the University Center in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of June 30, 2015, the University Center implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liability, pension expense and deferred inflow of resources for the above plan and a deferred outflow of resources as follows:

| Pension Plan | Proportionate Share of Net Pension Liability | Deferred Outflow of Resources | Deferred Inflow of Resources | Proportionate Share of Pension Expense |
|---|---|---|---|---|
| CalPERS | $ 3,196,822 | $ 265,777 | $ 966,584 | $ 263,970 |

**Plan Description**

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous or Safety Plan. The University Center sponsors two Miscellaneous Risk Pool plans, however, the information presented below represents the sum of the allocated pension amounts for each of the University Center's respective plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statues, as legislatively amended, within the Public Employees' Retirement Law.

**Benefits Provided**

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who much be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 321, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The First Tier Plan is closed to new entrants on or after January 1, 2013. The Plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | Miscellaneous Risk Pool | |
|---|---|---|
| | First Tier Plan | PEPRA Misc Plan |
| Hire date | On or Before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Required employee contribution rates | 7.00% | 6.25% |
| Required employer contribution rates | 16.95% | 6.25% |

**Contributions**
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University Center is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total University Center contributions were $265,777.

**Pension Liabilities, Pension Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pension**
As of June 30, 2015, the University Center reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling $3,196,822. The net pension liability was measured as of June 30, 2014. The total pension liability for Miscellaneous Risk Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013 and rolling forward the total pension liability to June 30, 2014. The University Center's proportion of the net pension liability was based on a projection of the University Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014 the University Center's proportion was 0.05138%.

For the year ended June 30, 2015, the University Center recognized pension expense of $263,970. At June 30, 2015, the University Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| UC contributions subsequent to the measurement date | $ 265,777 | $ - |
| Net difference between projected and actual earnings on pension plan investments | - | 870,596 |
| Differences between contributions and proportionate share of contributions | - | 95,988 |
| Total | $ 265,777 | $ 966,584 |

The deferred outflows of resources related to pensions resulting from University Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed period of between 3.8 and 5 years and will be recognized in pension expense as follows:

| Year ended June 30 | Pension Expenses Amount |
|---|---|
| 2016 | $ (251,930) |
| 2017 | (251,930) |
| 2018 | (245,075) |
| 2019 | (217,649) |
| | $ (966,584) |

**Actuarial Methods and Assumptions**

Total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2013 |
| Measurement date | June 30, 2014 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Discount rate | 7.50% |
| Inflation | 2.75% |
| Payroll growth | 2.75% |
| Projected salary increase | Varies by Entry Age and Service |
| Investment rate of return | 7.50% (1) |
| Mortality | Derived using CalPERS' Membership Data for all Funds (2) |

(1) Net of pension plan investment expenses, including inflation
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can found on the CalPERS' website.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long -term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1-10 (1) | Real Return Years 11+ (2) |
|---|---|---|---|
| Global equity | 47.0% | 5.25% | 5.71% |
| Global fixed income | 19.0 | 0.99 | 2.43 |
| Inflation sensitive | 6.0 | 0.45 | 3.36 |
| Private equity | 12.0 | 6.83 | 6.95 |
| Real estate | 11.0 | 4.50 | 5.13 |
| Infrastructure and forestland | 3.0 | 4.50 | 5.09 |
| Liquidity | 2.0 | (0.55) | (1.05) |

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

**Pension Liability Sensitivity**

The following presents the UC's proportionate share of the net pension liability for the Plan, calculated as of June 30, 2014 using the discount rate for the Plan, as well as what the UC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| Description | Discount Rate - 1% (6.50%) | Current Discount Rate (7.50%) | Discount Rate + 1% (8.50%) |
|---|---|---|---|
| UC's proportionate share of the Plan's pension liability | $ 5,302,360 | $ 3,196,822 | $ 1,449,426 |

**Pension Plan Fiduciary Net Position**

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate issued comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

## Note (6) Postretirement Health Benefits

University Center provides medical coverage through the CalPERS medical plan. Benefited employees hired prior to July 1, 2006, who are eligible to retire from CalPERS, are 100% vested. Benefited employees hired on or after July 1, 2006, are 50% vested at age 50 if they have 10 years of service. With every additional year of service the vesting increases by 5% reaching 100% for employees who are age 50 or older who have at least 20 years of service. The University Center's premium contribution cannot be less than what is defined by CalPERS Section 22892(b).

