

Associated Students Board of Directors
Humboldt State University
Meeting on Friday, September 14, 2018
Nelson Hall East 113
1:00 p.m.
Agenda #4

- I. Call to Order
- II. Roll Call
- III. Approval of Agenda #4 dated September 14, 2018 – **Action Item**
- IV. Public Comments (As per the Gloria Romero Open Meeting Act of 2000 authorized by Section 89306.)

Every A. S. Board of Directors agenda for regular meetings shall provide an opportunity for members of the public to directly address the A.S. Board of Directors on any item affecting higher education at the campus or statewide level. Provided that no action shall be taken on any item not appearing on the agenda. However, the Board of Directors may briefly respond to statements made or questions posed by a person exercising their public testimony rights, may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. The A.S. Board of Directors may also provide a reference to resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or request that a matter of business be placed on a future agenda.

Persons recognized by the Chair should first identify themselves by name. Time limits will be established by the Chair depending on the number of people wishing to speak and the length of the Agenda. The maximum amount of time per speaker shall not exceed 10 minutes. Public comments regarding items on the agenda will be taken prior to each agenda item.
- V. New Business
 - a. 2017-18 Independent Audit Report Draft – **Action Item**

Each auxiliary is required to have an annual audit performed by a certified public accountant selected by the governing board. CliftonLarsonAllen LLP's Chris Knopik, HSU Controller Sylvia Shively and HSU Accounting Technician Shelli Ramirez will present on the Associated Students 2017-18 Independent Audit from the audit firm CliftonLarsonAllen LLP. After the presentation the Associated Students Board of Directors will take action to accept or decline the 2017-18 Independent Audit Report.
- VI. General Discussion
- VII. Announcements
- VIII. Adjournment

**ASSOCIATED STUDENTS OF
HUMBOLDT STATE UNIVERSITY**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Associated Students Council
Associated Students of Humboldt State University
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Associated Students of Humboldt State University, a component unit of Humboldt State University (HSU), as of and for the years ended June 30, 2018 and 2017, 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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Associated Students of Humboldt State University as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages as listed in the table of contents 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 Associated Students of Humboldt State University's basic financial statements. The schedule of net position, the schedule of revenues, expenses and changes in net position, and other information (supplementary information) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate 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 information is 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 REPORT DATE, on our consideration of Associated Students of Humboldt State University'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 solely 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 the effectiveness of Associated Students of Humboldt State University's 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 Associated Students of Humboldt State University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Management's Discussion and Analysis

Years ended June 30, 2018 and 2017

This section of Associated Students of Humboldt State University (Associated Students) annual financial report presents management's overview and analysis of the financial activities of Associated Students for the years ended June 30, 2018 and 2017. 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 Associated Students because it is a component unit of Humboldt State University (HSU). Consistent with HSU, Associated Students has adopted the business-type activity (BT) reporting model to represent its activities.

The financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; the Statements of Cash Flows, and the Statements of Fiduciary Net Position. 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 Associated Students.

Statements of Net Position - The Statements of Net Position includes all assets, liabilities and net position. Assets and liabilities are generally reported on an accrual basis as of the statement date. They also identify major categories of restrictions on the net position of Associated Students.

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

Statements of Cash Flows - The Statements of Cash Flow 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, present gross rather than net amounts for the year's activities.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Management's Discussion and Analysis

Years ended June 30, 2018 and 2017

Analytical Overview

A summary of key financial statement information is presented below:

Condensed Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change from FY17 to FY18</u>	<u>\$ Change from FY16 to FY17</u>
Assets:					
Current assets	\$ 454,870	\$ 549,645	\$ 618,769	\$ (94,775)	\$ (69,124)
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	<u>454,870</u>	<u>549,645</u>	<u>618,769</u>	<u>(94,775)</u>	<u>(69,124)</u>
Liabilities:					
Current liabilities	<u>50,951</u>	<u>25,519</u>	<u>95,084</u>	<u>25,432</u>	<u>(69,565)</u>
Total liabilities	<u>50,951</u>	<u>25,519</u>	<u>95,084</u>	<u>25,432</u>	<u>(69,565)</u>
Net position:					
Net investment in capital assets	-	-	-	-	-
Unrestricted	<u>403,920</u>	<u>524,126</u>	<u>523,685</u>	<u>(120,206)</u>	<u>441</u>
Total net position	<u>\$ 403,920</u>	<u>\$ 524,126</u>	<u>\$ 523,685</u>	<u>\$ (120,206)</u>	<u>441</u>

Statement of Net Position Variance Analysis between 2018 and 2017

Current assets decreased by \$94,775. Current assets include: cash and cash equivalents, unreserved cash in LAIF, accounts receivable, prepaid expenses, and other current assets. Associated Students (AS) is funded by student fees. The decrease in current assets was attributable to the AS Board's decision to spend down reserves for the purpose the fees were intended to support.

