

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

**Financial Statements
And
Independent Auditor's Report**

June 30, 2016

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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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, 2016, 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.

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Quality Center

California Society of
Certified Public Accountants

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, 2016, 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 2015 financial statements, and our report dated September 18, 2015, 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, 2015, 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, schedule of funding progress – other post-employment benefit plan, schedule of the plan's proportionate share of the plan's net pension liability and related ratios as of the measurement date, and schedule of plan contributions, 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 19, 2016, 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.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
September 19, 2016

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

**Management's Discussion and Analysis
June 30, 2016**

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, 2016.

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.

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.

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

**Management's Discussion and Analysis
June 30, 2016**

FINANCIAL ANALYSIS

Net Position

The Student Union's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$2,063,154 at the close of the most recent fiscal year. Of this, \$432,239 or 21.0% reflects its net investment in capital assets (e.g., buildings, leasehold improvements, and machinery and equipment, net of accumulated depreciation). 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 Position

	<u>2016</u>	<u>2015</u>
Current assets	\$ 3,059,726	\$ 3,342,602
Noncurrent assets	<u>432,239</u>	<u>249,825</u>
Total Assets	<u>3,491,965</u>	<u>3,592,427</u>
Deferred outflows of resources	<u>219,586</u>	<u>201,975</u>
Current liabilities	397,062	518,285
Noncurrent liabilities	<u>1,113,508</u>	<u>1,164,161</u>
Total Liabilities	<u>1,510,570</u>	<u>1,682,446</u>
Deferred inflows of resources	<u>137,827</u>	<u>204,285</u>
Net position		
Investment in capital assets	432,239	249,825
Unrestricted (See note 10)	<u>1,630,915</u> *	<u>1,657,846</u>
Total Net Position	<u>\$ 2,063,154</u>	<u>\$ 1,907,671</u>

The Student Union's net position increased by \$155,483 during the current fiscal year.

Reserved balances as of June 30, 2016 held by the Campus on behalf of the Santos Manuel Student Union were as follows:

- Designated for Operations: \$9,282,678
- Designated for Maintenance and Repairs: \$2,588,093

* See Note 1, Page 16 for breakdown of unrestricted net position.

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

**Management's Discussion and Analysis
June 30, 2016**

FINANCIAL ANALYSIS (continued)

Changes in Net Position

Revenues increased by \$519,468 or 11.1%, which is attributed primarily to an increase of return of surplus revenues of \$457,932.

Expenses decreased by \$42,191 or 0.8%. Expenses decreased primarily due to decrease in salaries and benefits, travel and supplies and services at the Recreation Center.

Student Union's Changes in Net Position

	<u>2016</u>	<u>2015</u>
<u>Revenues</u>		
Return of surplus	\$ 4,770,713	\$ 4,312,781
Income from operations	374,635	318,943
Program income	6,791	7,579
Investment income	<u>28,805</u>	<u>22,173</u>
Total Revenues	<u>5,180,944</u>	<u>4,661,476</u>
<u>Expenses</u>		
Student services	2,673,519	2,716,102
Auxiliary enterprise expenses	<u>2,351,942</u>	<u>2,351,550</u>
Total Expenses	<u>5,025,461</u>	<u>5,067,652</u>
Increase (decrease) in net position	155,483	(406,176)
Net Position - Beginning of Year	<u>1,907,671</u>	<u>2,313,847</u>
Net Position - End of Year	<u>\$ 2,063,154</u>	<u>\$ 1,907,671</u>

Capital Assets and Long-Term Debt

As of June 30, 2016, the Student Union has \$432,239 invested in capital assets, net of accumulated depreciation of \$771,362. 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, 2016**

FINANCIAL ANALYSIS (continued)

	<u>2016</u>	<u>2015</u>
Buildings and leasehold improvements	\$ 331,208	\$ 226,810
Equipment, furniture and fixtures	67,531	23,015
Works of art	<u>33,500</u>	<u>-</u>
Total	<u>\$ 432,239</u>	<u>\$ 249,825</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, 2016**

