

HUMBOLDT STATE UNIVERSITY

Financial Statements

June 30, 2009 and 2008

UNAUDITED

HUMBOLDT STATE UNIVERSITY

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This section of Humboldt State University (the University) unaudited annual financial report presents our discussion and analysis of the financial performance of the University for fiscal years ended June 30, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

The financial statements include the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statements of cash flows. These statements are supported by the notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the University.

Statement of Net Assets – The statement of net assets includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net assets of the University.

Statement of Revenues, Expenses, and Changes in Net Assets – The statement of revenues, expenses, and changes in net assets 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 for the year and is 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 activities.

The statement of cash flows for the discretely presented auxiliary organizations is not included in the University's financial statements.

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the University's financial activities as of and for the years ended June 30, 2009 and 2008. Included is a comparative analysis of current year and prior year activities and balances; a discussion of restrictions of University net assets; and a discussion of capital assets and long-term debt.

The University's condensed summary of net assets as of June 30, 2009, 2008, and 2007 is as follows:

	Condensed Summary of Net Assets		
	June 30		
	2009	2008	2007
Assets:			
Current assets	\$ 44,181,163	28,136,572	25,777,287
Capital assets	201,788,762	179,479,225	153,051,662
Other noncurrent assets	53,770,321	27,379,056	44,103,515
Total assets	299,740,246	234,994,853	222,932,464
Liabilities:			
Current liabilities	46,906,508	20,649,687	19,137,881
Long-term debt obligations, net of current portion	73,109,835	22,228,066	20,618,165
Other noncurrent liabilities	7,948,750	6,965,748	7,083,245
Total liabilities	127,965,093	49,843,501	46,839,291
Net assets:			
Invested in capital assets, net of related debt	159,657,668	155,883,407	131,754,568
Restricted, nonexpendable	2,405,397	2,374,286	2,335,104
Restricted, expendable	5,226,893	16,822,534	33,592,189
Unrestricted	4,485,195	10,071,125	8,411,312
Total net assets	\$ 171,775,153	185,151,352	176,093,173

As of June 30, 2009

Assets

Total assets increased \$64.7 million from the prior year. This increase was due to a \$16.0 million increase in current assets, a \$22.3 million increase in capital assets, and a \$26.4 million increase in other noncurrent assets.

Total current assets increased \$16.0 million primarily due to an increase in short-term investments of \$16.2 million, an increase in prepaid expenses and other assets of \$0.2 million and an offsetting reduction in accounts receivable, current, of \$0.4 million. The primary reason for the increase in short-term investments was due to the allocation of ARRA funds of \$7.3 million, draws on CMS commercial paper of \$6.2 million, increase in State appropriations of \$2 million, and additional funds from fee increase of \$0.7 million. The increase in prepaid expenses and other assets and the reduction in accounts receivable, current, is due to timing.

Capital assets, net, increased \$22.3 million primarily due to a \$28.8 million increase in construction work in progress related to various projects, mostly construction of building, infrastructure, and other improvements, including the Forbes Physical Education Project and New Student Housing. Additions of equipment, library books, intangible assets, and infrastructure were \$1.2 million. Depreciation expense reduced the net balance by \$7.7 million.

The \$26.4 million increase in other noncurrent assets was primarily related to a \$35.6 million increase in other long term investments due to an increase in Student Revenue Bond (SRB) 2009A Housing Bond proceeds of \$43.9 million, less construction payments of \$8.2 million. In addition, there was a \$9.6 million decrease in non-current accounts receivable and a \$0.4 million increase in student loan receivables, net due to timing.

Liabilities

Total liabilities increased \$78.1 million from the prior year. This increase was due to a \$26.3 million increase in current liabilities, a \$50.9 million increase in capitalized leases and long-term debt obligations, net of current portion, a \$0.8 million increase in other postemployment benefits obligations, and a \$.01 increase in various noncurrent liabilities.

Total current liabilities increased \$26.3 million primarily due to a \$25.3 million increase in accounts payable as a result of to a \$19.5 million accrual related to the 2008-2009 budget adjustment due to the State of California. The remaining increase is primarily due to accruals for construction work in progress for the New Student Housing project, Behavioral and Social Sciences Building, and Forbes Physical Education project.

Capitalized leases and long-term debt obligations, net of current portion saw an increase of \$50.9 million. This was a result of Housing 2009A bond issuance of \$47.5 million offset by current year principal payments of \$1.8 million and reduction for reclassification of \$0.05 million to current debt. In addition, there were four CMS commercial paper draw downs for \$6.4 million, offset by a reduction of \$0.4 million for current year principal payments, and reduction for reclassification of \$0.8 million to capital lease current.

Other postemployment benefits obligation increased \$0.8 million as the accrued OPEB liability and expense for the CSU System was not allocated by campus in the prior year, and therefore was not recorded at HSU.

Net Assets

A significant portion of net assets at the end of the year is invested in capital assets. The decrease in net assets of \$13.4 million from the prior year is primarily related to a decrease of \$12.8 million in restricted expendable for capital projects, a decrease of \$5.6 million in unrestricted net assets, a decrease of \$.03 in restricted expendable for scholarships and fellowships, offset by an increase in invested in capital assets of \$3.8 million, and an increase in restricted expendable debt service of \$1.5 million.

As of June 30, 2008

Assets

Total assets increased \$12.1 million from the prior year. This increase was due to a \$2.4 million increase in current assets, a \$26.4 million increase in capital assets, and a \$16.7 million decrease in other noncurrent assets.

Total current assets increased \$2.4 million primarily due to an increase in short-term investments of \$1.9 million and an increase in accounts receivable, current, of \$0.5 million. The primary reason for the

increase in short-term investments and the reduction in cash and cash equivalents was due to changes in cash management processes. During fiscal years 2006 and 2007, the California State University System entered into new banking arrangements whereby the campus was permitted to invest daily excess cash, and retain only minimal balances with the State Treasury, resulting in the aforementioned changes in cash and investments.

Capital assets, net, increased \$26.4 million primarily due to \$33.2 million of current year additions, which were partially offset by \$6.7 million in current year depreciation expense. The \$33.2 million in current year additions is primarily related to the capitalization of several major projects, including the Physical Education Complex of \$17.2 million, the Common Management Systems Upgrade of \$4.9 million, the Harry Griffith Hall Building Remodel of \$2.3 million the Behavioral & Social Science Building of \$1.7 million and numerous smaller projects totaling \$7.0 million.

The \$16.7 million decrease in other noncurrent assets was primarily related to a \$16.6 million reduction in noncapital state appropriations receivable as a result of lower current year state appropriations for capital projects.

Liabilities

Total liabilities increased \$3.0 million from the prior year. This increase was due to a \$1.5 million increase in current liabilities and a \$1.6 million increase in capitalized leases and long-term debt obligations, net of current portion, which was partially offset by a \$0.1 million decrease in other noncurrent liabilities.

Total current liabilities increased \$1.5 million primarily due to a \$1.6 million increase in accounts payable primarily associated with the construction work in progress for the Physical Education Complex, the Common Management System Upgrade and the Harry Griffith Hall Building project. In addition, capitalized leases increased \$0.3 million due to the reclassification of the Common Management System lease payment from long-term to current. These increases were partially offset by a \$0.3 million decrease in accrued salaries, benefits and compensated absences as a result of \$0.4 million in retro pay that was paid in fiscal year 2008 but was accrued in fiscal year 2007.

Capitalized lease obligation, net of current portion saw an increase of \$2.6 million. This was the result of a \$2.6 million increase in the Common Management System project. Total long-term debt obligations, net of current portion, decreased \$1.0 million due to current year principal payments. Total other noncurrent liabilities decreased \$0.1 million.

Net Assets

A significant portion of net assets at the end of the year is invested in capital assets. The increase in net assets of \$9.1 million from the prior year is primarily related to an increase of \$24.1 million in invested in capital assets and, a decrease of \$17.3 million in net assets restricted for capital projects due to increases in amounts invested in capital assets. Additionally, there was an increase of \$0.1 million in net assets restricted for endowments and net assets restricted for loans, and an increase of \$0.3 million in net assets restricted for scholarships and fellowships. Unrestricted net assets and other expendable net assets increased \$1.7 million

Restricted Resources

Net assets of the University include funds that are restricted by donor or law. The following table summarizes which funds are restricted, the type of restriction, and the amount:

	Restricted Net Assets		
	June 30		
	2009	2008	2007
Expendable:			
Scholarships and fellowships	\$ 2,318,128	2,581,132	2,319,610
Loans	784,095	773,422	704,128
Capital projects	382,176	13,256,513	30,552,888
Debt service	1,521,038	15,203	15,563
Other	221,456	196,264	—
Total restricted net assets – expendable	\$ 5,226,893	16,822,534	33,592,189

As of June 30, 2009

Total restricted net assets – expendable decreased \$11.6 million. This is primarily due to a \$12.9 million decrease in net assets restricted for capital projects as a result of spending bond proceeds for the Physical Education Complex and New Student Housing project. In addition, there was an increase of \$1.5 in net assets restricted for debt service.

As of June 30, 2008

Total restricted net assets – expendable decreased \$16.8 million. This is primarily due to a \$17.3 million decrease in net assets restricted for capital projects as a result of spending bond proceeds for the Physical Education Complex project.