Capital assets, *net* remains unchanged. There were no new capital equipment additions.

The Associated Students has a cash balance of \$22,231 in the checking account and \$418,315 held in LAIF, Local Agency Investment Fund. This combined total of unrestricted cash is \$440,546. The remaining cash balance is 43.44% of the operating revenue of the 2017-18 fiscal year.

Current liabilities increased by \$25,432. Current liabilities include: accounts payable, accrued liabilities, and other liabilities.

Net position decreased by \$120,206, reflecting the cumulative net change in assets and liabilities for the year.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Management's Discussion and Analysis

Years ended June 30, 2018 and 2017

Operating Results

Associated Students' condensed summary of revenues, expenses, and changes in net position is as follows:

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change from FY18 to FY17</u>	<u>\$ Change from FY17 to FY16</u>
Operating revenues:					
Instructional related activities	\$ 34,785	\$ 37,960	\$ 512,668	\$ (3,175)	\$ (474,708)
Associated student body fee	950,000	938,825	972,329	11,175	(33,504)
Other revenues	29,474	-	137,643	29,474	(137,643)
Total operating revenues	<u>1,014,260</u>	<u>976,785</u>	<u>1,622,640</u>	<u>\$ 37,475</u>	<u>(645,855)</u>
Operating expenses:					
Operating expenses	1,146,915	980,478	1,561,930	166,437	(581,452)
Depreciation expense	-	-	-	-	-
Total operating expenses	<u>1,146,915</u>	<u>980,478</u>	<u>1,561,930</u>	<u>166,437</u>	<u>(581,452)</u>
Operating (loss) income	(132,656)	(3,693)	60,710	(128,963)	(64,403)
Non-operating revenues (expenses):					
Investment income	12,450	4,134	3,925	8,316	209
Net non-operating revenues (expenses)	<u>12,450</u>	<u>4,134</u>	<u>3,925</u>	<u>8,316</u>	<u>209</u>
Increase in net position	(120,206)	441	64,635	(120,647)	(64,194)
Net position at beginning of year	524,126	588,320	459,050	(64,194)	129,270
Net position at end of year	<u>\$ 403,920</u>	<u>\$ 588,761</u>	<u>\$ 523,685</u>	<u>\$ (184,841)</u>	<u>65,076</u>

Revenue and Expense Variance Analysis between 2017 and 2016

Operating revenues is composed of Associated Students student body organization fees, Instructional Related Activities (IRA), and other. Operating revenues increased by \$37,475.

Operating expenses increased by \$166,437. The total wages and benefits increased by \$338,276, reflecting the hiring of an Executive Director in the beginning of the fiscal year. Student Assistants are now being paid through the state and then reimbursed. Student wage reimbursement increased by \$321,685. In prior years, under the University Center, these expenses were included in contractual services, which decreased this year by \$342,532. IRA activity has been moved to Humboldt State University accounting, however, the IRA Agreement for FY 17-18 is in effect until June 2018, which correlates with the IRA revenues.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Management's Discussion and Analysis

Years ended June 30, 2018 and 2017

Investment income was \$12,450, which was an increase of \$8,316 over the prior year. Investment income is comprised of interest from LAIF, monies held with Local Agency Investment Fund.

Net position decreased by \$120,206, reflecting the cumulative net change in assets and liabilities for the year.

Factors Impacting Future Periods

As an auxiliary, any state budget cuts to CSU funding affects enrollment and could have a negative impact on AS revenue and funding for its operational needs. Also, freezes or cuts to HSU enrollment or CSU funding could put strain on the AS budget by increasing demand for current AS services or propagate the need to expand AS programs. Highlights of Humboldt State University's budget for 2018-19 include an enrollment target that is 6% lower than HSU's target for 2017-18. Lower enrollment numbers than projected would likely have a negative impact on the revenue of the Associated Students of HSU. Management continues to monitor operating costs in Associated Students, review its operations, and make adjustments accordingly.

