

*SANTOS MANUEL STUDENT UNION
OF CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO*

Report on Audit

June 30, 2014

*Santos Manuel Student Union
of California State University, San Bernardino*

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Santos Manuel Student Union
of California State University, San Bernardino

Report on the Financial Statements

We have audited the accompanying financial statements of Santos Manuel Student Union of California State University, San Bernardino (Student Union), (a nonprofit organization), a component unit of California State University, San Bernardino as of and for the year ended June 30, 2014, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with specific standards prescribed by the Chancellor's Office and the Department of Finance. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Student Union, as of June 30, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Student Union's 2013 financial statements, and our report dated September 18, 2013, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4 through 8 and 28, respectively 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 an opinion on the financial statements that collectively comprise the Student Union's financial statements as a whole. The Organizational Data, Schedule of Operating Expenses by Function, Auxiliary Organization's Schedule of Net Position, Schedule of Revenues, Expenses and Changes in Net Position and Other Information are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Operating Expenses by Function and the Auxiliary Organization's Schedule of Net Position, Schedule of Revenues, Expenses and Changes in Net Position and the Other Information are the responsibility of management and were 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 September 18, 2014, on our consideration of the Student Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Student Union's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rogers Anderson Malouly & Scott, LLP".

San Bernardino, CA
September 18, 2014

*Santos Manuel Student Union
of California State University, San Bernardino*

**Management's Discussion and Analysis
June 30, 2014**

The following section of the Santos Manuel Student Union of California State University, San Bernardino's annual financial report includes some of management's insights and analysis of the Student Union's financial performance for the year ended June 30, 2014.

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board's Statement 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*.

The financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and, the Statement of Cash Flows. These statements are supported in the annual financial report by the notes to the financial statements, required supplementary or statistical information, and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Student Union.

Statement of Net Position: The Statement of Net Position includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. However, investments are reported at their fair market value. It also identifies major categories of restrictions on the net position of the Student Union.

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

Statement of Cash Flows: The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing and investing activities.

REPORTING ENTITY

The Santos Manuel Student Union of California State University, San Bernardino is a 501(c)(3) not-for-profit corporation that is an auxiliary organization of California State University, San Bernardino, and is therefore considered a component unit of the University.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Management's Discussion and Analysis
June 30, 2014**

SUMMARY

All students who attend California State University, San Bernardino are required to pay a mandatory Student Union fee. These fees are collected quarterly and support Santos Manuel Student Union and Student Recreation and Fitness Center operations, the annual bond payments, transfers to the repair and replacement funds and the construction funds, as needed and approved by the Board of Directors.

In general, Student Union funds may be spent in accordance with the California Education Code, Title 5 and the terms of past student fee referenda.

A portion of the mandatory fees (return of surplus) returned to the Student Union is used to support the operating budgets of the Santos Manuel Student Union and the Student Recreation and Fitness Center in accordance with Title 5.

FINANCIAL ANALYSIS

Net Position

The Student Union's assets exceed liabilities by \$3,190,878 at the close of the most recent fiscal year. Of this, \$247,166 or 7.7% reflects its investment in capital assets (e.g., buildings, leasehold improvements, and machinery and equipment). The Student Union uses these capital assets to provide services to students and other users; consequently, these assets are not available for future spending.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Management's Discussion and Analysis
June 30, 2014**

FINANCIAL ANALYSIS (continued)

Student Union's Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 3,405,223	\$ 4,411,786
Capital assets	<u>247,166</u>	<u>264,743</u>
Total Assets	<u>3,652,389</u>	<u>4,676,529</u>
Current liabilities	210,994	248,316
Noncurrent liabilities	<u>250,517</u>	<u>955,097</u>
Total Liabilities	<u>461,511</u>	<u>1,203,413</u>
Net position		
Invested in capital assets	247,166	264,743
Unrestricted	<u>2,943,712</u> *	<u>3,135,108</u>
Total Net Position	<u><u>\$ 3,190,878</u></u>	<u><u>\$ 3,399,851</u></u>

The Student Union's net position decreased by \$208,973 during the current fiscal year.

Reserved balances as of June 30, 2014 held by the Campus on behalf of the Santos Manuel Student Union were as follows:

- Designated for Operations: \$8,531,544
- Designated for Maintenance and Repairs: \$2,714,328

* See Note 1, page 17 for breakdown of unrestricted net position.

Changes in Net Position

Revenues increased by \$80,834 or 1.9%, which is attributed primarily to an increase of return of surplus revenues of \$90,221.