The University's condensed summary of revenues, expenses, and changes in net assets for the years ended June 30, 2009, 2008, and 2007 is as follows:

Condensed Summary of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30		
	2009	2008	2007
Operating revenues:			
Student tuition and fees, net	\$ 27,679,085	24,383,427	20,931,354
Grants and contracts, noncapital	—	—	—
Sales and services of educational activities	—	—	—
Sales and services of auxiliary enterprises, net	9,152,406	7,749,797	6,656,218
Other operating revenues	3,403,377	1,762,217	1,654,667
Total operating revenues	40,234,868	33,895,441	29,242,239
Operating expenses	(134,802,977)	(124,492,146)	(122,314,242)
Operating income (loss)	(94,568,109)	(90,596,705)	(93,072,003)
Nonoperating revenues (expenses):			
State appropriations, noncapital	54,832,476	77,128,158	72,954,616
Federal financial aid grants, noncapital	12,081,030	10,975,660	10,174,879
State and local financial aid grants, noncapital	4,443,068	3,870,236	3,326,280
Nongovernmental financial aid grants, noncapital	—	342,029	359,980
Other federal nonoperating grants, noncapital	7,314,200	—	—
Investment income, net	1,134,730	1,468,063	1,729,516
Other nonoperating revenues (expenses), net	(19,857)	730,985	420,688
Total nonoperating revenues (expenses)	79,785,647	94,515,131	88,965,959
Income (loss) before other additions	(14,782,462)	3,918,426	(4,106,044)
State appropriations, capital	(82,109)	5,080,055	4,835,338
Grants and gifts, capital	1,457,382	20,868	142,738
Additions to permanent endowments	30,990	38,830	48,711
Increase (decrease) in net assets	(13,376,199)	9,058,179	920,743
Beginning net assets	185,151,352	176,093,173	175,172,430
Ending net assets	\$ 171,775,153	185,151,352	176,093,173

Certain reclassifications have been made to the 2008 and 2007 condensed financial information to conform to the 2009 financial information presented. The changes were primarily related to the classification of certain financial aids grant revenues from operating revenues to nonoperating revenues. There was no impact on the previously reported changes in net assets or total net assets of the University.

Operating Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to the University's primary business function. This includes revenues from categories such as tuition and fees, certain grants and contracts that will be used for noncapital purposes, and sales and services of auxiliary enterprises. Expenses include categories such as salaries, benefits, supplies and other services, scholarships and fellowships, and depreciation and amortization. In this discussion and analysis, expenses are reported by functional program such as instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, student grants and scholarships, auxiliary enterprise expenses, and depreciation and amortization.

Operating Revenues

Year Ended June 30, 2009

The University recognized \$40.2 million in operating revenue during this fiscal year as compared to \$33.9 million in the prior year. The increase of \$6.3 million was primarily due to a \$3.3 million increase in student tuition and fees, net of scholarship allowances, a \$1.4 million increase in sales and services of auxiliary enterprises, net of scholarship allowances and a \$1.6 million increase in other operating revenue. Student tuition and fees, net, increased \$3.3 million from prior year primarily due to a 10% fee increase during the year as well as a 2% increase in enrollment. Sales and services of auxiliary enterprises, net, increased \$1.4 million from the prior year primarily due to an increase in housing revenue of \$1.8 million, offset by a decrease in parking revenue of \$0.4 million.

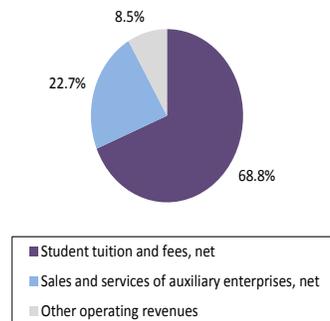
Year Ended June 30, 2008

The University recognized \$33.9 million in operating revenue during this fiscal year as compared to \$29.2 million in the prior year. The increase of \$4.7 million was primarily due to a \$3.2 million increase in student tuition and fees, net, a \$1.3 million increase in sales and services of auxiliary enterprises, net and a \$0.1 increase in other operating revenue. Student tuition and fees, net of scholarship allowances increased \$3.2 million from prior year primarily due to a 10% California State University student fee increase. Sales and services of auxiliary enterprises, net, increased \$1.3 million from the prior year primarily due to the result of the increase in the Instructionally Related Activities fees from \$49 to \$250 of which \$201 went directly to athletics which is an auxiliary organization.

The following charts present the proportional share that each category of operating revenues contributed to the total for fiscal years 2009, 2008 and 2007:

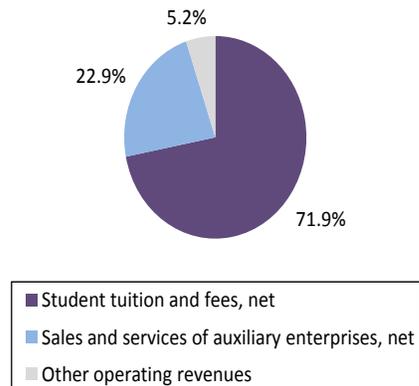
Operating Revenues
Year ended June 30, 2009

Student tuition and fees, net	\$ 27,679,085	68.8
Sales and services of auxiliary enterprises, net	9,152,406	22.7
Other operating revenues	<u>3,403,377</u>	<u>8.5</u>
Total operating revenues	<u>\$ 40,234,868</u>	<u>100.0%</u>



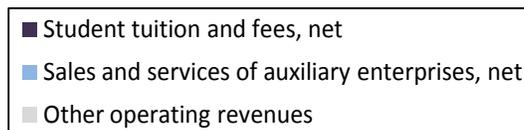
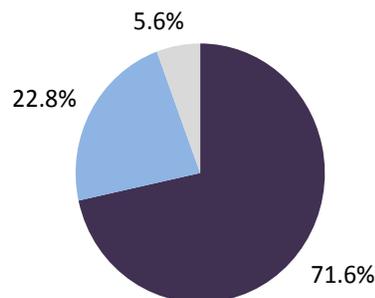
Operating Revenues
Year ended June 30, 2008

Student tuition and fees, net	\$ 24,383,427	71.9
Sales and services of auxiliary enterprises, net	7,749,797	22.9
Other operating revenues	<u>1,762,217</u>	<u>5.2</u>
Total operating revenues	<u>\$ 33,895,441</u>	<u>100.0%</u>



Operating Revenues
Year ended June 30, 2007

Student tuition and fees, net	\$ 20,931,354	71.6
Sales and services of educational activities	6,656,218	22.8
Other operating revenues	<u>1,654,667</u>	<u>5.6</u>
Total operating revenues	\$ 29,242,239	100.0%



Operating Expenses

Year Ended June 30, 2009

The University's operating expenses consist of salaries and fringe benefits of \$89.6 million, supplies and services of \$21.9 million, scholarships and fellowships of \$15.6 million, and depreciation of \$7.7 million. Total operating expenses increased by \$10.3 million, or 8.3%, primarily due to a \$3.0 million increase in operation and maintenance of plant, a \$1.9 million increase in instruction, a \$1.7 million increase in institutional support, a \$1.5 million increase in student grants and scholarships, a \$1.2 million increase in auxiliary enterprise expenses, and a \$0.9 million increase in depreciation and amortization expense. The increase in operation and maintenance of plant of \$2.9 million is primarily due to repair and deferred maintenance projects across the campus. Institutional support increased by \$1.7 million of which \$1.1 million is due to the reclassification of salaries related to faculty release time on grants and contracts between the campus and its' auxiliary organizations. The remainder increase is due to general operating activities. Student grants and scholarships increased by a \$1.5 million due to the Campus' 10% fee increase during the year, which resulted in higher State University Grants. Auxiliary Enterprise Expenses increased by \$1.2 million of which \$0.5 million of the increase is due to an increase in the accrual for auxiliary accounts payable balance and \$0.7 million of the increase is due to accrued OPEB liability and expense. In the prior year, the accrued OPEB liability and expense for the CSU System was not broken down by campus and therefore was not recorded at HSU. The remaining increase is due to the net effect of small fluctuations in CWIP, contractor retention accrual, salaries and benefits accrual, resident assistant housing and board costs, and the allowance for doubtful accounts. Depreciation and amortization increased by \$0.9 million due to the increase in new buildings, improvement and infrastructure additions.

Year Ended June 30, 2008

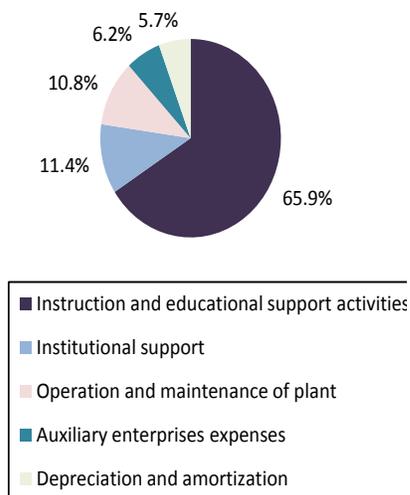
The University's operating expenses consist of salaries and fringe benefits of \$85.7 million, supplies and services of \$17.9 million, scholarships and fellowships of \$14.1 million, and depreciation of \$6.7 million. Total operating expenses increased by \$2.2 million, or 1.8%, primarily due to a \$1.4 million increase in auxiliary enterprises and a \$0.8 million increase in depreciation and amortization expense. The increase in the auxiliary enterprises was the direct result of the increase in operational expenses related to the increase

in the athletics IRA fee. As for the increase in depreciation and amortization expense, this can be traced to the increase in new buildings, improvement and infrastructure additions.