With the transition of Associated Students' Business Services moving from University Center to Humboldt State Administrative Affairs mid-year 2016-17, due to Student Board vote, caused an analysis of where funding activities were supposed to be accounted for. Once transitioned, Management made the executive decision to transfer Clubs and IRA activities to the Humboldt State University business unit. Doing this has made Associated Students accounting become clearer and more transparent.

Contact Information

This financial report is designed to provide a general overview of the auxiliary's finances. If you have questions about this report or need additional financial information, contact the Associated Students of Humboldt State University, 1 Harpst Street, Arcata, CA 95521.

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BASIC FINANCIAL STATEMENTS

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY
Statement of Net Position
June 30, 2018 and June 30, 2017

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	<u>June 2018</u>	<u>June 2017</u>
Assets		
Current Assets		
Cash on Hand (US Bank Checking)	\$ 22,231	\$ 129,808
Cash Invested in LAIF	418,315	413,430
Total Cash	440,546	543,238
Accounts Receivable	11,764	6,407
Prepaid Expenses	2,560	-
Total Current Assets	454,870	549,645
Capital Assets, net	-	-
Total Assets	\$ 454,870	\$ 549,645
Liabilities		
Current Liabilities		
Accounts Payable	\$ 39,369	\$ 17,018
Accrued Liabilities	10,068	7,364
Other Liabilities	1,513	1,137
Total Current Liabilities	50,950	25,519
Total Liabilities	\$ 50,950	\$ 25,519
Net Position		
Net Investment in Capital Assets	\$ -	\$ -
Unrestricted	403,920	524,126
Total Net Position	\$ 403,920	\$ 524,126
	-	

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY
Statement Revenue, Expenses, and Change in Net Position
June 30, 2018 and June 30, 2017

	<u>June 2018</u>	<u>June 2017</u>
Revenues:		
Operating Revenues		
ASB Student Activity Fee	\$ 950,000	\$ 938,825
AS Programs	29,474	-
Instructional Related Activities (IRA)	34,785	37,960
Total Operating Revenues	<u>1,014,259</u>	<u>976,785</u>
Expenses:		
Operating Expenses:		
Salaries and Wages	507,657	204,692
Employee Benefits	65,685	30,373
Payment(s) per Agreement(s)/Contract(s)	141,555	381,127
Communications	4,216	2,551
Travel	62,474	63,692
Insurance	10,135	9,844
Audit	2,000	-
Program Expenditures	353,193	288,199
Total Operating Expenses	<u>1,146,915</u>	<u>980,478</u>
Operating Income (Loss)	<u>(132,656)</u>	<u>(3,693)</u>
Non-Operating Revenue (Expenses):		
Investment Income/Other	12,450	4,134
Non-Operating Revenue (Expenses), net	<u>12,450</u>	<u>4,134</u>
Increase in Net Position	<u>(120,206)</u>	<u>441</u>
Net Position:		
Net Position at Beginning of Year	<u>524,126</u>	<u>523,685</u>
Net Position at the End of the Period	<u>\$ 403,920</u>	<u>\$ 524,126</u>

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

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Statements of Cash Flows

Years ended June 30, 2018 & 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 949,657	\$ 948,000
Cash payments to suppliers for operations	(553,783)	(792,265)
Cash payments to employees for services	(570,637)	(227,472)
Cash payments for general and administrative expenses	58,670	29,636
Net cash provided by (used in) operating activities	<u>(116,094)</u>	<u>(42,102)</u>
Cash flows from noncapital financing activities:		
Nongovernmental and other financial aid grants	8,516	32
Net cash provided by (used in) noncapital financing activities	<u>8,516</u>	<u>32</u>
Cash flows from investing activities:		
Purchase of investments	4,886	4,092
Investment income (loss) proceeds (payments)	-	-
Net cash provided by (used in) investing activities	<u>4,886</u>	<u>4,092</u>
Net increase (decrease) in cash and cash equivalents	(102,686)	(37,978)
Cash and cash equivalents at beginning of year	543,232	581,210
Cash and cash equivalents at end of year	<u>\$ 440,546</u>	<u>\$ 543,232</u>
Reconciliation to cash per statement of net position		
Cash on hand and commercial accts	\$ 22,231	\$ 129,802
Cash invested in LAIF	418,315	413,430
Total cash and cash equivalents at end of year	<u>\$ 440,546</u>	<u>\$ 543,232</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (132,657)	\$ (3,693)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	-	-
Change in assets and liabilities:		
Accounts receivable	(6,309)	30,931
Refundable deposit		
Prepaid expenses	(2,560)	231
Accounts payable	22,351	(47,083)
Accrued salaries and benefits	(2,445)	4,355
Accrued compensated absences	5,149	2,101
Unearned revenue	-	(22,730)
Other liabilities	377	(6,214)
Total adjustments	<u>16,563</u>	<u>(38,409)</u>
Net cash provided by (used in) operating activities	<u>\$ (116,094)</u>	<u>\$ (42,102)</u>