Expenses increased by \$403,700 or 9.7%. Expenses increased primarily due to increase in salary and benefit, travel and supplies and services at the Recreational Center, as well as increase in OPEB expense, utilities and repair and maintenance at the Student Union operation.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Management's Discussion and Analysis
June 30, 2014**

FINANCIAL ANALYSIS (continued)

<u>Student Union's Changes in Net Position</u>		
	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Return of surplus	\$ 4,071,221	\$ 3,981,000
Income from operations	271,983	268,093
Program income	5,055	7,640
Investment income	16,534	27,226
Total Revenues	<u>4,364,793</u>	<u>4,283,959</u>
<u>Expenses</u>		
Student services	2,314,164	2,139,015
Auxiliary enterprise expenses	<u>2,259,602</u>	<u>2,031,051</u>
Total Expenses	<u>4,573,766</u>	<u>4,170,066</u>
Increase (decrease) in net position	(208,973)	113,893
Net Position - Beginning of Year	<u>3,399,851</u>	<u>3,285,958</u>
Net Position - End of Year	<u>\$ 3,190,878</u>	<u>\$ 3,399,851</u>

Capital Assets and Long-Term Debt

As of June 30, 2014, the Student Union has \$247,166 invested in capital assets, net of accumulated depreciation of \$754,892. Long-term debt is managed by the Chancellor's Office, and is not included on the financial statement of the Student Union.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Management's Discussion and Analysis
June 30, 2014**

FINANCIAL ANALYSIS (continued)

Student Union's Capital Assets (Net of Depreciation)

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 190,823	\$ 157,615
Equipment, furniture and fixtures	<u>56,343</u>	<u>107,128</u>
Total	<u>\$ 247,166</u>	<u>\$ 264,743</u>

Requests for Information

This financial report is designed to provide a general overview of the Student Union's finances for all those with an interest in the Student Union's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Santos Manuel Student Union, California State University, San Bernardino, 5500 University Parkway, San Bernardino, CA 92407-2397.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Statement of Net Position
June 30, 2014**

	2014	Comparative Totals 2013
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 256,329	\$ 83,954
Short-term investments	3,066,509	4,292,306
Accrued interest receivable	3,833	5,549
Accounts receivable, net	38,796	16,837
Due from related party (Note 6)	39,756	13,140
	<u>3,405,223</u>	<u>4,411,786</u>
Total current assets		
Capital assets, net	<u>247,166</u>	<u>264,743</u>
	<u>3,652,389</u>	<u>4,676,529</u>
Total assets		
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	106,385	73,439
Amounts due to related party (Note 6)	68,481	125,195
Accrued salaries	36,128	49,682
	<u>210,994</u>	<u>248,316</u>
Total current liabilities		
Noncurrent liabilities:		
Accrued compensated absences	86,789	73,265
OPEB obligation	163,728	955,097
	<u>461,511</u>	<u>1,276,678</u>
Total liabilities		
<u>NET POSITION</u>		
Net investment in capital assets	247,166	264,743
Unrestricted	<u>2,943,712</u>	<u>3,135,108</u>
	<u>\$ 3,190,878</u>	<u>\$ 3,399,851</u>
Total net position		

The accompanying notes are an integral part of these financial statements.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014**

	2014	Comparative Totals 2013
<u>OPERATING REVENUES</u>		
Return of surplus revenue bond funds (Student Union fees)	\$ 4,071,221	\$ 3,981,000
Sales and services:		
Program revenues	5,055	7,640
Facility lease and rental	75,375	78,873
Personnel services reimbursement revenue	107,043	116,435
Miscellaneous reimbursement revenue	89,565	72,785
Total operating revenues	4,348,259	4,256,733
<u>OPERATING EXPENSES</u>		
Student services:		
Program Board	86,259	80,692
Women's Resource Center	85,464	95,308
Cross Cultural Center	123,147	105,071
Adult Re-Entry Center	92,312	82,423
Recreation Center	1,674,416	1,551,627
Game Room	80,652	69,345
Pride Center	81,731	80,227
Palm Desert campus	90,183	74,322
Support services:		
Administration and personnel services	422,496	362,434
Student Union operations	1,168,620	1,044,596
Maintenance	298,818	262,591
Board of Directors	14,527	21,205
Graphics	168,734	130,742
Scheduling	90,790	106,181
Audio visual	49,889	72,857
Technology	45,728	30,445
Total operating expenses	4,573,766	4,170,066
Operating income (loss)	\$ (225,507)	\$ 86,667

The accompanying notes are an integral part of these financial statements.

