

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

REPORT ON AUDIT

FOR THE YEAR ENDED
JUNE 30, 2007

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Santos Manuel Student Union of California State University, San Bernardino (the Student Union), a component unit of California State University, San Bernardino as of and for the year then ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the Student Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The prior year partial comparative information has been derived from the Student Union's 2006 financial statements and, in our report dated September 22, 2006, we expressed an unqualified opinion on the respective basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Student Union as of June 30, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MEMBERS

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Santos Manuel Student Union of California State University, San Bernardino's basic financial statements. The Organizational Data, the Schedule of Operating Expenses by Function, and the Auxiliary Organizations' Schedule of Net Assets, Schedule of Revenues, Expenses and Changes in Net Assets and the Other Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Operating Expenses by Function and the Auxiliary Organizations' Schedule of Net Assets, Schedule of Revenues, Expenses and Changes in Net Assets and the Other Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Organizational Data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Rogers, Anderson, Molody & Scott, LLP

September 10, 2007

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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, 2007.

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 Statement 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This represents a significant change from prior financial reports and is designed to improve the usefulness of the reports to the primary users of these financial statements.

The financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements are supported in the annual financial report by the notes to the financial statements, required supplemental 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 Assets: The Statement of Net Assets includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net assets of the Student Union.

Statement of Revenues, Expenses and Changes in Net Assets: The Statement of Revenues, Expenses and Changes in Net Assets 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. The statement is prepared using the direct method of cash flows and, therefore, presents gross rather than net amounts for the year's 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, 2007

ANALYTICAL OVERVIEW

Summary

All students who attend California State University, San Bernardino are required to pay a mandatory Student Union fee. These fees are collected annually 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.

The decrease in return of surplus revenues was due primarily to the influx of funds received in the prior fiscal year to equip the Student Recreation and Fitness Center and the anticipated opening of the expanded and renovated Santos Manuel Student Union building in fall 2005. The Santos Manuel Student Union did not open until March 2006 and the Student Recreation and Fitness Center opening was delayed until April 2007.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

FINANCIAL ANALYSIS

Net Assets

The Student Union's net assets exceed liabilities by \$2,980,051 at the close of the most recent fiscal year. Of this, \$518,762 or 17.4% reflects its investment in capital assets (e.g., leasehold improvements, 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.

Student Union's Net Assets

	<u>2007</u>	<u>2006</u>
Current assets	\$ 2,749,255	\$ 2,550,947
Capital assets	518,762	182,272
Total Assets	<u>3,268,017</u>	<u>2,733,219</u>
Current liabilities	<u>287,966</u>	<u>113,835</u>
Net assets		
Invested in capital assets	518,762	182,272
Restricted	2,315,916	2,310,978
Unrestricted	<u>145,373</u>	<u>126,134</u>
Total Net Assets	<u>\$ 2,980,051</u>	<u>\$ 2,619,384</u>

The Student Union's net assets increased by \$360,667 during the current fiscal year, primarily from investments in capital assets.

Changes in Net Assets

Operating revenues decreased by \$353,713 or 11.2%, which is attributed primarily to a decrease of return of surplus revenues of \$447,661. The decrease in return of surplus revenues was due to the savings in 2005-06 because of delays in opening the expanded and renovated Santos Manuel Student Union and the Student Recreation and Fitness Center.

Expenses increased by \$628,937 or 31.7%. Expenses increased due to the Santos Manuel Student Union being open the entire fiscal year and the operations of the Student Recreation and Fitness Center.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Student Union's Changes in Net Assets

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Return of surplus	\$ 2,651,314	\$ 3,098,975
Income from operations	138,917	48,603
Program income	6,218	2,584
Investment income	177,374	100,638
Total Revenues	<u>2,973,823</u>	<u>3,250,800</u>
<u>Expenses</u>		
Student services	1,245,282	834,960
Auxiliary enterprise expenses	1,366,692	1,142,607
Other	1,182	6,652
Total Expenses	<u>2,613,156</u>	<u>1,984,219</u>
Increase in net assets	360,667	1,266,581
Net Assets - Beginning of Year	<u>2,619,384</u>	<u>1,352,803</u>
Net Assets - End of Year	<u>\$ 2,980,051</u>	<u>\$ 2,619,384</u>

Capital Assets and Long-Term Debt

As of June 30, 2007, the Student Union has \$518,762 invested in capital assets, net of accumulated depreciation of \$309,799. Long-term debt is managed by the Chancellor's Office, and is not included on the financial statement of the Student Union.