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

The financial statements of Associated Students of Humboldt State University (AS) 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 the AS 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.

(a) *Nature of Operations*

AS is an auxiliary organization of Humboldt State University (HSU) and a component unit of the California State University (CSU), organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. The function of the Organization is to provide essential activities which are an integral part of the Humboldt State University Campus Programs. Such activities include student government, cultural programs, and various other services.

(b) *Related Organizations*

The Organization is related to other auxiliaries of Humboldt State University, including the Humboldt State University Center, the Humboldt State University Sponsored Programs Foundation, and the Humboldt State University Advancement Foundation. These auxiliaries and the University periodically provide various services for one another.

(c) *Basis of Presentation*

After reassessing its articles of incorporation and bylaws, and considering that AS is a component unit of Humboldt State University, AS determined that it should apply generally accepted accounting principles applicable to governmental entities.

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. AS has elected to use the proprietary fund reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, AS prepares its statement of cash flows using the direct method.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2018

(d) Revenue Recognition

Student fees, investment income and revenues are recorded when earned.

(e) Allowance for Doubtful Accounts

The organization has established an allowance for bad debt based upon management's estimate as to the collectability of accounts receivable.

(f) 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.

(g) Capital Assets

Capital assets are recorded at cost less depreciation calculated by the straight-line method over the assets' estimated useful lives. AS capitalizes purchases over \$5,000. However, sensitive property, defined as any highly desirable and portable item, will be capitalized if the cost is \$1,000 or greater.

In addition, AS uses office facilities and equipment that are the property of the California State University. No lease payments are required for the use of these facilities.

(h) Cash and Cash Equivalents

For the purpose of the statement of cash flows, all cash on hand, commercial accounts, and cash invested in LAIF, are considered cash and cash equivalents.

(i) Classification of Revenues and Expenses

AS 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 the primary functions of AS. Exchange transactions include charges for services rendered and the acquisition of goods and services.

Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include net investment income and changes in campus program fund liabilities.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2018

(j) Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. AS reports two 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 increase by balances of deferred outflows of resources related to those assets.

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 AS.

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.

(2) Cash Investments

AS maintains cash in the State of California Local Agency Investment Fund (LAIF), an investment pool. 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, 2018, the uninsured and uncollateralized cash balance was \$418,315.

Custodial credit risk is the risk that in the event of the failure of a counterparty, AS 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 AS to custodial risk are investments in excess of amounts insured by the FDIC. No policy exists related to custodial risk specifically. The AS investment policy does not prohibit deposits in single institutions that expose AS to custodial credit risk. Management believes the organization is not exposed to any significant credit risk related to cash.

The AS cash 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*.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2018

(3) Exempt Status

AS is exempt from federal income tax under Internal Revenue Code 501(c)(3), and California franchise tax under California Revenue and Taxation Code Section 23701. Accordingly, no provision for income taxes has been reflected in these financial statements.

Unrelated business income tax: The Tax Reform Act of 1969 imposes a corporate income tax on the unrelated business taxable income (UBIT) of an otherwise tax-exempt organization. A provision, if necessary, for applicable federal and state income taxes is made in accordance with these statutes. There was no income tax expense related to UBIT for the years ended June 30, 2018 and 2017.