The following chart presents the distribution of resources in support of the University's mission for fiscal years 2009, 2008 and 2007:

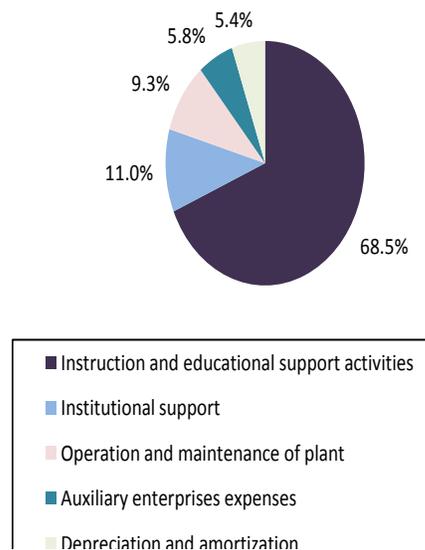
Operating Expenses
Year ended June 30, 2009

Instruction	\$ 44,449,502	33.0%
Public service	309,908	0.2
Academic support	13,281,739	9.9
Student services	15,147,490	11.2
Student grants and scholarships	<u>15,637,055</u>	<u>11.6</u>
Total instruction and educational support activities	88,825,694	65.9
Institutional support	15,322,956	11.4
Operation and maintenance of plant	14,539,910	10.8
Auxiliary enterprises expenses	8,445,833	6.2
Depreciation and amortization	<u>7,668,584</u>	<u>5.7</u>
Total operating expenses	\$ <u>134,802,977</u>	<u>100.0%</u>



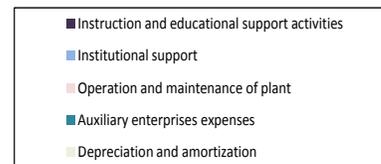
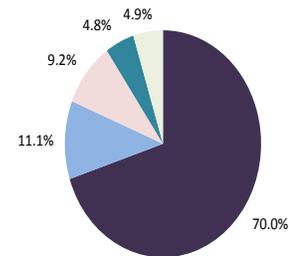
Operating Expenses
Year ended June 30, 2008

Instruction	\$ 42,517,290	34.2%
Public service	336,638	0.3
Academic support	13,203,411	10.6
Student services	15,162,171	12.2
Student grants and scholarships	<u>14,113,692</u>	<u>11.3</u>
Total instruction and educational support activities	85,333,202	68.5
Institutional support	13,631,618	11.0
Operation and maintenance of plant	11,579,997	9.3
Auxiliary enterprises expenses	7,214,312	5.8
Depreciation and amortization	<u>6,733,017</u>	<u>5.4</u>
Total operating expenses	\$ <u>124,492,146</u>	<u>100.0%</u>



Operating Expenses
Year ended June 30, 2007

Instruction	\$ 43,759,312	35.8%
Public service	286,831	0.2
Academic support	13,138,084	10.7
Student services	14,999,849	12.3
Student grants and scholarships	13,396,670	11.0
Total instruction and educational support activities	85,580,746	70.0
Institutional support	13,658,767	11.1
Operation and maintenance of plant	11,235,291	9.2
Auxiliary enterprises expenses	5,861,831	4.8
Depreciation and amortization	5,977,607	4.9
Total operating expenses	\$ 122,314,242	100.0%



Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) come from sources that are not part of the University's primary business functions. Included in this classification are categories such as state appropriations, certain financial aid grants, noncapital, grants and gifts, capital, investment income, and interest on capital-related debt.

Year Ended June 30, 2009

As the University is part of the California State University System, which is an agency of the State of California, the University's operations are funded primarily from appropriations of state tax revenues. Appropriations used for purposes of acquisition of capital assets totaled (\$0.08) million for the fiscal year ended June 30, 2009, due to a payback of appropriations, down from \$5.1 million for the fiscal year ended June 30, 2008. General (noncapital) appropriation revenues totaled \$54.8 million, a decrease of \$22.3 million from the prior year. Federal and state financial aid grants (noncapital) increased \$1.7 million from prior year due to an increase in disbursement of financial aid grants. Other Federal nonoperating grants increased \$7.3 million due to the ARRA funding. Investment income was \$1.1 million, a decrease of \$0.3 million from prior year primarily due to lower interest rates. Other nonoperating revenues, net, increased \$0.4 million.

Year Ended June 30, 2008

As the University is part of the California State University System, which is an agency of the State of California, the University's operations are funded primarily from appropriations of state tax revenues. Appropriations used for purposes of acquisition of capital assets totaled \$5.1 million for the fiscal year ended June 30, 2008, up from \$4.8 million for the fiscal year ended June 30, 2007. General (noncapital) appropriation revenues totaled \$77.1 million, an increase of \$4.2 million from the prior year. Federal and state financial aid grants (noncapital) increased \$1.3 million from prior year. This increase was related to an increase of \$1.0 million in the federal Pell Grants and a \$0.3 million increase in the state Cal Grants. Investment income was \$1.5 million, a decrease of \$0.3 million from prior year primarily due to lower interest rates.

Capital Assets and Long-Term Debt Obligations

Capital Assets

Capital assets, net of accumulated depreciation, are shown below:

	June 30		
	2009	2008	2007
Land and land improvements	\$ 3,934,725	3,934,725	3,934,725
Works of art and historical treasures	152,941	152,941	152,941
Buildings and building improvements	128,473,618	87,605,044	61,590,015
Improvements, other than buildings	5,400,922	4,890,582	4,625,211
Infrastructure	25,493,713	25,675,183	26,444,919
Personal property	3,862,452	3,925,469	4,500,504
Intangible assets	147,877	179,441	26,952
Construction work in progress	34,322,514	53,115,840	51,776,395
Total capital assets, net of accumulated depreciation	\$ 201,788,762	179,479,225	153,051,662

As of June 30, 2009

Capital assets increased \$22.3 million primarily due to \$28.8 million of capitalization of construction work in progress related to various projects, shown below. Additions of equipment, library books, intangible assets, and infrastructure was \$1.2 million. Current year additions were partially offset by \$7.7 million in current year depreciation expense.

Capitalization of construction work in progress related to the following (in millions):

New Student Housing Project	\$ 13.9
Physical Education Complex	5.7
CMS Upgrade	4.4
Behavioral & Social Science Building	2.7
Nursing Facility Improvements	0.7
Schatz Energy Research Center	0.5
Boating Instruction Safety Center	0.1
Music Building Photovoltaic	0.1
All other projects	0.7
	\$ 28.8

These expenditures were funded primarily from state capital appropriations. Capital assets commitments at June 30, 2009 totaled \$42.2 million.

As of June 30, 2008

Capital assets increased \$26.4 million primarily due to \$33.2 million of current year additions, which was partially offset by \$6.7 million in current year depreciation expense. The \$33.2 million in current year additions is primarily due to the following projects.

Major capital projects additions during fiscal year 2008 are as follows (in millions):

Physical Education Complex	\$	17.2
CMS Upgrade		4.9
Harry Griffith Hall Building Remodel		2.3
Behavioral & Social Science Building		1.7
New Student Housing Project		1.6
Nelson Hall Select Systems Renewal		1.5
All other projects and Equipment Purchases		4.0
	\$	<u>33.2</u>

These expenditures were funded primarily from state capital appropriations. Capital assets commitments at June 30, 2008 totaled \$17.8 million.

Long-Term Debt Obligations

Debt outstanding at June 30, 2009, 2008, and 2007 is summarized below by type of debt instrument:

	<u>2009</u>	<u>June 30 2008</u>	<u>2007</u>
Systemwide Revenue Bonds:			
Series 2002A	\$ 3,055,000	3,125,000	3,200,000
Series 2004A	3,580,000	3,650,000	3,715,000
Series 2005A	2,145,000	2,365,000	2,580,000
Series 2005B	5,105,000	5,370,000	5,625,000
Series B		—	87,294
Series 2009A	47,475,000	—	—
GE Capital Public Finance, Inc	2,907,106	3,255,170	3,588,512
Capital Leases	<u>11,981,063</u>	<u>5,916,446</u>	<u>3,062,944</u>
Total	76,248,169	23,681,616	21,858,750
Unamortized bond premium (discount)	286,992	314,504	342,016
Unamortized loss on refunding	<u>(1,192,427)</u>	<u>(385,044)</u>	<u>(420,467)</u>
Total long-term debt	75,342,734	23,611,076	21,780,299
Less current portion	<u>(1,028,437)</u>	<u>(1,383,010)</u>	<u>(1,162,134)</u>
Long-term debt, net of current portion	<u>\$ 74,314,297</u>	<u>22,228,066</u>	<u>20,618,165</u>

As of June 30, 2009

During fiscal year 2009, the University issued Series 2009A Housing Bonds. These were issued to finance the New Student Housing Project.

As of June 30, 2008

During fiscal year 2008, the University did not issue any new debt or refinance any existing debt.