In the fiscal year ended June 30, 2012, University Center began participating in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association). The Auxiliaries Multiple Employer VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-retirement healthcare benefits for recognized auxiliaries of the California State University System. University Center's contributions to VEBA for each of the last three fiscal years is as follows:

| Year Ending June 30 | Contribution |
|---|---|
| 2013 | $ 1,200,000 |
| 2014 | 1,200,000 |
| 2015 | 400,000 |

The Auxiliaries Multiple Employer VEBA seeks an average total annual return net of fees and expenses of 3.0% plus the Consumer Price Index for All Urban Consumers: U.S. City Average – All Items. To achieve its return objectives, the Auxiliaries Multiple Employer VEBA's investment portfolio is allocated among a number of asset classes.

University Center implemented GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as of July 1, 2012, and has recorded the cost and obligation of these benefits in the financial statements. The beginning Other Postemployment Benefit (OPEB) obligation was established as of July 1, 2012, the effective date University Center applying generally accepted accounting principles applicable to governmental entities.

### *(a) Annual OPEB Cost and Net OPEB Obligation*

University Center's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of University Center's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

| | | |
|---|---|---|
| Annual required contribution | $ | 159,387 |
| Interest cost on net OPEB obligation | | 85,285 |
| Amortization adjustment to ARC | | (996,759) |
| Annual OPEB cost | $ | (752,087) |
| Actual contributions | | |
| Premiums paid | $ | (220,751) |
| VEBA contribution | | 400,000 |
| Total actual contributions | $ | 179,249 |
| Decrease in net OPEB obligation | $ | (1,372,838) |
| Net OPEB obligation, beginning of year | | 1,421,411 |
| Net OPEB obligation, beginning of year | $ | 48,573 |
| Current OPEB obligation | $ | 48,573 |
| Noncurrent OPEB olbigation | | - |
| Total OPEB obligation | $ | 48,573 |

University Center's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Cumulative Net OPEB Obligation |
|---|---|---|---|
| June 30, 2015 | $ (752,087) | - | $ 48,573 |
| June 30, 2014 | 63,088 | 2264% | 1,421,411 |
| June 30, 2013 | 323,332 | 441% | 2,762,931 |

### *(b) Funding Status and Funding Progress*

As of December 1, 2014, the most recent actuarial valuation date, the plan was 98.71% funded. The actuarial accrued liability for benefits was $3,775,096 and the unfunded actuarial accrued liability (UAAL) was $48,573. The covered payroll (annual payroll of active employees covered by the plan) was $1,501,092, and the ratio of the UAAL to the covered payroll was 3090%.

As of June 30, 2015, the market value of the plan assets was $3,774,384. The University Center discontinued funding this liability in December 2014.

Actuarial valuations of an ongoing benefit plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents the second year of information for the actuarial value of plan assets. In subsequent years, the schedule of funding progress will provide information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***(c) Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the December 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses) which is the current expected long-term investment returns on plan assets, the maximum annual healthcare cost trend of 4.0 percent, an annual payroll increase of 2.75 percent, and an inflation factor of 2.75 percent per year. The initial UAAL was fully amortized at transition on July 1, 2012.

**Note (7) Operating Leases**

University Center leases its facilities under several operating leases from HSU (See Note 1). Following is a summary of operating leases and renewal options:

| | Contingent Annual Rental | Expiration Date | Renewal Options |
|---|---|---|---|
| Jolly Giant Commons - food service facilities | 11% of gross sales | June 30, 2017 | None |
| Hilltop Marketplace | ranges from 6-7% of gross sales | June 30, 2017 | 5 years |
| College Creek Marketplace | 11% of gross sales | June 30, 2017 | None |
| Giant's Cupboard - food service facility | 11% of gross sales | June 30, 2017 | None |

Following is a summary by property of rental expense under all operating leases for the fiscal year ended June 30, 2015:

| | | |
|---|---|---|
| Jolly Giant Commons (HSU) | $ | 519,210 |
| Hilltop Marketplace (HSU) | | 7,440 |
| College Creek Marketplace (HSU) | | 275,445 |
| Giant's Cupboard (HSU) | | 157,913 |
| Total | $ | 960,008 |