Santos Manuel Student Union
of California State University, San Bernardino

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	2014	Comparative Totals 2013
<u>NON-OPERATING REVENUES</u>		
Investment income	\$ 16,534	\$ 27,226
Total non-operating revenues	16,534	27,226
Change in net position	(208,973)	113,893
Net position, beginning of year	3,399,851	3,285,958
Net position, end of year	<u>\$ 3,190,878</u>	<u>\$ 3,399,851</u>

The accompanying notes are an integral part of these financial statements.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Statement of Cash Flows
For the Year Ended June 30, 2014**

	2014	Comparative Totals 2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Return of surplus	\$ 4,071,221	\$ 3,981,000
Sales and services	228,463	273,656
Payments to suppliers	(3,404,938)	(2,161,267)
Payments to employees	(1,904,773)	(1,735,225)
Net cash provided by (used for) operating activities	(1,010,027)	358,164
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital assets purchased	(61,645)	(140,344)
Net cash used for capital and related financing activities	(61,645)	(140,344)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment income	18,250	30,352
Net cash provided by investing activities	18,250	30,352
Net increase (decrease) in cash and cash equivalents	(1,053,422)	248,172
Cash and cash equivalents, beginning of year	4,376,260	4,128,088
Cash and cash equivalents, end of year	\$ 3,322,838	\$ 4,376,260
<u>RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION</u>		
Current assets		
Cash and cash equivalents	\$ 256,329	\$ 83,954
Short-term investments	3,066,509	4,292,306
Total	\$ 3,322,838	\$ 4,376,260

The accompanying notes are an integral part of these financial statements.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Statement of Cash Flows
For the Year Ended June 30, 2014**

	<u>2014</u>	<u>Comparative Totals 2013</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (225,507)	\$ 86,667
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	79,222	82,454
(Increase) decrease in assets:		
Accounts receivable	(21,959)	1,796
Due from related party	(26,616)	(3,873)
Prepaid expenses	-	2,400
Increase (decrease) in liabilities:		
Accounts payable	32,946	5,189
Accrued salaries	(13,554)	24,021
Due to related party	(56,714)	18,061
Accrued compensated absences	13,524	(2,599)
OPEB obligation	(791,369)	144,048
Net cash provided by (used for) operating activities	<u>\$ (1,010,027)</u>	<u>\$ 358,164</u>

The accompanying notes are an integral part of these financial statements.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The Santos Manuel Student Union of California State University, San Bernardino (the Student Union) is a not-for-profit organization incorporated on November 18, 1977, under the laws of the State of California. The Student Union is an auxiliary organization (component unit) of the California State University and Colleges as defined under Section 89901 of the Education Code of the State of California and California Administrative Code, Title 5, Section 42400. The Student Union was formed to finance, operate and construct a campus union facility at California State University, San Bernardino as a student body center for the benefit of the students, faculty, staff, alumni and guests of the University in order to promote and assist the educational programs of the University. The Student Union performs these functions under an operating agreement with Trustees of the California State University (the Trustees). The Student Union agrees to apply the funds and properties it receives exclusively towards these purposes and to obtain written approval of the Trustees prior to initiating any additional functions. A renewed operating agreement was entered into, effective September 1, 2012 and expires on August 31, 2017.

Reporting Entity

Accounting principles generally accepted in the United States of America require that these financial statements present the accounts of the Student Union and any of its component units. Component units are legally separate entities for which the Student Union is considered to be financially accountable or otherwise has a relationship, which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of the Student Union's operations, so the accounts of these entities are to be combined with the data of the Student Union. Component units, which do not meet these requirements, are reported in the financial statements as discrete units to emphasize their separate legal status. The Student Union has determined that it is not financially accountable for, nor has any other relationship with, any other organization, which would require its inclusion in these financial statements. However, the Student Union is a component unit of California State University, San Bernardino.

Fund Accounting

The accounts of the Student Union are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and uses them to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Student Union's financial statements include only an enterprise fund, which is a proprietary fund type. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or change in net position is necessary for management accountability.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(continued)**

Basis of Accounting

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Student Union has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Student Union are the mandatory fees collected from the students at California State University, San Bernardino. Operating expenses for the Student Union include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

The Student Union's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of purchase.

Investments are reported at fair value.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest.

Receivable balances are periodically reviewed for collectability based on past credit history with customers and their current financial condition. Management makes the determination concerning the amounts to be written off on a case by case basis.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(continued)**

Property and Equipment

Property and equipment are carried at cost. The Student Union's policy is to capitalize additions and improvements in excess of \$5,000. Repairs and maintenance are charged to operations as incurred. Costs and related allowances for depreciation of property and equipment sold or otherwise retired are eliminated from the accounts and gains or losses on disposition are included in income. Contributed assets, if any, are stated at fair market value at the time received by the Student Union. Depreciation is provided on the straight-line method over the estimated useful lives of five to fifteen years.

Income Taxes

The Student Union is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. A comparable exemption has been granted by the State of California under the Revenue and Taxation Code 23701(d).

The Student Union has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Student Union continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain tax positions are required.

The Student Union files informational tax returns in the U.S. federal jurisdictions and the state of California. The Student Union is no longer subject to U.S. federal and state examinations for years before 2010.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(continued)**

Unrestricted Net Position

The Unrestricted Net Position of \$2,943,712 is designated to Program Funds as shown below. These are allocated fund reserves, which support programs such as Working Capital, the Long-Term Equipment Repair & Replacement Plan, Major Maintenance Plan, and SMSU Major Campus Event Funds.