HUMBOLDT STATE UNIVERSITY

Statement of Net Assets

June 30, 2009

Assets	University	Auxiliary Organizations	Total
Current assets:			
Cash and cash equivalents	\$ 8,400	1,750,697	1,759,097
Short-term investments	41,774,009	14,206,163	55,980,172
Accounts receivable, net	1,402,581	3,760,681	5,163,262
Pledges receivable, net	30,000	—	30,000
Prepaid expenses and other assets	966,173	1,987,458	2,953,631
Total current assets	<u>44,181,163</u>	<u>21,704,999</u>	<u>65,886,162</u>
Noncurrent assets:			
Accounts receivable, net	8,159,298	—	8,159,298
Student loans receivable, net	3,997,172	—	3,997,172
Pledges receivable, net	—	4,176	4,176
Endowment investments	2,405,397	13,294,890	15,700,287
Other long-term investments	39,076,576	6,080,565	45,157,141
Capital assets, net	201,788,762	3,128,463	204,917,225
Other assets	131,878	686,217	818,095
Total noncurrent assets	<u>255,559,083</u>	<u>23,194,311</u>	<u>278,753,394</u>
Total assets	<u>\$ 299,740,246</u>	<u>44,899,310</u>	<u>344,639,556</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 33,580,336	1,506,186	35,086,522
Accrued salaries and benefits payable	5,913,771	467,453	6,381,224
Accrued compensated absences – current portion	3,118,879	319,026	3,437,905
Deferred revenue	832,852	1,144,045	1,976,897
Capitalized lease obligations – current portion	1,204,462	—	1,204,462
Long-term debt obligations – current portion	1,028,437	—	1,028,437
Other liabilities	1,227,771	902,011	2,129,782
Total current liabilities	<u>46,906,508</u>	<u>4,338,721</u>	<u>51,245,229</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	2,066,678	—	2,066,678
Grants refundable	4,857,209	—	4,857,209
Capitalized lease obligations, net of current portion	10,776,601	—	10,776,601
Long-term debt obligations, net of current portion	62,333,234	2,535,000	64,868,234
Depository accounts	230,162	—	230,162
Other postemployment benefits obligation	794,701	—	794,701
Other liabilities	—	7,440,270	7,440,270
Total noncurrent liabilities	<u>81,058,585</u>	<u>9,975,270</u>	<u>91,033,855</u>
Total liabilities	<u>127,965,093</u>	<u>14,313,991</u>	<u>142,279,084</u>

HUMBOLDT STATE UNIVERSITY

Statement of Net Assets

June 30, 2009

(continued)

	<u>University</u>	<u>Auxiliary Organizations</u>	<u>Total</u>
Net assets:			
Invested in capital assets, net of related debt	159,657,668	3,128,463	162,786,131
Restricted for:			
Nonexpendable – endowments	2,405,397	15,045,697	17,451,094
Expendable:			
Scholarships and fellowships	2,318,128	—	2,318,128
Research	—	—	—
Loans	784,095	—	784,095
Capital projects	382,176	—	382,176
Debt service	1,521,038	—	1,521,038
Other	221,456	3,378,237	3,599,693
Unrestricted	4,485,195	9,032,922	13,518,117
Total net assets	<u>\$ 171,775,153</u>	<u>30,585,319</u>	<u>202,360,472</u>

HUMBOLDT STATE UNIVERSITY

Statement of Net Assets

June 30, 2008

Assets	University	Auxiliary Organizations	Total
Current assets:			
Cash and cash equivalents	\$ 9,700	1,281,855	1,291,555
Short-term investments	25,539,511	13,725,098	39,264,609
Accounts receivable, net	1,807,736	2,893,639	4,701,375
Pledges receivable, net	30,000	—	30,000
Prepaid expenses and other assets	749,625	1,641,349	2,390,974
Total current assets	28,136,572	19,541,941	47,678,513
Noncurrent assets:			
Accounts receivable, net	17,748,607	—	17,748,607
Student loans receivable, net	3,631,726	—	3,631,726
Pledges receivable, net	30,000	4,176	34,176
Endowment investments	2,374,286	16,072,921	18,447,207
Other long-term investments	3,429,084	5,394,946	8,824,030
Capital assets, net	179,479,225	2,879,735	182,358,960
Other assets	165,353	726,217	891,570
Total noncurrent assets	206,858,281	25,077,995	231,936,276
Total assets	\$ 234,994,853	44,619,936	279,614,789
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 8,271,764	375,971	8,647,735
Accrued salaries and benefits payable	6,353,710	98,277	6,451,987
Accrued compensated absences – current portion	3,101,451	327,829	3,429,280
Deferred revenue	1,073,646	125,286	1,198,932
Capitalized lease obligations – current portion	409,946	—	409,946
Long-term debt obligations – current portion	973,064	—	973,064
Other liabilities	466,106	2,565,312	3,031,418
Total current liabilities	20,649,687	3,492,675	24,142,362
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	2,164,049	—	2,164,049
Grants refundable	4,583,945	—	4,583,945
Capitalized lease obligations, net of current portion	5,506,500	—	5,506,500
Long-term debt obligations, net of current portion	16,721,566	—	16,721,566
Depository accounts	217,754	—	217,754
Other liabilities	—	6,429,401	6,429,401
Total noncurrent liabilities	29,193,814	6,429,401	35,623,215
Total liabilities	49,843,501	9,922,076	59,765,577

HUMBOLDT STATE UNIVERSITY

Statement of Net Assets

June 30, 2008

(continued)

	<u>University</u>	<u>Auxiliary Organizations</u>	<u>Total</u>
Net assets:			
Invested in capital assets, net of related debt	155,883,407	2,879,735	158,763,142
Restricted for:			
Nonexpendable – endowments	2,374,286	14,855,220	17,229,506
Expendable:			
Scholarships and fellowships	2,581,132	—	2,581,132
Loans	773,422	—	773,422
Capital projects	13,256,513	—	13,256,513
Debt service	15,203	—	15,203
Other	196,264	6,521,543	6,717,807
Unrestricted	10,071,125	10,441,362	20,512,487
Total net assets	\$ 185,151,352	34,697,860	219,849,212

HUMBOLDT STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2009

	<u>University</u>	<u>Auxiliary Organizations</u>	<u>Total</u>
Revenues:			
Operating revenues:			
Student tuition and fees (net of scholarship allowances of \$9,826,133)	\$ 27,679,085	2,105,160	29,784,245
Grants and contracts, noncapital:			
Federal	—	6,546,307	6,546,307
State	—	3,454,773	3,454,773
Local	—	402,618	402,618
Nongovernmental	—	2,081,379	2,081,379
Sales and services of auxiliary enterprises (net of scholarship allowances of \$1,336,947)	9,152,406	17,830,179	26,982,585
Other operating revenues	3,403,377	1,375,904	4,779,281
Total operating revenues	<u>40,234,868</u>	<u>33,796,320</u>	<u>74,031,188</u>
Expenses:			
Operating expenses:			
Instruction	44,449,502	2,079,278	46,528,780
Research	—	6,542,567	6,542,567
Public service	309,908	3,428,912	3,738,820
Academic support	13,281,739	619,306	13,901,045
Student services	15,147,490	1,033,866	16,181,356
Institutional support	15,322,956	1,146,778	16,469,734
Operation and maintenance of plant	14,539,910	10,075	14,549,985
Student grants and scholarships	15,637,055	115,119	15,752,174
Auxiliary enterprise expenses	8,445,833	18,004,189	26,450,022
Depreciation and amortization	7,668,584	246,962	7,915,546
Total operating expenses	<u>134,802,977</u>	<u>33,227,052</u>	<u>168,030,029</u>
Operating gain/ (loss)	<u>(94,568,109)</u>	<u>569,268</u>	<u>(93,998,841)</u>
Nonoperating revenues (expenses):			
State appropriations, noncapital	54,832,476	—	54,832,476
Federal financial aid grants, noncapital	12,081,030	—	12,081,030
State financial aid grants, noncapital	4,443,068	—	4,443,068
Other federal nonoperating grants, noncapital	7,314,200	—	7,314,200
Gifts, noncapital	339,468	1,192,195	1,531,663
Investment income (loss), net	1,134,730	(293,647)	841,083
Endowment income (loss), net	42,523	(2,668,829)	(2,626,306)
Interest expense	(1,619,961)	—	(1,619,961)
Other nonoperating revenues (expenses), net	1,218,113	(2,984,394)	(1,766,281)
Net nonoperating revenues (expenses)	<u>79,785,647</u>	<u>(4,754,675)</u>	<u>75,030,972</u>
(Loss) before other additions	<u>(14,782,462)</u>	<u>(4,185,407)</u>	<u>(18,967,869)</u>
State appropriations, capital	(82,109)	—	(82,109)
Grants and gifts, capital	1,457,382	—	1,457,382
Additions to permanent endowments	30,990	273,927	304,917
(Decrease) in net assets	<u>(13,376,199)</u>	<u>(3,911,480)</u>	<u>(17,287,679)</u>
Net assets:			
Net assets at beginning of year, restated	<u>185,151,352</u>	<u>34,496,799</u>	<u>219,648,151</u>
Net assets at end of year	<u>\$ 171,775,153</u>	<u>30,585,319</u>	<u>202,360,472</u>