## Note (8) Unrestricted Net Position

Unrestricted net position consists of the following board designated classifications as of June 30, 2015:

| | | |
|---|---|---|
| Appropriations for reserves | | |
| Working capital and current operations - General Fund | $ | 1,422,358 |
| Working capital and current operations - Commercial Fund | | 2,165,517 |
| Growth and development reserve - General Fund | | 1,536,750 |
| Growth and development reserve - Commercial Fund | | 2,339,677 |
| Total unrestricted net position | $ | 7,464,302 |

## Note (9) Related Party Transactions

### *(a) Management Services*

University Center provides accounting and/or other management services to HSU Associated Students (AS). Based on agreements, University Center earned $165,910 from AS for services during the year ended June 30, 2015.

### *(b) Leases*

University Center has lease agreements with HSU that are described in Note 7.

As part of ongoing operations, University Center contributed $158,029 of dining goods and services to HSU during the year ended June 30, 2015.

## Note (10) Follett Operating Agreement

On June 16, 2011, University Center entered into an agreement with Follett Higher Education Group, Inc. (FOLLETT) for FOLLETT to provide exclusive contracted bookstore management services for the period of July 1, 2011 through June 30, 2018, the initial term per the contract. The agreement will renew automatically for three one-year periods beginning on the day after the last day of the initial term. During each agreement year, FOLLETT will pay a minimum annual guaranteed payment or the applicable percentage of net sales of the bookstore, whichever is greater, as detailed in the contract. For the year ended June 30, 2015, University Center received $395,980 from FOLLETT under the contract.

## Note (11) Cumulative Effect of Change in Accounting Principle

During the year ended June 30, 2015, the UC adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions, and related Statement No. 71. This pronouncement requires the restatement of the June 30, 2014, net position as follows:

| | | |
|---|---|---|
| Net position, June 30, 2014, as previously reported | $ | 10,075,601 |
| Cumulative effect of application of GASB 68, net pension liability | | (3,585,782) |
| Cumulative effect of application of GASB 71, deferred outflow of resources for UC contributions made to the Plan during fiscal year ending June 30, 2014 | | 212,471 |
| Net position, June 30, 2014, as restated | $ | 6,702,290 |

# REQUIRED SUPPLEMENTARY INFORMATION

**HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS**

Schedule of Funding Progress of
Other Postemployment Benefits
Year ended June 30, 2015

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) Entry Age (a) | Actuarial Value of Assets (b) | Unfunded Liability (UAAL) (a-b) | Funded Status (b/a) | Annual Covered Payroll (c) | UAAL as a % of Payroll ([a-b]/c) |
|---|---|---|---|---|---|---|
| 07/01/12 | $ 4,465,184 | $ 599,414 | $ 3,865,770 | 13% | $ 1,073,400 | 360% |
| 12/01/13 | 3,856,320 | 2,434,909 | 1,421,411 | 63% | 1,222,344 | 116% |
| 12/01/14 | 3,775,096 | 3,726,523 | 48,573 | 99% | 1,501,092 | 3% |

**HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS**

Schedule of University Center's Proportionate Share of the Net Pension Liability

California Public Employees Retirement Plan

Year ended June 30, 2015

| | 2015 | 2014 |
|---|---|---|
| University Center's proportion of the net pension liability (assets) | 0.05138% | not available |
| University Center's proportionate share of the net pension liability (asset) | $ 3,196,822 | $ 4,111,907 |
| University Center's covered-employee payroll | $ 1,529,647 | $ 1,485,095 |
| University Center's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 208.99% | 276.88% |
| Plan fiduciary net postion as a percentage of the total pension liability | 79.86% | 72.55% |

**HUMBOLDT STATE UNIVERSITY CENTER BOARD OF DIRECTORS**
Schedule of University Center's Contributions
California Public Employees Retirement Plan
Year ended June 30, 2015

| | |
|---|---|
| Actuarially Determined Contribution | $ 212,471 |
| Contributions in relation to the actuarially determined contribution | (212,471) |
| Contribution deficiency (excess) | - |
| University Center's covered-employee payroll | 1,529,647 |
| Contributions as a percentage of covered-employee payroll | 13.89% |