(4) Capital Assets

The change in capital assets for the year ended June 30, 2018, is as follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Improvements	\$ 35,418	\$ -	\$ -	\$ 35,418
Equipment	9,568	-	-	9,568
Accumulated Depreciation	(44,986)	-	-	(44,986)
Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The change in capital assets for the year ended June 30, 2017, is as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Improvements	\$ 35,418	\$ -	\$ -	\$ 35,418
Equipment	9,568	-	-	9,568
Accumulated Depreciation	(44,986)	-	-	(44,986)
Capital Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2018

(5) Functional Allocation of Expenses

Expenses by functional classification are as follows:

	<u>2018</u>	<u>2017</u>
AS Programs Expenses		
Cultural affairs	\$ 114,934	\$ 38,141
Student services	498,188	496,782
Community services	62,862	33,097
Intramural rec	74,004	63,202
Student government	<u>61,215</u>	<u>75,856</u>
Total AS Program Expenses	811,203	707,079
 Instructional related activities (IRA) Expenses	 <u>-</u>	 <u>-</u>
 Total program expenses	 811,203	 707,079
 General and administrative expenses	 <u>335,712</u>	 <u>273,399</u>
 Total operating expenses	 <u>\$ 1,146,915</u>	 <u>\$ 980,478</u>

(6) Unrestricted Net Position

Unrestricted net position consists of the following board designated classifications as of June 30, 2018:

	<u>2018</u>	<u>2017</u>
General Operating Reserve	\$ 313,136	\$ 350,441
Discretionary	10,000	86,075
Facilities/Special Projects Reserve	40,392	43,805
Capital Purchase Reserve	<u>40,392</u>	<u>43,805</u>
Subtotal	<u>\$ 403,920</u>	<u>\$ 524,126</u>

In 2016-17 the AS Council approved \$100,000 of the unrestricted net position to be classified as discretionary funding. Of the \$100,000, \$73,275 was spent in fiscal year 17/18. Of the \$73,275, \$20,000 was spent by Scholars without Borders, \$10,000 was spent on the Empowerment Series, \$4,000 On Homeward Bound, \$6,750 on 2018 Humboldt International Film Festival (HIFF), \$5,983 was transferred to the campus in support HIFF, along with numerous small amounts going to other voted upon program requests. In 2017-18 the AS Council approved \$10,000 of the unrestricted new position to be classified as discretionary funding.

(7) Accounts and Other Receivables

As of June 30, 2018 and 2017, accounts receivable totaled \$11,764 and \$6,407 respectively. After the Business Services transition from Humboldt State University Center to Humboldt State University Financial Services, the Accounts Receivable and Accounts Payable business processing have become more streamlined. In result of the streamline, invoices are paid timely causing the outstanding Accounts Receivable and Accounts Payable balances to decrease greatly.

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2018

(8) Related Party Transactions

(a) Management Services with Humboldt State University Center (UC) switching to Humboldt State University

AS had an agreement with the Humboldt State University Center (UC) for the UC to provide accounting and administrative services. During the second quarter 2016-2017 Associated Students initiated a bid for new business services that Humboldt State University Business Services applied and presented for. In November, the AS council chose Humboldt State University Business Services to take over the services that University Center had provided before. The agreement commenced January 1, 2017 and is due to end June 30, 2018. In the agreement, Associated Students agreed to pay HSU for the Business Services in the amount of \$57,610 for January 1, 2017 through June 30, 2017 and \$115,220 for fiscal year 2017-18. HSU will invoice Associated Students at the end of each quarter.

(b) Reimbursement and other services with Humboldt State University

For the year ending June 30, 2018 and 2017, AS paid HSU \$595,941 and \$278,133, respectively, for a wide range of services, including business management, business services, reimbursement, reimbursement of salary and benefits of HSU personnel working for AS. The largest reimbursement of \$338,254 to HSU was for Student wages. At June 30, 2018, AS had \$30,265 payable to HSU and \$11,421 receivable from HSU, and \$15,904 and \$6,802, respectively, at June 30, 2017.