Student Union's Capital Assets
(Net of Depreciation)

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 212,376	\$ 81,160
Equipment, furniture and fixtures	306,386	101,112
Total	<u>\$ 518,762</u>	<u>\$ 182,272</u>

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 ASSETS

JUNE 30, 2007

	2007	Comparative Totals 2006
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 328,707	\$ 213,201
Short-term investments	2,357,218	2,293,120
Accrued interest receivable	30,106	24,116
Accounts receivable – net	33,224	5,510
Amounts receivable from other auxiliary organizations	-	15,000
Total Current Assets	2,749,255	2,550,947
Leasehold improvements, equipment, furniture and fixtures - net	518,762	182,272
Total Assets	3,268,017	2,733,219
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	26,689	26,340
Amounts due to other auxiliary organizations	5,772	3,695
Amounts due to the University	201,445	47,782
Accrued salaries payable	20,568	-
Accrued compensated absences	33,492	36,018
Total Current Liabilities	287,966	113,835
<u>NET ASSETS</u>		
Invested in capital assets	518,762	182,272
Restricted	2,315,916	2,310,978
Unrestricted	145,373	126,134
Total Net Assets	\$ 2,980,051	\$ 2,619,384

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 ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	2007	Comparative Totals 2006
<u>OPERATING REVENUES</u>		
Return of surplus revenue bond funds (Student Union fees)	\$ 2,651,314	\$ 3,098,975
Sales and Services:		
Program revenues	6,218	2,584
Facility lease and rental	60,691	20,999
Personnel services reimbursement revenue	76,410	11,193
Miscellaneous reimbursement revenue	1,816	16,411
Total Operating Revenues	2,796,449	3,150,162
<u>OPERATING EXPENSES</u>		
Student services:		
Program Board	78,817	111,510
Women's Resource Center	82,112	70,771
Cross Cultural Center	190,619	223,091
Adult Re-entry Center	74,853	74,976
Recreation Center	753,266	352,616
Game Room	(1,616)	1,996
Pride Center	67,231	-
Auxiliary enterprise expenses:		
Administration and personnel services	349,239	403,673
Student Union operations	515,586	375,399
Maintenance	255,459	205,831
Palm Desert Campus	5,800	10,259
Board of Directors	14,692	5,442
Graphics	25,768	18,984
Scheduling	85,826	72,199
Audio visual	26,629	6,992
Technology	21,505	11,722
Depreciation	66,188	32,106
Total Operating Expenses	2,611,974	1,977,567
Operating Income	184,475	1,172,595

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 ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>Comparative Totals 2006</u>
<u>NON-OPERATING REVENUES AND EXPENSES</u>		
Investment income	\$ 177,374	\$ 100,638
Loss on disposal of fixed assets	(1,182)	(6,652)
	<u>176,192</u>	<u>93,986</u>
Change in Net Assets	360,667	1,266,581
Net Assets, beginning of year	<u>2,619,384</u>	<u>1,352,803</u>
Net Assets, end of year	<u>\$ 2,980,051</u>	<u>\$ 2,619,384</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, 2007

	<u>2007</u>	<u>Comparative Totals 2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Return of surplus	\$ 2,651,314	\$ 3,098,975
Sales and services	132,421	33,520
Payments to suppliers	(1,132,898)	(858,424)
Payments to employees	(1,238,757)	(1,076,022)
	<u>412,080</u>	<u>1,198,049</u>
Net Cash Provided By Operating Activities		
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of equipment	(403,860)	(53,520)
	<u>(403,860)</u>	<u>(53,520)</u>
Net Cash Used In Capital and Related Financing Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from maturities of certificates of deposit	102,108	103,136
Investment income	171,384	85,002
Purchase of investments in certificates of deposit	-	(103,155)
	<u>273,492</u>	<u>84,983</u>
Net Cash Provided By Investing Activities		
Net Increase in Cash and Cash Equivalents	281,712	1,229,512
Cash and Cash Equivalents Balance, beginning of year	<u>2,404,213</u>	<u>1,174,701</u>
Balance, end of year	<u>\$ 2,685,925</u>	<u>\$ 2,404,213</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, 2007