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

# OTHER SUPPLEMENTARY INFORMATION

**HUMBOLDT STATE UNIVERSITY CENTER**

Schedule of Net Position

June 30, 2015

(for inclusion in the California State University)

| | |
|---|---|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | $ 493,609 |
| Short-term investments | 8,088,063 |
| Accounts receivable, net | 266,517 |
| Leases receivable, current portion | — |
| Notes receivable, current portion | — |
| Pledges receivable, net | |
| Prepaid expenses and other assets | 207,006 |
| Total current assets | 9,055,195 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | — |
| 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 | 3,245,395 |
| Capital assets, net | 791,211 |
| Other assets | |
| Total noncurrent assets | 4,036,606 |
| Total assets | 13,091,801 |
| Deferred outflows of resources: | |
| Unamortized loss on refunding(s) | — |
| Net pension obligation | 265,777 |
| Others | — |
| Total deferred outflows of resources | 265,777 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 84,743 |
| Accrued salaries and benefits payable | 66,569 |
| Accrued compensated absences– current portion | 135,009 |
| Unearned revenue | 481,586 |
| Capitalized lease obligations – current portion | — |
| Long-term debt obligations – current portion | — |
| Claims Liability for losses and LAE - current portion | — |
| Depository accounts | — |
| Other liabilities | 170,752 |
| Total current liabilities | 938,659 |
| Noncurrent liabilities: | |
| 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 | — |
| Claims Liability for losses and LAE, net of current portion | — |
| Depository accounts | — |
| Other postemployment benefits obligation | — |
| Pension obligation | 3,196,822 |
| Other liabilities | — |
| Total noncurrent liabilities | 3,196,822 |
| Total liabilities | 4,135,481 |
| Deferred inflows of resources: | |
| Unamortized gain on debt refunding | — |
| Non-exchange transactions | — |
| Service concession arrangements | — |
| Net pension obligation | 966,584 |
| Others | — |
| Total deferred inflows of resources | 966,584 |
| Net Position: | |
| Net investment in capital assets | 791,211 |
| Restricted for: | |
| Nonexpendable -- endowments | — |
| Expendable: | |
| Scholarships and fellowships | |
| Research | |
| Loans | |
| Capital projects | — |
| Debt service | |
| Other | |
| Unrestricted | 7,464,302 |
| Total net position | $ 8,255,513 |

**HUMBOLDT STATE UNIVERSITY CENTER**

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

(for inclusion in the California State University)

| | | |
|---|---|---|
| Revenues: | | |
| Operating revenues: | | |
| Student tuition and fees (net of scholarship allowances of $________) | $ | 970,214 |
| 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 $________) | | 14,341,948 |
| Other operating revenues | | — |
| Total operating revenues | | 15,312,162 |
| 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 | | 14,320,265 |
| Depreciation and amortization | | 220,890 |
| Total operating expenses | | 14,541,155 |
| Operating income (loss) | | 771,007 |
| 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 | | 30,129 |
| Endowment income (loss), net | | — |
| Interest Expenses | | — |
| Other nonoperating revenues (expenses) | | 752,087 |
| Net nonoperating revenues (expenses) | | 782,216 |
| Income (loss) before other additions | | 1,553,223 |
| State appropriations, capital | | — |
| Grants and gifts, capital | | — |
| Additions (reductions) to permanent endowments | | — |
| Increase (decrease) in net position | | 1,553,223 |
| Net position: | | |
| Net position at beginning of year, as previously reported | | 10,075,601 |
| Restatements | | (3,373,311) |
| Net position at beginning of year, as restated | | 6,702,290 |
| Net position at end of year | $ | 8,255,513 |

**HUMBOLDT STATE UNIVERSITY CENTER**
Other Information
June 30, 2015
(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2015:**

| | | |
|---|---|---|
| Portion of restricted cash and cash equivalents related to endowments | $ | |
| All other restricted cash and cash equivalents | | - |
| Total restricted cash and cash equivalents | $ | - |