Current Year Reserve Accounts

Admin. Working capital	\$ 1,767,024
Admin. Equip/Furnishings	142,705
Admin. Special Projects	234,749
Admin. OPEB Liability Reserve	115,190
Central Local Reserves	152,659
Maintenance Repairs	96,828
Programs	<u>434,557</u>
	<u><u>\$ 2,943,712</u></u>

The statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

For the period covered by these financial statements, the Student Union has no transactions classified as deferred outflows or inflows of resources.

Subsequent Events

Management has evaluated subsequent events through September 18, 2014, which is the date the financial statements were available to be issued.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 2: Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and cash equivalents	\$ 256,329
Short-term investments	<u>3,066,509</u>
Total Cash and Investments	<u>\$ 3,322,838</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 1,600
Deposits with financial institutions	254,729
Investments	<u>3,066,509</u>
Total Cash and Investments	<u>\$ 3,322,838</u>

Investments

At June 30, 2014, the Student Union'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 various funds and programs.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 2: Cash and Investments (continued)

Investment Policy

State law and regulations require that surplus monies of the Student Union must be invested. The primary objective of the investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Student Union. The third objective is to return an acceptable yield. The 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 investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, and certain other investment instruments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Student Union manages its exposure to interest rate risk is that the pool purchases a combination of short-term and mid-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Student Union's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 2: Cash and Investments (continued)

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Student Union's investment portfolio as of June 30, 2014:

Investment	Fair Value	WAM (Years)	Ratings as of Year-End			
			AAA	AA	A	Not Rated
Money Market Mutual Funds	\$ 3,934	-	\$ -	\$ -	\$ -	\$ 3,934
Repurchase Agreements	1,185	0.0027	-	-	1,064	121
Certificates of Deposit	93,912	0.6585	-	9,430	84,482	-
Commercial Paper	1,900	0.0274	-	-	1,900	-
US Agencies	387,190	1.5500	-	387,190	-	-
Corporate and Fixed Income	527,122	2.0823	109,501	115,670	301,951	-
US Treasury	403,783	1.5848	-	-	-	403,783
Municipal Securities	11,391	2.0188	-	11,391	-	-
Mortgage Backed Securities	1,197	7.6204	-	1,197	-	-
LAIF	1,634,895	-	-	-	-	1,634,895
	<u>\$ 3,066,509</u>		<u>\$ 109,501</u>	<u>\$ 524,878</u>	<u>\$ 389,397</u>	<u>\$ 2,042,733</u>

Concentration of Credit Risk

The investment policy of the Student Union contains no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. At June 30, 2014 the investments in any one issuer (other than external pools) that represent 5% or more of total Student Union investments are as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal agency securities	\$ 132,725
Federal Home Loan Mortgage Corporation	Federal agency securities	\$ 118,459
Federal Home Loan Banks Office of Finance	Federal agency securities	\$ 71,774

The California Government Code requires that a financial institution 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. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2014, the Student Union had \$17,165 in deposits with financial institutions in excess of federal depository insurance limits.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 2: Cash and Investments (continued)

Investment in State Investment Pool

The Student Union is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The Student Union may invest up to \$50 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

The Student Union's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the Student Union's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$1,205 million, which represents 1.86% of the total LAIF portfolio of \$64.8 billion as of June 30, 2014. LAIF's (and the Student Union's) exposure to risk (credit, market or legal) is not currently available.

Note 3: Student Union Fees

The Student Union fees that are collected are deposited into a campus trust fund, where a portion is returned to the Santos Manuel Student Union as a lump sum on an annual basis for the payment of expenses related to Student Union and Recreation Center expenses.

These financial statements do not include the Student Union Facility or the Recreation Center liability for debt incurred to finance either of the facilities or any reserves or other assets, liabilities or activities related to debt service.

Reserved balances as of June 30, 2014 held by the Campus on behalf of the Santos Manuel Student Union were Designated for Operations and Designated for Maintenance and Repairs for \$8,531,544 and \$2,714,328 respectively.

In August of 2013 The Trustees of the California State University issued the Systemwide Revenue Bonds Series 2013 A. Proceeds were used to refinance certain maturities of the Revenue Bonds, Series 2005 A Expansion Project bonds as well as to refund outstanding bond indebtedness issued by a related auxiliary organization. Bonds outstanding at June 30, 2014 amounted to \$9,865,000.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 3: Student Union Fees (continued)

On August 1, 2012 The Trustees of the California State University issued the Student Union Revenue Bonds, Series 2012 A to refund Series 2002 A bonds which were issued to finance the construction, repair and maintenance of the Student Union facility. Bonds outstanding at June 30, 2014 amounted to \$1,410,000.