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SUPPLEMENTARY INFORMATION

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ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 22,231
Short-term investments	418,315
Accounts receivable, net	11,764
Capital lease receivable, current portior	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	2,560
Total current assets	<u>454,870</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portior	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	—
Capital assets, net	—
Other assets	—
Total noncurrent assets	<u>—</u>
Total assets	<u>454,870</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>—</u>

Liabilities:

Current liabilities:	
Accounts payable	39,369
Accrued salaries and benefits	2,818
Accrued compensated absences, current portior	7,250
Unearned revenues	—
Capital lease obligations, current portion	—
Long-term debt obligations, current portior	—
Claims liability for losses and loss adjustment expenses, current portior	—
Depository accounts	—
Other liabilities	1,513
Total current liabilities	<u>50,950</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portior	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portior	—
Long-term debt obligations, net of current portior	—
Claims liability for losses and loss adjustment expenses, net of current portior	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	<u>—</u>
Total liabilities	<u>50,950</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>

Net Position:

Net investment in capital assets	—
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	403,920
Total net position	<u>\$ 403,920</u>

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2018

(for inclusion in the California State University)



Revenues:

Operating revenues:		
Student tuition and fees, gross	\$	984,785
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		29,474
Scholarship allowances (enter as negative)		—
Other operating revenues		—
Total operating revenues		<u>1,014,259</u>

Expenses:

Operating expenses:		
Instruction		24,270
Research		—
Public service		—
Academic support		—
Student services		1,122,645
Institutional support		—
Operation and maintenance of plant		—
Student grants and scholarships		—
Auxiliary enterprise expenses		—
Depreciation and amortization		—
Total operating expenses		<u>1,146,915</u>
Operating income (loss)		<u>(132,656)</u>

Nonoperating revenues (expenses):

State appropriations, noncapital		—
Federal financial aid grants, noncapital		—
State financial aid grants, noncapital		—
Local financial aid grants, noncapital		—
Nongovernmental and other financial aid grants, noncapital		—
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		—
Investment income (loss), net		12,450
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses) - excl. interagency transfers		—
Other nonoperating revenues (expenses) - interagency transfers		—
Net nonoperating revenues (expenses)		<u>12,450</u>
Income (loss) before other revenues (expenses)		<u>(120,206)</u>

State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net position		<u>(120,206)</u>

Net position:

Net position at beginning of year, as previously reported		524,126
Restatements		—
Net position at beginning of year, as restated		<u>524,126</u>
Net position at end of year	\$	<u><u>403,920</u></u>

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Other Information
June 30, 2018
(for inclusion in the California State University)

2.4 Restricted noncurrent investments at June 30, 2018 related to:

Endowment investment	—
Scholarships	—
Inflation reserves	—
University projects	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2018	—

2.5 Fair value hierarchy in investments at June 30, 2018:

	Fair Value Measurements Using				Net Asset Value (NAV)
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
	Total				
\$	418,315				418,315
State of California Surplus Money Investment Fund (SMIF)					
State of California Local Agency Investment Fund (L.A.I.F.)					
Corporate bonds					
Certificates of deposit					
Mutual funds					
Money Market funds					
Repurchase agreements					
Commercial paper					
Asset backed securities					
Mortgage backed securities					
Municipal bonds					
U.S. agency securities					
U.S. treasury securities					
Equity securities					
Exchange traded funds (ETFs)					
Alternative investments:					
Private equity (including limited partnerships)					
Hedge funds					
Managed futures					
Real estate investments (including REITs)					
Commodities					
Derivatives					
Other alternative investment types					
Other external investment pools (excluding SWIFT)					
Add description					
Add description					
Add description					
Add description					
Add description					
Add description					
Other major investments:					
Add description					
Add description					
Add description					
Add description					
Add description					
Add description					
Add description					
Add description					
Total investments	418,315				418,315

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Other Information
June 30, 2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	—	—	—	—	—	—	—	—
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	—	—	—	—
Intangible assets:								
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	—	—	—	—	—	—	—	—
Depreciable/amortizable capital assets:								
Buildings and building improvements	35,418	—	—	35,418	—	—	—	35,418
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:	9,568	—	—	9,568	—	—	—	9,568
Equipment	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	44,986	—	—	44,986	—	—	—	44,986
Total capital assets	44,986	—	—	44,986	—	—	—	44,986
Less accumulated depreciation/amortization:								
Buildings and building improvements	(35,418)	—	—	(35,418)	—	—	—	(35,418)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:	(9,568)	—	—	(9,568)	—	—	—	(9,568)
Equipment	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(44,986)	—	—	(44,986)	—	—	—	(44,986)
Total capital assets, net	—	—	—	—	—	—	—	—

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

3.2 **Detail of depreciation and amortization expense for the year ended June 30, 2018:**
 Depreciation and amortization expense related to capital assets
 Amortization expense related to other assets
 Total depreciation and amortization