**2.1 Composition of investments at June 30, 2015:**

| | | 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) | | 8,088,063 | - | 8,088,063 | - | 3,245,395 | 3,245,395 | 11,333,458 |
| 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 | | - | - | - | - | - | - | - |
| Add description | | - | - | - | - | - | - | - |
| Add description | | - | - | - | - | - | - | - |
| Add description | | - | - | - | - | - | - | - |
| Add description | | - | - | - | - | - | - | - |
| Total investments | | 8,088,063 | - | 8,088,063 | - | 3,245,395 | 3,245,395 | 11,333,458 |
| Less endowment investments (enter as negative number) | | | | | | - | - | - |
| Total investments | | 8,088,063 | - | 8,088,063 | - | 3,245,395 | 3,245,395 | 11,333,458 |

**2.2 Investments held by the University under contractual agreements at June 30, 2015:**

| | Current Unrestricted | Current Restricted | Total Current | Noncurrent Unrestricted | Noncurrent Restricted | Total Noncurrent | Total |
|---|---|---|---|---|---|---|---|
| Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 : | - | - | - | - | - | - | - |

**2.3 Restricted current investments at June 30, 2015 related to:**

| | | Amount |
|---|---|---|
| Add description | $ | — |
| Add description | | — |
| Add description | | — |
| Add description | | — |
| Add description | | — |
| Add description | | — |
| Add description | | — |
| **Total restricted current investments at June 30, 2015** | $ | — |

**2.4 Restricted noncurrent investments at June 30, 2015 related to:**

| | | Amount |
|---|---|---|
| Endowment investment | $ | — |
| Cash reserved for postirement health benefits and pension obligations | | 3,245,395 |
| Add description | | |
| Add description | | |
| Add description | | |
| Add description | | |
| Add description | | — |
| Add description | | — |
| **Total restricted noncurrent investments at June 30, 2015** | $ | 3,245,395 |

See the accompanying auditors' report and note to supplementary information.

**HUMBOLDT STATE UNIVERSITY CENTER**
Other Information
June 30, 2015
(for inclusion in the California State University)

**3.1 Composition of capital assets at June 30, 2015:**

| | Balance June 30, 2014 | Prior period Adjustments | Reclassifications | Balance June 30, 2014 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2015 |
|---|---|---|---|---|---|---|---|---|
| Nondepreciable/nonamortizable capital assets: | | | | | | | | |
| Land and land improvements | $ - | - | - | - | - | - | - | - |
| Works of art and historical treasures | - | - | - | - | - | - | - | - |
| Construction work in progress (CWIP) | - | - | - | - | - | - | - | - |
| Intangible assets: | | | | | | | | |
| Rights and easements | - | - | - | - | - | - | - | - |
| Patents, copyrights and trademarks | - | - | - | - | - | - | - | - |
| Internally generated intangible assets in progress | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Other intangible assets: | | | | | | | | |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| Total intangible assets | - | - | - | - | - | - | - | - |
| Total nondepreciable/nonamortizable capital assets | - | - | - | - | - | - | - | - |
| Depreciable/amortizable capital assets: | | | | | | | | |
| Buildings and building improvements | 2,775,939 | - | - | 2,775,939 | - | - | - | 2,775,939 |
| Improvements, other than buildings | - | - | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - | - | - |
| Leasehold improvements | - | - | - | - | - | - | - | - |
| Personal property: | | | | | | | | |
| Equipment | 1,287,449 | - | - | 1,287,449 | 22,121 | - | - | 1,309,570 |
| Library books and materials | - | - | - | - | - | - | - | - |
| Intangible assets: | | | | | | | | |
| Software and websites | - | - | - | - | - | - | - | - |
| Rights and easements | - | - | - | - | - | - | - | - |
| Patents, copyright and trademarks | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Other intangible assets: | | | | | | | | |
| | | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| Total intangible assets | - | - | - | - | - | - | - | - |
| Total depreciable/amortizable capital assets | 4,063,388 | - | - | 4,063,388 | 22,121 | - | - | 4,085,509 |
| Total capital assets | 4,063,388 | - | - | 4,063,388 | 22,121 | - | - | 4,085,509 |
| Less accumulated depreciation/amortization: | | | | | | | | |
| Buildings and building improvements | (1,953,294) | - | - | (1,953,294) | (144,484) | - | | (2,097,778) |
| Improvements, other than buildings | - | - | - | - | - | - | | - |
| Infrastructure | - | - | - | - | - | - | | - |
| Leasehold improvements | - | - | - | - | - | - | | - |
| Personal property: | | | | | | | | |
| Equipment | (1,120,114) | - | - | (1,120,114) | (76,406) | - | | (1,196,520) |
| Library books and materials | - | - | - | - | - | - | | - |
| Intangible assets: | | | | | | | | |
| Software and websites | - | - | - | - | - | - | | - |
| Rights and easements | - | - | - | - | - | - | | - |
| Patents, copyright and trademarks | - | - | - | - | - | - | | - |
| Licenses and permits | - | - | - | - | - | - | | - |
| Other intangible assets: | | | | | | | | |
| Add description | - | - | - | - | - | - | | - |
| Add description | - | - | - | - | - | - | | - |
| Add description | - | - | - | - | - | - | | - |
| Add description | - | - | - | - | - | - | | - |
| Add description | - | - | - | - | - | - | | - |
| Total intangible assets | - | - | - | - | - | - | | - |
| Total accumulated depreciation/amortization | (3,073,408) | - | - | (3,073,408) | (220,890) | - | | (3,294,298) |
| Total capital assets, net | $ 989,980 | - | - | 989,980 | (198,769) | - | - | 791,211 |