	2007	Comparative Totals 2006
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income	\$ 184,475	\$ 1,172,595
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	66,188	32,106
(Increase) in receivables	(27,714)	(3,846)
(Increase) decrease in amounts receivable from other auxiliary organizations	15,000	(13,821)
Increase in accounts payable	349	23,146
Increase (decrease) in accrued payroll	20,568	(9,156)
Increase (decrease) in due to other auxiliary organizations	2,077	(14,837)
(Decrease) in compensated absences	(2,526)	(10,505)
Increase in due to the University	153,663	22,367
	<u>\$ 412,080</u>	<u>\$ 1,198,049</u>
Net Cash Provided By Operating Activities	<u>\$ 412,080</u>	<u>\$ 1,198,049</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, 2007

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. The operating agreement expires August 31, 2007. A new operating agreement was entered into effective September 1, 2007 through August 31, 2012.

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 assets is necessary for management accountability.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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.

Property and Equipment

Property and equipment is carried at cost. The Student Union's policy is to capitalize additions and improvements in excess of \$1,500 that significantly add to productive capacity or extend the useful life of an asset. 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.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)

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).

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.

Restricted Net Assets

This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Current Assets:

Cash and cash equivalents	\$ 328,707
Short-term investments	<u>2,357,218</u>
Total Cash and Investments	<u>\$ 2,685,925</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 250
Cash held by University	201,564
Deposits with financial institutions	126,893
Investments	<u>2,357,218</u>
Total Cash and Investments	<u>\$ 2,685,925</u>

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2: CASH AND INVESTMENTS (continued)

The Student Union is required to maintain cash in a trust fund account with the University sufficient to meet daily cash needs. Cash receipts are deposited into a Master Account controlled by Cash Management Operations (CMO) at the Chancellor's Office and each Campus earns interest on its pro-rata share of short-term investments. The University pools these investments at both the campus and system wide levels. A separate accounting is maintained as to the amounts allocable to the various campuses, funds and programs, including the Student Union. These deposits are fully insured or collateralized as required by state law.

Investments Authorized by the California Government Code and the Student Union's Investment Policy

The table below identifies the investment types that are authorized by the Student Union's investment policy and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the Student Union's investment policy that address interest rate risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills	N/A	None	None
Certificates of Deposit	1 year	None	\$100,000
Local Agency Investment Fund	N/A	None	None

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market 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 by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2007 the Student Union had the following investments:

	<u>Amount</u>	<u>Remaining Maturity</u>
Local Agency Investment Fund	<u>\$ 2,357,218</u>	N/A
Total	<u>\$ 2,357,218</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At June 30, 2007 the Student Union does not hold investments that are highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2: CASH AND INVESTMENTS (continued)

Disclosure Relating to Credit Risk

Generally, 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

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 that stipulated by the California Government Code. At June 30, 2007 the Student Union did not hold any investments in any one issuer (other than external pools) that represent 5% or more of total Student Union investments.

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. 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, 2007, \$2 of the Student Union's deposits with financial institutions were in excess of federal depository insurance limits.

Investment in State Investment Pool

The Student Union is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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 portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Leasehold improvements	\$ 127,312	\$ 144,605	\$ -	\$ 271,917
Equipment, furniture and fixtures	<u>309,481</u>	<u>259,255</u>	<u>(12,092)</u>	<u>556,644</u>
Total capital assets, being depreciated	<u>436,793</u>	<u>403,860</u>	<u>(12,092)</u>	<u>828,561</u>
Less accumulated depreciation for:				
Leasehold improvements	(46,152)	(13,389)	-	(59,541)
Equipment, furniture and fixtures	<u>(208,369)</u>	<u>(52,799)</u>	<u>10,910</u>	<u>(250,258)</u>
Total accumulated depreciation	<u>(254,521)</u>	<u>(66,188)</u>	<u>10,910</u>	<u>(309,799)</u>
Net Capital assets	<u>\$ 182,272</u>	<u>\$ 337,672</u>	<u>\$ (1,182)</u>	<u>\$ 518,762</u>

Depreciation expense for the year ended June 30, 2007 was \$66,188.

NOTE 4: STUDENT UNION FEES

On April 30, 2002 the Trustees of the California State University issued the Student Union Revenue Bonds, Series 2002 A to refund Series B bonds which were issued to finance the construction, repair and maintenance of the Student Union facility. Bonds outstanding at June 30, 2007 amounted to \$2,470,000.