In April of 2005 the Trustees of the California State University issued the Student Union Revenue Bonds, Series 2005 A Expansion Project. The Bonds were issued to refund the Revenue Bond Anticipation Notes issued on May 21, 2004 for the Student Union expansion project and on June 7, 2004 for the Student Recreation Center project. Bonds outstanding at June 30, 2014 were \$13,610,000.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ -	\$ 52,525	\$ -	\$ 52,525
Leasehold improvements	382,904	-	-	382,904
Equipment, furniture and fixtures	563,791	9,120	(6,282)	566,629
Total capital assets, being depreciated	946,695	61,645	(6,282)	1,002,058
Less accumulated depreciation for:				
Buildings	-	(292)	-	(292)
Leasehold improvements	(225,289)	(19,025)	-	(244,314)
Equipment, furniture and fixtures	(456,663)	(59,905)	6,282	(510,286)
Total accumulated depreciation	(681,952)	(79,222)	6,282	(754,892)
Capital assets, net	<u>\$ 264,743</u>	<u>\$ (17,577)</u>	<u>\$ -</u>	<u>\$ 247,166</u>

Total depreciation expense for the year ended June 30, 2014 was \$79,222.

Note 5: Leasing Arrangements

The Student Union also rents out its facilities to students, the University, other auxiliary organizations and community organizations as available on a day-to-day basis. Total rents from this usage amounted to \$75,375 for the year ended June 30, 2014.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 6: Related Party and Economic Dependency

The Student Union operates under an agreement with the Trustees of the California State University, San Bernardino (CSUSB) as an auxiliary organization of the University. The majority of the Student Union's revenues and assets are dependent on its relationship with the University and its operating agreement with the Trustees. The University provides accounting services, utilities and various services for the Student Union. The Student Union leases space to Associated Student Incorporated (ASI), University Enterprises Corporation (UEC) and the Philanthropic Foundation (PHL) of California State University, all related parties. Below is a summary showing the related party transactions at June 30, 2014.

	<u>CSUSB</u>	<u>Associated Students Inc.</u>	<u>Philanthropic Foundation</u>	<u>University Enterprise Corporation</u>	<u>Total</u>
<u>Expenses</u>					
Payments to Univ/Aux for salaries of personnel working on contracts, grants, and other programs as of June 30, 2014	\$ 170,668	\$ -	\$ -	\$ -	\$ 170,668
Payments to Univ/Aux for other than salaries of personnel as of June 30, 2014	829,701	2,500	-	-	832,201
Total Expenses	<u>1,000,369</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>1,002,869</u>
<u>Revenues</u>					
Payments received from Univ/Aux for services, space, and programs as of June 30, 2014	86,051	37,632	9,153	71,566	204,402
<u>(Due to) Due from</u>					
Accounts Payable to Univ/Aux as of June 30, 2014	(68,481)	-	-	-	(68,481)
Accounts Receivable due from Univ/Aux as of June 30, 2014	16,004	7,075	1,040	15,637	39,756
Grand Total	<u><u>\$ 1,033,943</u></u>	<u><u>\$ 47,207</u></u>	<u><u>\$ 10,193</u></u>	<u><u>\$ 87,203</u></u>	<u><u>\$ 1,178,546</u></u>

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 7: Defined Benefit Pension Plan (PERS)

Plan Description

The Student Union contributes to the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and Student Union regulations. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. Employee contributions amounted to \$66,294 for the year ended June 30, 2014. The Student Union is required to contribute at an actuarially determined rate; the current rate is 14.719% of annual covered payroll. The contribution requirements of plan members and the Student Union are established and may be amended by PERS.

Annual Pension Cost

For 2014, the Student Union's annual pension cost of \$142,425 for PERS was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method.

Three Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 147,523	100%	\$ -
6/30/13	127,132	100%	-
6/30/14	142,425	100%	-

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 8: Other Post Employment Benefits

Plan Description

The Santos Manuel Student Union provides medical and dental plan coverage for retirees and their eligible surviving dependents. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees' Retirement System (PERS), which is age 50 or older with at least five years of State or public agency service. The healthcare coverage provided by PERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

Dental benefits are provided through Met Life and medical plan benefits are provided through PERS, as permitted by the Public Employees' Medical and Hospital and Care Act (PEMHCA). As a PEMHCA employer, the Student Union has selected the equal contribution method, where it is obligated to contribute the same amount for retirees as contributed toward active employees' medical plan coverage.