See the accompanying auditors' report and note to supplementary information.

HUMBOLDT STATE UNIVERSITY CENTER
Other Information
June 30, 2015
(for inclusion in the California State University)

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:**

| | |
|---|---|
| Depreciation and amortization expense related to capital assets | $ 220,890 |
| Amortization expense related to other assets | — |
| Total depreciation and amortization | $ 220,890 |

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

| | Balance June 30, 2014 | Prior period adjustments | Reclassifications | Balance June 30, 2014 (restated) | Additions | Reductions | Balance June 30, 2015 | Current portion | Long-term portion |
|---|---|---|---|---|---|---|---|---|---|
| Accrued compensated absences | $ 116,730 | — | — | 116,730 | 111,832 | (93,553) | 135,009 | 135,009 | — |
| 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 | — | — | — | — | - | - | — | — | — |
| Note Payable related to SRB | — | — | — | — | - | - | — | — | — |
| Other: | | | | | | | | | |
| Add description | — | — | — | — | - | - | — | — | — |
| Add description | — | — | — | — | - | - | — | — | — |
| Add description | — | — | — | — | - | - | — | — | — |
| Add description | — | — | — | — | - | - | — | — | — |
| Add description | — | — | — | — | - | - | — | — | — |
| Add description | — | — | — | — | - | - | — | — | — |
| Total long-term debt obligations | — | — | — | — | - | - | — | — | — |
| Unamortized bond premium / (discount) | — | — | — | — | - | - | — | | — |
| Total long-term debt obligations, net | — | — | — | — | — | — | — | — | — |
| Total long-term liabilities | $ 116,730 | — | — | 116,730 | 111,832 | (93,553) | 135,009 | 135,009 | — |

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

| | Principal | Interest | Principal and Interest |
|---|---|---|---|
| Year ending June 30: | | | |
| 2015 | - | - | — |
| 2016 | - | - | — |
| 2017 | - | - | — |
| 2018 | - | - | — |
| 2019 | - | - | — |
| 2020 - 2024 | - | - | — |
| 2025 - 2029 | - | - | — |
| 2030 - 2034 | - | - | — |
| 2035 - 2039 | - | - | — |
| 2040 - 2044 | - | - | — |
| 2045 - 2049 | - | - | — |
| 2050 - 2054 | - | - | — |
| 2055 - 2059 | - | - | — |
| 2060 - 2064 | - | - | — |
| 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 the accompanying auditors' report and note to supplementary information.

**HUMBOLDT STATE UNIVERSITY CENTER**
Other Information
June 30, 2015
(for inclusion in the California State University)

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: | | | | | | | | | |
| 2015 | $ - | - | - | - | - | - | - | - | - |
| 2016 | - | - | - | - | - | - | - | - | - |
| 2017 | - | - | - | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020 - 2024 | - | - | - | - | - | - | - | - | - |
| 2025 - 2029 | - | - | - | - | - | - | - | - | - |
| 2030 - 2034 | - | - | - | - | - | - | - | - | - |
| 2035 - 2039 | - | - | - | - | - | - | - | - | - |
| 2040 - 2044 | - | - | - | - | - | - | - | - | - |
| 2045 - 2049 | - | - | - | - | - | - | - | - | - |
| 2050 - 2054 | - | - | - | - | - | - | - | - | - |
| 2055 - 2059 | - | - | - | - | - | - | - | - | - |
| 2060 - 2064 | - | - | - | - | - | - | - | - | - |
| Total | $ - | - | - | - | - | - | - | - | - |