On April 14, 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, 2007 were \$27,550,000.

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

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5: RELATED PARTY AND ECONOMIC DEPENDENCY

As discussed in Note 1, the Student Union operates under an agreement with the Trustees of the California State University, San Bernardino as an auxiliary organization of the University. Since the overwhelming majority of the Student Union's revenues and assets are dependent on its relationship with the University and its operating agreement with the Trustees, loss of this agreement would have a serious and significant impact on the Student Union's operations and financial condition.

The University also provides accounting services, utilities and various services for the Student Union. Amounts paid or accrued for these services amounted to \$630,994 for the year ended June 30, 2007. The amounts due to the University for these services as of June 30, 2007 were \$201,445.

NOTE 6: LEASING ARRANGEMENTS

The Student Union also rents out its facilities to students, the University and community organizations as available on a day-to-day basis. Total rents from this usage amounted to \$60,691 for the year ended June 30, 2007.

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS)

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, disability benefits, 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. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

All full-time Student Union employees are eligible to participate in PERS with benefits vesting after five years of service. Employees who retire at age 55 are entitled to an annual retirement benefit, payable monthly for life, in increasing percentage increments up to 2% of their average full-time monthly pay rate for the highest 12 consecutive months for each year of credited services.

Student Union employees are required to contribute seven percent of their annual covered salary. Employee contributions amounted to \$32,774 for the year ended June 30, 2007. The Student Union is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by statute. The Student Union was required to contribute \$70,708 for the year ended June 30, 2007. Benefit provisions and all other requirements are established by state statute and Student Union ordinance.

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contribution for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 16.871% of covered payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2007, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2006 to June 30, 2007.

Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into CalPERS risk pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code allowed PERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the Student Union was required to participate in a risk pool of other organizations with less than 100 employees. The valuation report as of June 30, 2005, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2005.

At the time of joining a risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the Student Union's plan. The side fund for the Student Union's plan as of the June 30, 2005 valuation was a negative \$401,413.

The side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. The negative side fund will cause the Student Union's required employer contribution rate to be increased by the Amortization of the side fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2005, was 14 years.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 48,392	100%	\$ -0-
June 30, 2006	\$ 78,468	100%	\$ -0-
June 30, 2007	\$ 70,708	100%	\$ -0-

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 8: POST-RETIREMENT HEALTH CARE BENEFITS

The Student Union provides post-retirement health care benefits under a contractual agreement between the Student Union and its employees equal to the benefits provided for active employees. The Student Union funds these benefits on a pay-as-you-go basis. As of June 30, 2007 three retirees are receiving benefits and the Student Union's cost for these benefits was \$11,747 for the year then ended.

NOTE 9: UNEMPLOYMENT INSURANCE TRUST

The Student Union participates in the Auxiliary Organizations Unemployment Insurance Trust, which provides unemployment compensation coverage for members. Members are individually responsible through the Trust for all unemployment claims incurred by their organization. The Trust evaluates member safe levels annually and either bills the organization or allows distributions back to the organization for excess trust balances. Contributions made and claims paid amounted to \$-0- and \$6,108, respectively for the nine months ended March 31, 2007. Condensed financial information for the trust as of March 31, 2007 is as follows:

Total assets	\$ 13,641,763
Total liabilities	<u>301,263</u>
Trust balance	<u>\$ 13,340,500</u>
Total revenues	\$ 2,541,335
Total expenses	<u>1,103,176</u>
Net increase in trust balance	<u>\$ 1,438,159</u>

The Student Union's portion of the trust balance was \$32,641 at March 31, 2007.

OTHER SUPPLEMENTARY INFORMATION

SANTOS MANUEL STUDENT UNION OF
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

ORGANIZATIONAL DATA

JUNE 30, 2007

Officers – 2006-2007

Kyle Gordon	-	Chair
Angelica Jones	-	Secretary
Nicholas Arellano	-	Controller

Faculty Representatives

Dr. Billie Sessions
Robin Larsen

Student Representatives

Anthony Conley
Christine Gibson
Troy Nelson
Alan Phang

Alumni Representative

Steve Holguin

ASI President

Anthony Conley

ASI Executive Vice President

Angelica Jones

University Administrative Representative

Bob Wilson

President's Designee

Dr. Frank L. Rincon

Executive Director

Interim

Helga Kray