\$	—	—	—	—	—	—	—	—	—
\$	—	—	—	—	—	—	—	—	—

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

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
	\$	2,101	—	—	2,101	5,149	—	7,250	—
\$	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	2,101	—	—	2,101	5,149	—	7,250	—	—
\$	—	—	—	—	—	—	—	—	—

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

	Capital lease obligations related to SRB		All other capital lease obligations		Total capital lease obligations	
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
	Year ending June 30:	—	—	—	—	—
2019	—	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	—	—	—	—	—	—
2023	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—
Less amounts representing interest	—	—	—	—	—	—
Present value of future minimum lease payments	—	—	—	—	—	—
Unamortized net premium (discount)	—	—	—	—	—	—
Total capital lease obligations	—	—	—	—	—	—
Less: current portion	—	—	—	—	—	—
Capital lease obligations, net of current portion	—	—	—	—	—	—
						\$

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

6 Long-term debt obligations schedule:

Year ending June 30:	Auxiliary revenue bonds		All other long-term debt obligations		Total long-term debt obligations	
	Principal Only	Interest Only	Principal Only	Interest Only	Principal Only	Interest Only
2019	—	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	—	—	—	—	—	—
2023	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—
Less amounts representing interest	—	—	—	—	—	—
Present value of future minimum payments	—	—	—	—	—	—
Unamortized net premium (discount)	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—
Less: current portion	—	—	—	—	—	—
Long-term debt obligations, net of current portion	—	—	—	—	—	—

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	—
Capital lease obligations, current portion	—
Capital 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 (enter as positive number)	—
Other adjustments: (please list)	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Net investment in capital assets	\$ —

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)	—
Restricted expendable endowments	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments	\$ —

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Other Information
June 30, 2018
(for inclusion in the California State University)

8	Transactions with related entities:		
	Payments to University for salaries of University personnel working on contracts, grants, and other programs		<u>Amount</u>
	Payments to University for other than salaries of University personnel	\$	370,786
	Payments received from University for services, space, and programs		225,154
	Gifts-in-kind to the University from discretely presented component units		32,993
	Gifts (cash or assets) to the University from discretely presented component units		—
	Accounts (payable to) University (enter as negative number)		—
	Accounts receivable from University (enter as positive number)		(30,265)
	Other amounts receivable from University		11,421
			—

9	Other postemployment benefits (OPEB) liability		
	Intentionally left blank - not required/applicable eff FY17/18		

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 remediation liabilities, net of current portion		—

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Other Information
June 30, 2018
(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 as of June 30, 2017, as previously reported	Net Position Class	Amount	
		Dr: (Cr)	Credit
Prior period adjustments:		\$	524,126
1 (list description of each adjustment)			—
2 (list description of each adjustment)			—
3 (list description of each adjustment)			—
4 (list description of each adjustment)			—
5 (list description of each adjustment)			—
6 (list description of each adjustment)			—
7 (list description of each adjustment)			—
8 (list description of each adjustment)			—
9 (list description of each adjustment)			—
10 (list description of each adjustment)			—
Net position as of June 30, 2017, as restated		\$	524,126

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

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

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Other Information
June 30, 2018
(for inclusion in the California State University)

12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	24,270	—	—	—	—	24,270
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	483,387	65,685	—	573,573	—	1,122,645
Institutional support	—	—	—	—	—	—
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	—	—	—	—
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Total	507,657	65,685	—	573,573	—	1,146,915

ASSOCIATED STUDENTS OF HUMBOLDT STATE UNIVERSITY

Note to Supplementary Information
Year Ended June 30, 2016

NOTE 1 – SUPPLEMENTARY INFORMATION

As an auxiliary organization of the California State University (CSU), Associate Students of Humboldt State University (Associated Students) 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 Associated Students' financial statements and the supplementary schedules for CSU.

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ADDITIONAL INFORMATION

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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

Associated Student Council
Associated Students of Humboldt State University
Arcata, California

We have audited, in accordance with the 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 Associated Students of Humboldt State University, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Associated Students of Humboldt State University's basic financial statements, and have issued our report thereon dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Associated Students of Humboldt State University'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 Associated Students of Humboldt State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Associated Students of Humboldt State University'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 Associated Students of Humboldt State University'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

Minneapolis, Minnesota
REPORT DATE