7 **Calculation of net position**

| | Auxiliary Organizations | | Total |
|---|---|---|---|
| | **GASB** | **FASB** | **Auxiliaries** |
| **7.1 Calculation of net position - Net investment in capital assets** | | | |
| Capital assets, net of accumulated depreciation | $ 791,211 | | 791,211 |
| Capitalized lease obligations - current portion | — | — | — |
| Capitalized lease obligations, net of current portion | — | — | — |
| Long-term debt obligations - current portion | — | — | — |
| Long-term debt obligations, net of current portion | — | — | — |
| Portion of outstanding debt that is unspent at year-end | — | — | — |
| Other adjustments: (please list) | | | |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Net position - net investment in capital asset | $ 791,211 | — | 791,211 |
| **7.2 Calculation of net position - Restricted for nonexpendable - endowments** | | | |
| Portion of restricted cash and cash equivalents related to endowments | $ — | | — |
| Endowment investments | — | | — |
| Other adjustments: (please list) | | | |
| Add description | — | | — |
| Add description | — | | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| **Net position - Restricted for nonexpendable - endowments per SNP** | $ — | — | — |

See the accompanying auditors' report and note to supplementary information.

**HUMBOLDT STATE UNIVERSITY CENTER**
Other Information
June 30, 2015
(for inclusion in the California State University)

**8 Transactions with Related Entities**

| | | Amount |
|---|---|---|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | $ | 533,474 |
| Payments to University for other than salaries of University personnel | | 655,343 |
| Payments received from University for services, space, and programs | | 1,244,540 |
| Gifts-in-kind to the University from discretely presented component units | | 158,029 |
| Gifts (cash or assets) to the University from discretely presented component units | | — |
| Accounts (payable to) University (enter as negative number) | | (1,137) |
| Other amounts (payable to) University (enter as negative number) | | (46,039) |
| Accounts receivable from University | | 103,820 |
| Other amounts receivable from University | | 41,958 |

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

| | | |
|---|---|---|
| Annual required contribution (ARC) | $ | (752,087) |
| Contributions during the year | | (620,751) |
| Increase (decrease) in net OPEB obligation (NOO) | | (1,372,838) |
| NOO - beginning of year | | 1,421,411 |
| NOO - end of year | $ | 48,573 |

**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 | | — |
| Total pollution remediation liabilities | $ | — |
| Less: current portion | | — |
| Pollution remedition liabilities, net of current portion | | — |

HUMBOLDT STATE UNIVERSITY CENTER
Other Information
June 30, 2015
(for inclusion in the California State University)

**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, 2014, as previously reported | | $ 10,075,601 |
| Prior period adjustments: | | |
| 1 Cumulative effect of GASB 68, net pension liability | | (3,373,311) |
| 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, 2014, as restated | | $ 6,702,290 |

**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: Unrestricted | | |
| 1 Adjustment to recognize NPL as of 7/1/2014 | | |
| Net position | $ 3,585,782 | |
| Net pension liability | | 3,585,782 |
| Net position class: Unrestricted | | |
| 2 Adjustment to reclassify pension contributions during beg measurement period | | |
| Deferred ouflows of resources | 212,471 | |
| Net position | | 212,471 |
| 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 the accompanying auditors' report and note to supplementary information.

## NOTE 1 – SUPPLEMENTARY INFORMATION

As an auxiliary organization of the California State University (CSU), Humboldt State University Center Board of Directors (University Center) is required to include audited supplementary information in its financial statements in the form and content specified by CSU. As a result, there are differences in reporting format between University Center's financial statements and the supplementary schedules for CSU.

# ADDITIONAL INFORMATION

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Humboldt State University Center
Arcata, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Humboldt State University Center, a component unit of Humboldt State University (HSU), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Humboldt State University Center's basic financial statements, and have issued our report thereon dated October 8, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Humboldt State University Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Humboldt State University Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Humboldt State University Center's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Humboldt State University Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Bellevue, Washington
October 8, 2015