HUMBOLDT STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2008

	<u>University</u>	<u>Auxiliary Organizations</u>	<u>Total</u>
Revenues:			
Operating revenues:			
Student tuition and fees (net of scholarship allowances of \$9,608,194)	\$ 24,383,427	2,109,629	26,493,056
Grants and contracts, noncapital:			
Federal	—	6,115,627	6,115,627
State	—	3,527,142	3,527,142
Local	—	—	—
Nongovernmental	—	2,164,538	2,164,538
Sales and services of auxiliary enterprises (net of scholarship allowances of \$1,081,266)	7,749,797	16,497,683	24,247,480
Other operating revenues	1,762,217	1,769,095	3,531,312
Total operating revenues	<u>33,895,441</u>	<u>32,183,714</u>	<u>66,079,155</u>
Expenses:			
Operating expenses:			
Instruction	42,517,290	1,795,858	44,313,148
Research	—	7,098,847	7,098,847
Public service	336,638	3,796,912	4,133,550
Academic support	13,203,411	521,478	13,724,889
Student services	15,162,171	1,303,694	16,465,865
Institutional support	13,631,618	718,960	14,350,578
Operation and maintenance of plant	11,579,997	268,453	11,848,450
Student grants and scholarships	14,113,692	162,290	14,275,982
Auxiliary enterprise expenses	7,214,312	17,279,891	24,494,203
Depreciation and amortization	6,733,017	234,715	6,967,732
Total operating expenses	<u>124,492,146</u>	<u>33,181,098</u>	<u>157,673,244</u>
Operating loss	<u>(90,596,705)</u>	<u>(997,384)</u>	<u>(91,594,089)</u>
Nonoperating revenues (expenses):			
State appropriations, noncapital	77,128,158	—	77,128,158
Federal financial aid grants, noncapital	10,975,660	—	10,975,660
State financial aid grants, noncapital	3,870,236	—	3,870,236
Other federal nonoperating grants, noncapital	342,029	—	342,029
Gifts, noncapital	676,248	1,361,667	2,037,915
Investment income, net	1,468,063	436,542	1,904,605
Endowment income (loss), net	102,119	(491,670)	(389,551)
Interest expense	(887,711)	—	(887,711)
Other nonoperating revenues (expenses), net	840,329	(1,062,998)	(222,669)
Net nonoperating revenues (expenses)	<u>94,515,131</u>	<u>243,541</u>	<u>94,758,672</u>
Income (loss) before other additions	3,918,426	(753,843)	3,164,583
State appropriations, capital	5,080,055	—	5,080,055
Grants and gifts, capital	20,868	—	20,868
Additions to permanent endowments	38,830	131,157	169,987
Increase (decrease) in net assets	<u>9,058,179</u>	<u>(622,686)</u>	<u>8,435,493</u>
Net assets:			
Net assets at beginning of year, restated	<u>176,093,173</u>	<u>35,320,546</u>	<u>211,413,719</u>
Net assets at end of year	<u>\$ 185,151,352</u>	<u>34,697,860</u>	<u>219,849,212</u>

HUMBOLDT STATE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	University	
	2009	2008
Cash flows from operating activities:		
Student tuition and fees	\$ 27,308,685	24,187,546
Payments to suppliers	(24,309,646)	(18,835,861)
Payments to employees	(90,071,055)	(86,233,122)
Payments to students	(16,193,864)	(14,806,795)
Collections of student loans	463,880	549,251
Sales and services of auxiliary enterprises	9,205,101	7,868,421
Other receipts (payments)	3,880,457	1,195,863
Net cash (used in) operating activities	(89,716,442)	(86,074,697)
Cash flows from noncapital financing activities:		
State appropriations	74,362,361	77,130,149
Federal financial aid grants	12,081,886	11,132,594
State financial aid grants	4,443,068	3,870,236
Nongovernmental and other financial aid grants	—	342,029
Other federal nonoperating grants	7,314,200	—
Gifts and grants received for other than capital purposes	370,458	746,078
Federal loan program receipts	28,538,042	27,133,669
Federal loan program disbursements	(28,521,807)	(27,117,434)
Monies received on behalf of others	5,244,624	4,978,309
Monies disbursed on behalf of others	(5,217,456)	(4,896,830)
Other noncapital financing activities	1,418,517	788,523
Net cash provided by noncapital financing activities	100,033,893	94,107,323
Cash flows from capital and related financing activities:		
Proceeds from capital debt	58,739,376	—
State appropriations	9,677,758	21,682,683
Capital grants and gifts	1,457,383	20,868
Acquisition of capital assets	(14,677,986)	(27,653,832)
Principal paid on capital debt and leases	(12,819,045)	(1,162,134)
Interest paid on capital debt and leases	(1,960,388)	(1,045,415)
Net cash provided by capital and related financing activities	40,417,098	(8,157,830)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	993,493	68,632,080
Purchases of investments	(52,906,595)	(68,702,879)
Investment income received	1,177,253	42,273
Net cash (used in) investing activities	(50,735,849)	(28,526)
Net (decrease) in cash and cash equivalents	(1,300)	(153,730)
Cash and cash equivalents at beginning of year	9,700	163,430
Cash and cash equivalents at end of year	\$ 8,400	9,700

HUMBOLDT STATE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(continued)

	University	
	2009	2008
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (94,568,109)	(90,596,705)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,668,584	6,733,017
Change in assets and liabilities:		
Accounts receivable, net	400,170	(676,029)
Student loans receivable, net	(365,447)	(181,156)
Pledges receivable, net	30,000	—
Prepaid expenses and other assets	(216,547)	(68,050)
Accounts payable	(3,079,587)	(812,824)
Accrued salaries and benefits	(439,939)	(828,167)
Accrued compensated absences	(79,943)	317,561
Deferred revenue	(240,794)	32,417
Depository accounts	285,671	9,230
Other postemployment benefits obligation	794,701	
Other liabilities	94,799	(3,991)
Net cash (used in) operating activities	\$ (89,716,441)	(86,074,697)
Supplemental schedules of noncash transactions:		
Acquisition of capital asset through capital lease	\$ 6,275,950	2,846,757
Acquisition of capital asset through long-term debt obligation (other than capital lease)	159,624	—
Construction work in progress acquired from the Office of the Chancellor	—	135,561
Change in accrued capital asset costs (purchased but unpaid at year-end)	8,849,415	2,391,548
Amortization of bond premium (discount)	27,512	27,512
Amortization of loss on refunding(s)	42,148	35,423
Loss on refunding	(849,531)	

(1) Organization

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

The University provides instruction for baccalaureate and masters' degrees, and certificate programs and operates various auxiliary enterprises such as student dormitories, student unions, and parking facilities. In addition, the University administers a variety of financial aid programs, which are funded primarily through state and federal programs.

(2) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

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

The discretely presented auxiliary organizations are as follows:

- Humboldt State University, Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- Humboldt State University, Advancement Foundation

Summary information for the discretely presented auxiliary organizations is as follows:

June 30, 2009	Humboldt State University, Sponsored Programs Foundation	Associated Students of Humboldt State University	Humboldt State University, Center Board of Directors	Humboldt State University Advancement Foundation	Total
Current assets	\$ 7,981,625	884,198	12,587,272	251,904	21,704,999
Capital assets, net	2,211,152	9,988	907,323	—	3,128,463
Other noncurrent assets	727,780	10,000	—	19,328,068	20,065,848
Total assets	<u>10,920,557</u>	<u>904,186</u>	<u>13,494,595</u>	<u>19,579,972</u>	<u>44,899,310</u>
Current liabilities	2,496,605	356,229	1,393,126	92,761	4,338,721
Noncurrent liabilities	—	—	7,440,270	2,535,000	9,975,270
Total liabilities	<u>2,496,605</u>	<u>356,229</u>	<u>8,833,396</u>	<u>2,627,761</u>	<u>14,313,991</u>
Invested in capital assets, net of related debt	2,211,152	9,988	907,323	—	3,128,463
Restricted	—	—	—	18,423,934	18,423,934
Unrestricted	6,212,800	537,969	3,753,876	(1,471,723)	9,032,922
Total net assets	<u>\$ 8,423,952</u>	<u>547,957</u>	<u>4,661,199</u>	<u>16,952,211</u>	<u>30,585,319</u>
Year Ended June 30, 2009					
Operating revenues:					
Student tuition and fees	\$ 519,293	735,867	850,000	—	2,105,160
Grants and contracts, noncapital	12,485,077	—	—	—	12,485,077
Sales and services of auxiliary enterprises, net	1,926,861	725,547	15,177,771	—	17,830,179
Other	1,375,904	—	—	—	1,375,904
Total operating revenues	<u>16,307,135</u>	<u>1,461,414</u>	<u>16,027,771</u>	<u>—</u>	<u>33,796,320</u>