Funding Policy

The contribution requirements of the Student Union are established and may be amended by the Board of Directors. On July 25, 2013, the Student Union funded their Other Post Employment Benefits obligation in the amount of \$955,097. In fiscal year 2013-2014 the annual required contribution determination method changed from pay-as-you-go basis to prefunding policy. The Student Union contributed \$973,041 to the plan during the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

The Student Union's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

Santos Manuel Student Union
of California State University, San Bernardino

Notes to Financial Statements
June 30, 2014

Note 8: Other Post Employment Benefits (continued)

The following table shows the components of the Student Union's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Student Union's net OPEB obligation:

	June 30, 2014
Annual required contribution	\$ 177,079
Interest on net OPEB obligation	66,857
Adjustment to annual required contribution	(62,264)
Annual OPEB cost (expense)	181,672
Contributions made	(973,041)
Change in net OPEB obligation	(791,369)
Net OPEB obligation - beginning of year	955,097
Net OPEB obligation - end of year	<u>\$ 163,728</u>

The Student Union's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 245,674	7.5%	\$ 811,049
6/30/13	167,907	14.2%	955,097
6/30/14	181,672	535.6%	163,728

Funded Status and Progress

As of June 30, 2014, the most recent valuation date, the plan was 92.3% funded. The actuarial accrued liability for benefits was \$1,132,101 and the actuarial value of assets was \$1,044,451 resulting in an unfunded actuarial accrued liability (UAAL) of \$87,650 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 92.3%. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2014 was \$1,008,496 and the ratio of the UAAL to the covered payroll was 8.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Santos Manuel Student Union
of California State University, San Bernardino*

**Notes to Financial Statements
June 30, 2014**

Note 8: Other Post Employment Benefits (continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.0% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and a 7.0% discount rate. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the Student Union's payroll will increase 3.25% per year.

Note 9: Self-Insurance

Effective July 1, 2011 the Student Union joined the California State University Risk Management Authority (CSURMA), Auxiliaries Organizations' Risk Management Alliance Unemployment Self Insurance Program (AORMA UIP). AORMA UIP was created to centrally manage workers' compensation, general liability, disability, unemployment insurance coverage and other risk-related programs. Contributions made during the year ended June 30, 2014 totaled \$7,899.

REQUIRED SUPPLEMENTARY INFORMATION

Santos Manuel Student Union
of California State University, San Bernardino

Schedule of Funding Progress
Other Post Employment Benefit Plan
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/(c)
6/30/2012	-	1,871,324	1,871,324	-	929,696	201.3%
6/30/2013	-	1,309,378	1,309,378	-	959,911	136.4%
6/30/2014	1,044,451	1,132,101	87,650	92.3%	1,008,496	8.7%

OTHER SUPPLEMENTARY INFORMATION

*Santos Manuel Student Union
of California State University, San Bernardino*

**Organizational Data
June 30, 2014**

Officers – 2013-2014

Michael Dandurand – Chair Designee
Sean Kendall – Vice Chair
Jackie Aboud – Secretary
Mark K. Day – Chief Financial Officer

Faculty Representatives

Mary Fong
Josephine Mendoza

Student Representatives

Nicole Albiso
Janhavi Dhargalkar
Juan Herrera
Alberto Jasso
Edgar Lopez
Cindy Todorovich