<u>Year Ended June 30, 2009</u>	<u>Humboldt State University Sponsored Programs Foundation</u>	<u>Associated Students of Humboldt State University</u>	<u>Humboldt State University Center Board of Directors</u>	<u>Humboldt State University Advancement Foundation</u>	<u>Total</u>
Operating expenses:					
Instruction	\$ 2,079,278	—	—	—	2,079,278
Research	6,542,567	—	—	—	6,542,567
Public service	3,428,912	—	—	—	3,428,912
Academic support	619,306	—	—	—	619,306
Student services	1,033,866	—	—	—	1,033,866
Institutional support	1,146,778	—	—	—	1,146,778
Operation and maintenance of plant	10,075	—	—	—	10,075
Student grants and scholarships	115,119	—	—	—	115,119
Auxiliary enterprise expenses	1,001,048	1,557,049	15,446,092	—	18,004,189
Depreciation and amortization	27,180	5,331	214,451	—	246,962
Total operating expenses	<u>16,004,129</u>	<u>1,562,380</u>	<u>15,660,543</u>	<u>—</u>	<u>33,227,052</u>
Operating income (loss)	303,006	(100,966)	367,228	—	569,268
Net nonoperating revenues (expenses)	<u>426,485</u>	<u>33,427</u>	<u>(392,073)</u>	<u>(4,822,514)</u>	<u>(4,754,675)</u>
Income (loss) before other additions	729,491	(67,539)	(24,845)	(4,822,514)	(4,185,407)
Grants and gifts, capital Additions to permanent endowments	<u>—</u>	<u>—</u>	<u>—</u>	<u>273,927</u>	<u>273,927</u>
(Decrease) in net assets	729,491	(67,539)	(24,845)	(4,548,587)	(3,911,480)
Beginning net assets, July 1, 2008	<u>7,694,461</u>	<u>615,496</u>	<u>4,686,044</u>	<u>21,500,798</u>	<u>34,496,799</u>
Ending net assets, June 30, 2009	<u>\$ 8,423,952</u>	<u>547,957</u>	<u>4,661,199</u>	<u>16,952,211</u>	<u>30,585,319</u>

June 30, 2008	Humboldt State University, Sponsored Programs Foundation	Associated Students of Humboldt State University	Humboldt State University, Center Board of Directors	Humboldt State University Advancement Foundation	Total
Current assets	\$ 6,951,704	970,625	11,421,892	197,720	19,541,941
Capital assets, net	1,876,996	15,319	987,420	—	2,879,735
Other noncurrent assets	727,780	10,000	—	21,460,480	22,198,260
Total assets	<u>9,556,480</u>	<u>995,944</u>	<u>12,409,312</u>	<u>21,658,200</u>	<u>44,619,936</u>
Current liabilities	1,992,173	380,448	962,652	157,402	3,492,675
Noncurrent liabilities	—	—	6,429,401	—	6,429,401
Total liabilities	<u>1,992,173</u>	<u>380,448</u>	<u>7,392,053</u>	<u>157,402</u>	<u>9,922,076</u>
Invested in capital assets, net of related debt	1,876,996	15,319	987,420	—	2,879,735
Restricted	—	—	—	21,376,763	21,376,763
Unrestricted	5,687,311	600,177	4,029,839	124,035	10,441,362
Total net assets	<u>\$ 7,564,307</u>	<u>615,496</u>	<u>5,017,259</u>	<u>21,500,798</u>	<u>34,697,860</u>
Year Ended June 30, 2008					
Operating revenues:					
Student tuition and fees	\$ 443,327	741,597	924,705	—	2,109,629
Grants and contracts, noncapital	11,807,307	—	—	—	11,807,307
Sales and services of auxiliary enterprises, net	1,504,925	682,963	14,309,795	—	16,497,683
Other	1,769,095	—	—	—	1,769,095
Total operating revenues	<u>15,524,654</u>	<u>1,424,560</u>	<u>15,234,500</u>	<u>—</u>	<u>32,183,714</u>

<u>Year Ended June 30, 2008</u>	<u>Humboldt State University Sponsored Programs Foundation</u>	<u>Associated Students of Humboldt State University</u>	<u>Humboldt State University Center Board of Directors</u>	<u>Humboldt State University Advancement Foundation</u>	<u>Total</u>
Operating expenses:					
Instruction	\$ 1,795,858	—	—	—	1,795,858
Research	7,098,847	—	—	—	7,098,847
Public service	3,796,912	—	—	—	3,796,912
Academic support	521,478	—	—	—	521,478
Student services	1,303,694	—	—	—	1,303,694
Institutional support	718,960	—	—	—	718,960
Operation and maintenance of plant	268,453	—	—	—	268,453
Student grants and scholarships	162,290	—	—	—	162,290
Auxiliary enterprise expenses	1,009,930	1,411,293	14,858,668	—	17,279,891
Depreciation and amortization	36,668	5,117	192,930	—	234,715
	<u>16,713,090</u>	<u>1,416,410</u>	<u>15,051,598</u>	<u>—</u>	<u>33,181,098</u>
Operating income (loss)	(1,188,436)	8,150	182,902	—	(997,384)
Net nonoperating revenues (expenses)					
	<u>942,477</u>	<u>23,862</u>	<u>432,863</u>	<u>(1,155,661)</u>	<u>243,541</u>
Income (loss) before other additions	(245,959)	32,012	615,765	(1,155,661)	(753,843)
Grants and gifts, capital Additions to permanent endowments					
	—	—	—	—	—
	—	—	—	131,157	131,157
(Decrease) in net assets	(245,959)	32,012	615,765	(1,024,504)	(622,686)
Beginning net assets, July 1, 2007	<u>7,810,266</u>	<u>583,484</u>	<u>4,401,494</u>	<u>22,525,302</u>	<u>35,320,546</u>
Ending net assets, June 30, 2008	<u>\$ 7,564,307</u>	<u>615,496</u>	<u>5,017,259</u>	<u>21,500,798</u>	<u>34,697,860</u>

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

The financial statements present only the statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of California that is attributable to the transactions of the University and the financial statements do not purport to, and do not, present fairly the financial position of the State of

California or the California State University System as of June 30, 2009 and 2008 and the changes in their financial position, or, where applicable, their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

(b) *Basis of Presentation*

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The auxiliary organizations included in these financial statements apply the accounting and reporting standards promulgated by the Financial Accounting Standards Board (FASB).

(c) *Classification of Current and Noncurrent Assets (other than Investments) and Liabilities*

The University 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 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*

The University considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The University considers amounts included in the California State University Investment Pool to be investments. The statement of cash flows does not include the cash flows of the discretely presented auxiliary organizations.

(e) *Investments*

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statements of revenues, expenses, and changes in net assets as investment income, net.

Investments that are restricted for withdrawal or use, for other than current operations, are designated for the acquisition of construction or noncurrent assets, or are segregated for the liquidation of long-term debt are classified within other long-term investments.

(f) **Capital Assets**

Capital assets are stated at cost or estimated historical cost if purchased, or if donated, at estimated fair value at date of donation. Capital assets, including infrastructure, with a value of \$5,000 or more and with a useful life of one year or more are capitalized. Such costs include, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all assets, whether purchased, constructed, or donated, is held by the State of California (the State). Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets on the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, and construction work in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost if purchased or the fair market value at the date of donation if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation expense is shown separately in the statements of revenues, expenses, and changes in net assets rather than being allocated among other categories of operating expenses.

(g) **Deferred Revenue**

Deferred revenue consists primarily of fees collected in advance for summer and fall terms.

(h) **Compensated Absences**

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

(i) **Grants Refundable**

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins and Nursing Loan programs, approved Title IV loan programs. The federal government has the ability to terminate its support of these programs at any time and to request the University to return those contributions that it has made on a cumulative basis. Accordingly, the federal contributions received and retained by the University at year-end are considered to be liabilities of the University, and are reflected as such in the accompanying statements of net assets.

(j) **Net Assets**

The University's net assets are classified into the following net asset categories:

Invested in capital assets, net of related debt – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – nonexpendable – Net assets subject to externally imposed conditions that the University retains them in perpetuity. Net assets in this category consist of endowments held by the University or its related auxiliaries.

Restricted – expendable – Net assets subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

Unrestricted – All other categories of net assets. In addition, unrestricted net assets may be designated for use by management of the University or have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures of net assets may be made and require that unrestricted net assets be designated to support future operations in these areas. Campus housing programs are a primary example of operations that have unrestricted net assets with designated uses.

(k) *Classification of Revenues and Expenses*

The University considers operating revenues and expenses in the statements of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Moreover, the Office of the Chancellor administers and charges campuses for centralized expenses such as State pro rata and management of capital projects and pooled investments, which are included in operating expenses by function in the accompanying statements of revenues, expenses, and changes in net assets.

Certain other transactions are reported as nonoperating revenues and expenses or capital contributions. These nonoperating activities include the University's capital and noncapital appropriations from the State, certain financial aid grants, noncapital, net investment income, gifts, interest expense, and capital contributions.

The State appropriates funds to the System on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue when authorization is received, and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fee revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

(l) *Internal Services Activities*

Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as copy centers, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that are operated either on a reimbursement or charge basis. All internal services activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

(m) *Income Taxes*

The System was established under the State of California Education Code as an agency of the State. As a campus of the System, the University is generally not subject to federal or state income taxes. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated

trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(n) Postemployment Benefits Other Than Pensions

The University participates in a postretirement healthcare program sponsored by the State administered by the California Public Employees' Retirement System (CalPERS) and the Department of Personnel Administration (DPA). The State provides medical, prescription drug, and dental benefits (healthcare benefits) to retired statewide employees, including retirees from the University (OPEB Plan).

(3) Cash and Cash Equivalents and Investments

The University's cash and cash equivalents and investments as of June 30, 2009 and 2008 are classified in the accompanying statements of net assets as follows:

	June 30	
	2009	2008
Cash and cash equivalents	\$ 8,400	9,700
Restricted cash and cash equivalents	—	—
Total cash and cash equivalents	<u>8,400</u>	<u>9,700</u>
Short-term investments	41,774,009	25,539,511
Endowment investments	2,405,397	2,374,286
Other long-term investments	<u>39,076,576</u>	<u>3,429,084</u>
Total investments	<u>83,255,982</u>	<u>31,342,881</u>
Total cash, cash equivalents and investments	<u>\$ 83,264,382</u>	<u>31,352,581</u>

(a) Cash and Cash Equivalents

At June 30, 2009 and 2008, cash and cash equivalents consisted of petty cash.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the University will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated in that the University's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

(b) Investments

At June 30, 2009 and 2008, the University's investment portfolio consists primarily of investments held in the California State University Investment Pool, an internal investment pool, as well as interest-bearing accounts held in the State Treasury. For the California State University Investment Pool, separate accounting is maintained as to the amounts allocable to the University's various funds and programs.

Investment Policy

State law and regulations require that surplus monies of the University must be invested. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the University. The third objective is to return an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, and certain other investment instruments.

For information regarding the investments of the individual discretely presented auxiliary organizations, refer to the separately issued auxiliary organizations' reports.

(4) Accounts Receivable

Accounts receivable at June 30 consisted of the following:

	2009		
	Current	Noncurrent	Total
State appropriations	\$ —	7,626,522	7,626,522
Auxiliary organizations	757,658	—	757,658
Student accounts	596,237	—	596,237
Government grants and contracts	338,063	532,776	870,839
Other	21,357	—	21,357
	<u>1,713,315</u>	<u>8,159,298</u>	<u>9,872,613</u>
Less allowance for doubtful accounts	(310,734)	—	(310,734)
Total	<u>\$ 1,402,581</u>	<u>8,159,298</u>	<u>9,561,879</u>

	2008		
	Current	Noncurrent	Total
State appropriations	\$ 4,985	17,304,280	17,309,265
Auxiliary organizations	936,771	—	936,771
Student accounts	644,202	—	644,202
Government grants and contracts	614,576	362,521	977,097
Other	18,576	81,806	100,382
	<u>2,219,110</u>	<u>17,748,607</u>	<u>19,967,717</u>
Less allowance for doubtful accounts	(411,374)	—	(411,374)
Total	<u>\$ 1,807,736</u>	<u>17,748,607</u>	<u>19,556,343</u>

(5) **Student Loans Receivable**

Student loans receivable, net at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Perkins loans	\$ 4,614,480	4,558,741
Nursing loans	—	—
Other loans	<u>122,419</u>	<u>—</u>
Total student loans receivable, gross	4,736,899	4,558,741
Less allowance for doubtful accounts	<u>(739,727)</u>	<u>(927,015)</u>
Total student loans receivable, net	<u>\$ 3,997,172</u>	<u>3,631,726</u>

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 consisted of the following:

	Balance, June 30, 2008	Additions	Retirements	Transfers	Balance, June 30, 2009
Nondepreciable capital assets:					
Land and land improvements	\$ 3,934,725	—	—	—	3,934,725
Works of art and historical treasures	152,941	—	—	—	152,941
Construction work in progress	53,115,840	29,078,041	(288,252)	(47,583,115)	34,322,514
Total nondepreciable capital assets	<u>57,203,506</u>	<u>29,078,041</u>	<u>(288,252)</u>	<u>(47,583,115)</u>	<u>38,410,180</u>
Depreciable capital assets:					
Buildings and building improvements	201,128,883	—	—	46,096,027	247,224,910
Improvements, other than buildings	9,145,343	—	—	874,570	10,019,913
Infrastructure	36,021,281	159,624	—	431,114	36,612,019
Personal property:					
Equipment	13,314,538	886,517	(751,667)	283,785	13,733,173
Library books and materials	13,314,273	99,043	(80,261)	(6)	13,333,049
Intangible assets	312,004	44,602	—	—	356,606
Total depreciable capital assets	<u>273,236,322</u>	<u>1,189,786</u>	<u>(831,928)</u>	<u>47,685,490</u>	<u>321,279,670</u>
Total cost	<u>330,439,828</u>	<u>30,267,827</u>	<u>(1,120,180)</u>	<u>102,375</u>	<u>359,689,850</u>
Less accumulated depreciation:					
Buildings and building improvements	(113,523,839)	(5,227,453)	—	—	(118,751,292)
Improvements, other than buildings	(4,254,761)	(364,230)	—	—	(4,618,991)
Infrastructure	(10,346,098)	(772,208)	—	—	(11,118,306)
Personal property:					
Equipment	(10,408,726)	(952,854)	750,213	(102,375)	(10,713,742)
Library books and materials	(12,294,616)	(275,673)	80,261	—	(12,490,028)
Intangible assets	(132,563)	(76,166)	—	—	(208,729)
Total accumulated depreciation	<u>(150,960,603)</u>	<u>(7,668,584)</u>	<u>830,474</u>	<u>(102,375)</u>	<u>(157,901,088)</u>
Net capital assets	<u>\$ 179,479,225</u>	<u>22,599,243</u>	<u>(289,706)</u>	<u>—</u>	<u>201,788,762</u>

Capital assets activity for the year ended June 30, 2008 consisted of the following:

	<u>Balance, June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance, June 30, 2008</u>
Nondepreciable capital assets:					
Land and land improvements	\$ 3,934,725	—	—	—	3,934,725
Works of art and historical treasures	152,941	—	—	—	152,941
Construction work in progress	51,776,395	32,233,774	—	(30,894,329)	53,115,840
Total nondepreciable capital assets	<u>55,864,061</u>	<u>32,233,774</u>	<u>—</u>	<u>(30,894,329)</u>	<u>57,203,506</u>
Depreciable capital assets:					
Buildings and building improvements	170,983,923	—	—	30,144,960	201,128,883
Improvements, other than buildings	8,585,910	—	—	559,433	9,145,343
Infrastructure	35,831,345	—	—	189,936	36,021,281
Personal property:					
Equipment	13,055,967	636,709	(378,138)	—	13,314,538
Library books and materials	13,263,136	115,950	(64,813)	—	13,314,273
Intangible assets	120,644	191,360	—	—	312,004
Total depreciable capital assets	<u>241,840,925</u>	<u>944,019</u>	<u>(442,951)</u>	<u>30,894,329</u>	<u>273,236,322</u>
Total cost	<u>297,704,986</u>	<u>33,177,793</u>	<u>(442,951)</u>	<u>—</u>	<u>330,439,828</u>
Less accumulated depreciation:					
Buildings and building improvements	(109,393,908)	(4,129,931)	—	—	(113,523,839)
Improvements, other than buildings	(3,960,699)	(294,062)	—	—	(4,254,761)
Infrastructure	(9,386,426)	(959,672)	—	—	(10,346,098)
Personal property:					
Equipment	(9,798,227)	(971,424)	360,925	—	(10,408,726)
Library books and materials	(12,020,372)	(339,057)	64,813	—	(12,294,616)
Intangible assets	(93,692)	(38,871)	—	—	(132,563)
Total accumulated depreciation	<u>(144,653,324)</u>	<u>(6,733,017)</u>	<u>425,738</u>	<u>—</u>	<u>(150,960,603)</u>
Net capital assets	<u>\$ 153,051,662</u>	<u>26,444,776</u>	<u>(17,213)</u>	<u>—</u>	<u>179,479,225</u>

For information regarding the capital assets of the individual discretely presented auxiliary organizations, refer to the separately issued auxiliary organizations' reports.

(7) Lease Obligations

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals.

Capital leases consist primarily of leases of certain facilities and office equipment. Substantially all of these assets are pledged as security for the related leases. The leases bear interest at rates ranging from 4.5% to 5.0% and have terms expiring in various years through 2017.

Operating leases consist primarily of leases for the use of real property and have terms expiring in various years through fiscal year 2011. The leases can be canceled if the State does not provide adequate funding.

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

	<u>Capital leases</u>	<u>Operating leases</u>
Year ending June 30:		
2010	\$ 1,466,156	98,843
2011	2,040,534	97,480
2012	2,041,157	26,045
2013	2,011,556	9,821
2014	2,004,194	4,910
2015 – 2019	4,218,337	—
2020 – 2024	—	—
2025 – 2029	—	—
2030 – 2034	—	—
2035 – 2039	—	—
2040 – 2044	—	—
2045 – 2049	—	—
Total minimum lease payments	<u>13,781,934</u>	<u>\$ 237,099</u>
Less amount representing interest	<u>(1,800,871)</u>	
Present value of future minimum lease payments	11,981,063	
Less current portion	<u>(1,204,462)</u>	
Capital lease obligations, net of current portion	<u>\$ 10,776,601</u>	

Lease financing is provided to the System for the construction of various System and campus facilities through its participation with the State in the State Public Works Board Lease Revenue Bond Program. Certain capital assets recorded by the University may have been financed under these arrangements. However, since the obligation for the repayment of this financing rests with the System and the proceeds of such financing are not readily identifiable with a campus or project, a substantial portion of such financing is not allocated to the individual campuses of the System.

(8) Long-Term Debt Obligations

(a) General Obligation Bond Program

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University of California, the California State University System, and the Community Colleges. Financing provided to the University through State General Obligation Bonds is not allocated to the System by the State. This debt remains the obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements.

(b) Revenue Bond Programs

The Revenue Bond Act of 1947 provides the Trustees with the ability to issue revenue bonds to fund five specific self-supporting programs and the health facilities program. The statute has enabled the Trustees to finance student housing, student unions, parking facilities, health facilities, continuing education facilities, and auxiliary organization facilities.