Alumni Representative

Fatima Adame

ASI Executive President

Tony Ochoa

University Administrative Representative

Matias Farré

President's Designee

Dr. Brian Haynes

Executive Director

Mark K. Day

Santos Manuel Student Union
of California State University, San Bernardino

Schedule of Operating Expenses by Function
For the Year Ended June 30, 2014

	Student Services									Support Services									Grand Total
	Program Board	Women's Resource Center	Cross Cultural Center	Adult Re-Entry Center	Recreation Center	Game Room	Pride Center	Palm Desert Campus	Subtotal	Administration and Personnel Services	Student Union Operations	Maintenance	Board of Directors	Graphics	Student Union	Audio Visual	Technology	Subtotal	
Salaries, wages & stipends	\$ 31,736	\$ 51,048	\$ 68,093	\$ 62,793	\$ 678,389	\$ 61,688	\$ 53,780	\$ 52,935	\$ 1,060,462	\$ 385,379	\$ -	\$ 171,405	\$ -	\$ 141,727	\$ 80,873	\$ 32,178	\$ 32,719	\$ 844,281	\$ 1,904,743
Employee benefits & taxes	-	-	-	-	152,520	-	-	-	152,520	-	369,561	-	-	-	-	-	-	369,561	522,081
OPEB expense	-	-	-	-	-	-	-	-	-	-	163,728	-	-	-	-	-	-	163,728	163,728
Communications	-	-	-	-	13,464	-	-	-	13,464	-	12,933	-	-	-	-	-	-	12,933	26,397
Utilities	-	-	-	-	123,515	-	-	1,800	125,315	-	284,286	-	-	-	-	-	-	284,286	409,601
Travel	1,200	647	1,584	300	74,610	2,165	2,286	4,536	87,328	22,433	14,672	653	9,071	3,273	3,625	1,401	-	55,128	142,456
Equipment	-	-	-	-	-	11,123	1,720	1,147	13,990	-	13,424	11,986	-	-	379	12,072	11,712	49,573	63,563
Postage	-	-	-	-	454	-	-	-	454	-	2,242	-	-	-	-	-	-	2,242	2,696
Supplies & services	5,640	3,280	9,539	6,611	330,399	2,307	1,993	1,478	361,247	11,668	22,331	108,800	2,415	11,835	5,569	1,451	1,297	165,366	526,613
Duplicating	3,381	2,127	2,436	2,499	8,373	1,194	2,284	1,702	23,996	441	-	17	360	2,095	127	-	-	3,040	27,036
Accounting fees	-	-	-	-	68,273	-	-	-	68,273	-	92,795	-	-	-	-	-	-	92,795	161,068
Audit fees	-	-	-	-	-	-	-	-	-	-	9,520	-	-	-	-	-	-	9,520	9,520
Professional fees	-	-	-	-	-	-	-	-	-	-	1,636	-	-	-	-	-	-	1,636	1,636
Hospitality	-	227	4,125	-	31,732	65	28	-	36,177	2,489	4,014	-	2,681	-	242	-	-	9,426	45,603
Specialized training	-	-	-	-	5,338	-	-	-	5,338	-	-	-	-	-	-	-	-	-	5,338
Insurance	-	-	-	-	8,126	-	-	-	8,126	-	18,960	-	-	-	-	-	-	18,960	27,086
Repairs & maintenance	-	-	-	-	8,028	-	-	7,303	15,331	-	111,073	-	-	-	-	-	-	111,073	126,404
Advertising	-	-	-	-	18,178	-	-	895	19,073	-	-	-	-	9,804	-	-	-	9,804	28,877
Program expenses	44,302	28,045	36,065	20,109	22,811	2,110	19,640	18,387	191,469	-	13,085	-	-	-	(25)	-	-	13,060	204,529
Campus services	-	-	-	-	70,101	-	-	-	70,101	-	23,941	-	-	-	-	-	-	23,941	94,042
Resource materials	-	90	1,305	-	-	-	-	-	1,395	86	-	46	-	-	-	-	-	132	1,527
Depreciation	-	-	-	-	60,105	-	-	-	60,105	-	10,419	5,911	-	-	-	2,787	-	19,117	79,222
Totals	\$ 86,259	\$ 85,464	\$ 123,147	\$ 92,312	\$ 1,674,416	\$ 80,652	\$ 81,731	\$ 90,183	\$ 2,314,164	\$ 422,496	\$ 1,168,620	\$ 298,818	\$ 14,527	\$ 168,734	\$ 90,790	\$ 49,889	\$ 45,728	\$ 2,259,602	\$ 4,573,766

San Manuel Student Union
Schedule of Net Position
June 30, 2014
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 256,329
Short-term investments	3,066,509
Accounts receivable, net	82,385
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	—
Total current assets	<u>3,405,223</u>

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	—
Capital assets, net	247,166
Other assets	—
Total noncurrent assets	<u>247,166</u>

Total assets	<u>3,652,389</u>
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Deferred outflows of resources:

Unamortized loss on refunding(s)	—
Total deferred outflows of resources	<u>—</u>

Liabilities:

Current liabilities:

Accounts payable	174,866
Accrued salaries and benefits payable	36,128
Accrued compensated absences— current portion	—
Unearned revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Claims Liability for losses and LAE – current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	<u>210,994</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	86,789
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	163,728
Other liabilities	—
Total noncurrent liabilities	<u>250,517</u>

Total liabilities	<u>461,511</u>
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Deferred inflows of resources:

Deferred inflows from SCAs, grants, and others	—
Total deferred inflows of resources	<u>—</u>

Net Position:

Net investment in capital assets	247,166
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	<u>2,943,712</u>
Total net position	<u>\$ 3,190,878</u>

See accompanying independent auditor's report

San Manuel Student Union

Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	4,348,259
Other operating revenues	—
	<hr/>
Total operating revenues	4,348,259

Expenses:

Operating expenses:

Instruction	—
Research	—
Public service	—
Academic support	—
Student services	2,254,053
Institutional support	
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	2,240,491
Depreciation and amortization	79,222
	<hr/>
Total operating expenses	4,573,766
	<hr/>
Operating income (loss)	(225,507)

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	—
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	16,534
	<hr/>
Net nonoperating revenues (expenses)	16,534

Income (loss) before other additions	(208,973)
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State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
	<hr/>
Increase (decrease) in net position	(208,973)

Net position:

Net position at beginning of year, as previously reported	3,399,851
Restatements	—
Net position at beginning of year, as restated	<hr/> 3,399,851
Net position at end of year	<hr/> \$ 3,190,878

See accompanying independent auditor's report

San Manuel Student Union
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1 Restricted cash and cash equivalents at June 30, 2014:

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalent:		<u>-</u>
Total restricted cash and cash equivalents	\$	<u>-</u>