The Systemwide Revenue Bond program, formerly the Housing Revenue Bond program, was approved by the Trustees in fiscal year 2003. This program provides funding for various construction projects, including student residence and dining halls facilities, continuing education buildings, student unions, parking facilities, health facilities, and auxiliary organization facilities at designated campuses within the System as specified by the individual bond documents. It is designed to provide lower cost debt and greater flexibility to finance revenue bond projects of the System. Rather than relying on specific pledged revenues to support specific debt obligations, this program pools several sources of revenue as the pledge for the related revenue producing projects.

The University has pledged future housing and student union revenues, net of specified operating expenses, to repay System Revenue Bonds (SRB). The SRBs were issued in April 2002 (Student Union 2002A), February 2004 (Student Union 2004A), April 2005 (Housing 2005A), August 2005 (Housing 2005B) and August 2009 (Housing 2009A). Proceeds from the bonds provided financing for the construction of Student Housing and the University Recreation Center. The SRBs are payable through 2030/31 (Student Union 2002), 2034/35 (Student Union 2004A), 2016/17 (Housing 2005A), 2021/22 (Housing 2005B) and 2040/41 (Housing 2009A).

Long-term debt obligations of the University as of June 30 consist of the following:

Description	Interest rate	Fiscal year maturity date	Original issue amount	Amount outstanding at June 30	
				2009	2008
Systemwide Revenue Bonds:					
Student Union 2002A	4.10% – 5.50%	2030/31	\$ 3,490,000	3,055,000	3,125,000
Student Union 2004A	3.00% – 5.25%	2034/35	3,845,000	3,580,000	3,650,000
Housing Series 2005A	3.00% – 5.00%	2016/17	2,985,000	2,145,000	2,365,000
Housing Series 2005B	5.00%	2021/22	6,145,000	5,105,000	5,370,000
Housing Series 2009A	2.50% – 6.00%	2040/41	47,475,000	47,475,000	—
Other:					
GE Capital Public Finance, Inc.	4.40%	2015/16	\$ 4,545,167	2,907,106	3,255,170
Total				64,267,106	17,765,170
Unamortized bond premium				286,992	314,504
Unamortized loss on refunding				(1,192,427)	(385,044)
Total long-term debt				63,361,671	17,694,630
Less current portion				(1,028,437)	(973,064)
Long-term debt, net of current portion				\$ 62,333,234	16,721,566

Long-term debt principal obligations and related interest mature in the following fiscal years:

Year ending June 30:	Principal	Interest	Total
2010	\$ 1,028,437	3,504,148	4,532,585
2011	1,079,489	3,211,040	4,290,529
2012	1,826,250	3,152,793	4,979,043
2013	1,903,752	3,081,959	4,985,711
2014	2,002,028	2,997,246	4,999,274
2015 – 2019	9,317,150	13,555,405	22,872,555
2020 – 2024	8,445,000	11,387,772	19,832,772
2025 – 2029	8,990,000	9,213,975	18,203,975
2030 – 2034	11,015,000	6,515,661	17,530,661
2035 – 2039	12,675,000	3,429,918	16,104,918
2040 – 2044	5,985,000	357,087	6,342,087
	\$ 64,267,106	60,407,004	124,674,110

Long-term debt obligations of the discretely presented auxiliary organizations have been issued to purchase or construct facilities for University-related uses. For information regarding the long-term debt obligations of the individual discretely presented auxiliary organizations, refer to the separately issued auxiliary organizations' reports.

(9) Long-Term Liabilities Activity

Long-term liabilities activity for the year ended June 30, 2009 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 5,265,500	3,038,936	(3,118,879)	5,185,557	3,118,879
Capitalized lease obligation	5,916,446	6,486,598	(421,981)	11,981,063	1,204,462
Long-term debt obligations					
Systemwide Revenue Bonds	14,510,000	47,475,000	(625,000)	61,360,000	665,000
Other	3,255,170	—	(348,064)	2,907,106	363,437
Subtotal	17,765,170	47,475,000	(973,064)	64,267,106	1,028,437
Unamortized bond premium (discount)	314,504	—	(27,512)	286,992	—
Unamortized loss on refunding	(385,044)	(849,531)	42,148	(1,192,427)	—
Total long-term debt obligations	17,694,630	46,625,469	(958,428)	63,361,671	1,028,437
Total long-term liabilities	\$ 28,876,576	56,151,003	(4,499,288)	80,528,291	5,351,778

Long-term liabilities activity for the year ended June 30, 2008 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 4,947,939	3,385,845	(3,068,284)	5,265,500	3,101,451
Capitalized lease obligation	3,062,944	2,985,000	(131,498)	5,916,446	409,946
Long-term debt obligations					
Student Union Revenue					
Systemwide Revenue Bonds	15,207,295	—	(697,295)	14,510,000	625,000
Other	3,588,511	—	(333,341)	3,255,170	348,064
Subtotal	18,795,806	—	(1,030,636)	17,765,170	973,064
Unamortized bond premium (discount)	342,016	—	(27,512)	314,504	—
Unamortized loss on refunding	(420,467)	—	35,423	(385,044)	—
Total long-term debt obligations	18,717,355	—	(1,022,725)	17,694,630	973,064
Total long-term liabilities	\$ 26,728,238	6,370,845	(4,222,507)	28,876,576	4,484,461

(10) Pension Plan and Postretirement Benefits

(a) Pension Plan

Plan Description

The University, as an agency of the State, contributes to CalPERS. The State’s plan with CalPERS is an agent multiple-employer defined benefit retirement plan and CalPERS functions as an investment and administrative agent for its members. For the University, the plan acts as a cost-sharing multiple-employer defined benefit pension plan which provides a defined benefit pension and postretirement program for substantially all eligible University employees.

CalPERS provides benefits based on members’ years of service, age, and final compensation. In addition, benefits are provided for disability and death and payments to survivors or beneficiaries of eligible members. Membership is mandatory for those University employees employed full-time for a period of six months or part-time for a period of one year in duration. Members are eligible to retire at the age specified in their benefit formulas. University members become fully vested in their retirement benefits after five years of credited service.

All University retirees that retire within 120 days of their separation from employment, have been eligible for enrollment in a CalPERS medical plan on their date of separation, and receive a retirement allowance from CalPERS are eligible for retirement health benefits through CalPERS, which include medical and dental coverage. The retiree’s family members can also be covered by the plan and eligible dependents include his or her spouse, domestic partner, children under age 23 and never married, and disabled children over age 23. The monthly out-of-pocket enrollment cost to the retiree for medical coverage will depend on which plan and the level of coverage the retiree chooses.

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

Funding Policy

The benefit structure for state employees (including the University) is defined by statute. CalPERS uses contributions of the employer and the employee as well as income from investments to pay for employee retirement benefits. Employee and employer contributions are a percentage of applicable employee compensation. The employee contribution is 5% of salary for Miscellaneous Tier 1 members as defined by the Plan and 8% for Peace Officer/Firefighter members (Public Safety Management and Firefighters only) less an exclusion allowance for coordination with Social Security. For eligible University Public Safety employees, the University pays for both the employer and employee contributions. The University is required to contribute at an actuarially determined rate; the current rate is approximately 16.67% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by CalPERS.

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

2007	\$	9,254,625
2008		9,422,693
2009		9,585,652

(11) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the statements of revenues, expenses, and changes in net assets, but to provide the natural classification of those expenses as an additional disclosure. For the years ended June 30, 2009 and 2008, operating expenses by natural classification consisted of the following:

2009	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total
Functional classification:						
Instruction	\$ 30,667,324	10,566,108	—	3,216,070	—	44,449,502
Public service	257,669	44,535	—	7,704	—	309,908
Academic support	8,019,279	3,140,342	—	2,122,118	—	13,281,739
Student services	8,501,962	3,378,342	—	3,267,186	—	15,147,490
Institutional support	8,738,540	3,433,997	—	3,150,419	—	15,322,956
Operation and maintenance of plant	6,129,345	2,781,321	—	5,629,244	—	14,539,910
Student grants and scholarships	—	—	15,637,055	—	—	15,637,055
Auxiliary enterprise expenses	2,413,665	1,478,742	—	4,553,426	—	8,445,833
Depreciation and amortization	—	—	—	—	7,668,584	7,668,584
Total	\$ 64,727,784	24,823,387	15,637,055	21,946,167	7,668,584	134,802,977
2008	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total
Functional classification:						
Instruction	\$ 28,188,089	11,548,207	—	2,780,994	—	42,517,290
Public service	268,751	55,068	—	12,819	—	336,638
Academic support	7,904,188	3,429,556	—	1,869,667	—	13,203,411
Student services	8,247,905	3,540,751	—	3,373,515	—	15,162,171
Institutional support	7,602,268	3,326,966	—	2,702,384	—	13,631,618
Operation and maintenance of plant	5,763,913	2,732,019	—	3,084,065	—	11,579,997
Student grants and scholarships	—	—	14,113,692	—	—	14,113,692
Auxiliary enterprise expenses	2,271,329	843,506	—	4,099,477	—	7,214,312
Depreciation and amortization	—	—	—	—	6,733,017	6,733,017
Total	\$ 60,246,443	25,476,073	14,113,692	17,922,921	6,733,017	124,492,146