2.1 Composition of investments at June 30, 2014:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	1,634,895	-	1,634,895	-	-	-	1,634,895
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	1,431,614	-	1,431,614	-	-	-	1,431,614
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Other:	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>3,066,509</u>	<u>-</u>	<u>3,066,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,066,509</u>
Less endowment investments (enter as negative number)							-
Total investments	<u>3,066,509</u>	<u>-</u>	<u>3,066,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,066,509</u>

2.2 Investments held by the University under contractual agreements at June 30, 2014

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2014 :	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2014 related to:

	<u>Amount</u>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2014	<u>\$ —</u>

2.4 Restricted noncurrent investments at June 30, 2014 related to:

	<u>Amount</u>
Endowment investments	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2014	<u>\$ —</u>

See accompanying independent auditor's report

San Manuel Student Union
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3.1 Composition of capital assets at June 30, 2014:

	Balance June 30, 2013	Prior period Adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvement	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademark:	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvement	94,082	-	(94,082)	-	52,525	-	-	52,525
Improvements, other than building	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvement:	288,822	-	94,082	382,904	-	-	-	382,904
Personal property:								
Equipment	563,791	-	-	563,791	9,120	(6,282)	-	566,629
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademark:	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	946,695	-	-	946,695	61,645	(6,282)	-	1,002,058
Total capital assets	946,695	-	-	946,695	61,645	(6,282)	-	1,002,058
Less accumulated depreciation/amortization:								
Buildings and building improvement	(1,307)	-	1,307	-	(292)	-	-	(292)
Improvements, other than building	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvement:	(223,982)	-	(1,307)	(225,289)	(19,025)	-	-	(244,314)
Personal property:								
Equipment	(456,663)	-	-	(456,663)	(59,905)	6,282	-	(510,286)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademark:	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(681,952)	-	-	(681,952)	(79,222)	6,282	-	(754,892)
Total capital assets, net	\$ 264,743	-	-	264,743	(17,577)	-	-	247,166

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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

Depreciation and amortization expense related to capital assets	\$ 79,222
Amortization expense related to other asset	—
Total depreciation and amortization	<u>\$ 79,222</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior period adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	\$ 73,265	—	—	73,265	70,125	(56,601)	86,789	—	86,789
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligation	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Add description:	—	—	—	—	-	-	—	—	—
Add description:	—	—	—	—	-	-	—	—	—
Add description:	—	—	—	—	-	-	—	—	—
Add description:	—	—	—	—	-	-	—	—	—
Add description:	—	—	—	—	-	-	—	—	—
Add description:	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 73,265	—	—	73,265	70,125	(56,601)	86,789	—	86,789

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020 - 2024	-	-	—
2025 - 2029	-	-	—
2030 - 2034	-	-	—
2035 - 2039	-	-	—
2040 - 2044	-	-	—
2045 - 2049	-	-	—
2050 - 2054	-	-	—
2055 - 2059	-	-	—
2060 - 2064	-	-	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			<u>\$ —</u>

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6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2015	\$ -	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020 - 2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-	-
OK									

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ —	247,166	247,166
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ —	247,166	247,166
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ —	—	—

See accompanying independent auditor's report

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8 Transactions with Related Entities *

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other program	\$ 170,668
Payments to University for other than salaries of University personnel	829,701
Payments received from University for services, space, and program	86,051
Gifts-in-kind to the University from discretely presented component unit	—
Gifts (cash or assets) to the University from discretely presented component unit	—
Accounts (payable to) University (enter as negative number)	(68,481)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	16,004
Other amounts receivable from University	—

* For the purposes of this schedule related entities refers specifically to transactions with California State University San Bernardino (excludes auxiliary organizations)

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 181,672
Contributions during the year	<u>(973,041)</u>
Increase (decrease) in net OPEB obligation (NOO)	(791,369)
NOO - beginning of year	955,097
NOO - end of year	<u>\$ 163,728</u>

10 Pollution remediation liabilities under GASB Statement No. 49:

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

See accompanying independent auditor's report

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

	<u>Net Position</u> <u>Class</u>	<u>Amount</u> <u>Dr. (Cr.)</u>
Net position as of June 30, 2013, as previously reported		\$ 3,399,851
Prior period adjustments		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2013, as restated		<u>\$ 3,399,851</u>

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

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

See accompanying independent auditor's report



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INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
Santos Manuel Student Union of
California State University, San Bernardino

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 Santos Manuel Student Union of CSU San Bernardino (Student Union), a nonprofit organization as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Student Union's basic financial statements, and have issued our report thereon dated September 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Student Union'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Student Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Student Union's internal control.

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


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Student Union'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 results 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.

A handwritten signature in black ink that reads "Rogers Anderson Malouly & Scott, LLP". The signature is written in a cursive, flowing style.

San Bernardino, CA
September 18, 2014