	2016	Comparative Total 2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 214,201	\$ 90,003
Short-term investments	2,791,345	3,138,799
Accrued interest receivable	3,437	2,250
Accounts receivable, net	15,421	6,040
Due from related parties (Note 6)	35,322	105,510
Total current assets	<u>3,059,726</u>	<u>3,342,602</u>
Noncurrent assets:		
Capital assets, net	<u>432,239</u>	<u>249,825</u>
Total noncurrent assets	<u>432,239</u>	<u>249,825</u>
Total assets	<u>3,491,965</u>	<u>3,592,427</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension related items	<u>219,586</u>	<u>201,975</u>
Total deferred outflows of resources	<u>219,586</u>	<u>201,975</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	124,995	107,245
Amounts due to related parties (Note 6)	174,414	317,945
Accrued compensated absences	43,557	30,672
Accrued salaries	54,096	62,423
Total current liabilities	<u>397,062</u>	<u>518,285</u>
Noncurrent liabilities:		
Accrued compensated absences	36,071	46,007
OPEB obligation	243,566	275,216
Net pension liability	833,871	842,938
Total noncurrent liabilities	<u>1,113,508</u>	<u>1,164,161</u>
Total liabilities	<u>1,510,570</u>	<u>1,682,446</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension related items	<u>137,827</u>	<u>204,285</u>
Total deferred inflow of resources	<u>137,827</u>	<u>204,285</u>
<u>NET POSITION</u>		
Investment in capital assets	432,239	249,825
Unrestricted	<u>1,630,915</u>	<u>1,657,846</u>
Total net position	<u>\$ 2,063,154</u>	<u>\$ 1,907,671</u>

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, 2016**

	2016	Comparative Total 2015
<u>OPERATING REVENUES</u>		
Return of surplus revenue bond funds (Student Union fees)	\$ 4,770,713	\$ 4,312,781
Sales and services:		
Program revenues	6,791	7,579
Facility lease and rental	135,965	96,437
Personnel services reimbursement revenue	151,372	142,123
Miscellaneous reimbursement revenue	87,298	80,383
	<u>5,152,139</u>	<u>4,639,303</u>
<u>OPERATING EXPENSES</u>		
Student services:		
Program Board	96,308	104,197
Women's Resource Center	100,196	111,090
Cross Cultural Center	157,158	143,090
Adult Re-Entry Center	108,484	95,410
Recreation Center	1,878,731	1,959,550
Game Room	90,917	80,360
Pride Center	88,212	103,195
Palm Desert Campus	153,513	119,210
Support services:		
Administration and personnel services	349,790	457,085
Scheduling	231,924	144,477
Maintenance	259,155	307,383
Board of Directors	30,522	26,489
Graphics	157,154	161,380
Student Union operations	1,225,230	1,162,357
Audio visual	57,269	55,760
Technology	40,898	36,619
	<u>5,025,461</u>	<u>5,067,652</u>
Total operating expenses		
Operating income (loss)	<u>126,678</u>	<u>(428,349)</u>

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 (Continued)
For the Year Ended June 30, 2016**

	<u>2016</u>	<u>Comparative Total 2015</u>
<u>NON-OPERATING REVENUES</u>		
Investment income	<u>\$ 28,805</u>	<u>\$ 22,173</u>
Total non-operating revenues	<u>28,805</u>	<u>22,173</u>
Change in net position	155,483	(406,176)
Net position, beginning of year	<u>1,907,671</u>	<u>2,313,847</u>
Net position, end of year	<u><u>\$ 2,063,154</u></u>	<u><u>\$ 1,907,671</u></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, 2016**

	<u>2016</u>	<u>Comparative Total 2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Return of surplus	\$ 4,770,713	\$ 4,312,781
Sales and services	442,233	293,524
Payments to suppliers	(3,094,317)	(2,507,696)
Payments to employees	<u>(2,126,750)</u>	<u>(2,155,211)</u>
Net cash used for operating activities	<u>(8,121)</u>	<u>(56,602)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital assets purchased	<u>(242,753)</u>	<u>(61,190)</u>
Net cash used for capital and related financing activities	<u>(242,753)</u>	<u>(61,190)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment income	<u>27,618</u>	<u>23,756</u>
Net cash provided by investing activities	<u>27,618</u>	<u>23,756</u>
Net decrease in cash and cash equivalents	(223,256)	(94,036)
Cash and cash equivalents, beginning of year	<u>3,228,802</u>	<u>3,322,838</u>
Cash and cash equivalents, end of year	<u>\$ 3,005,546</u>	<u>\$ 3,228,802</u>
<u>RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION</u>		
Current assets		
Cash and cash equivalents	\$ 214,201	\$ 90,003
Short-term investments	<u>2,791,345</u>	<u>3,138,799</u>
Total	<u>\$ 3,005,546</u>	<u>\$ 3,228,802</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 (continued)
For the Year Ended June 30, 2016**

	<u>2016</u>	<u>Comparative Total 2015</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 126,678	\$ (428,349)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Depreciation	60,338	58,531
Pension contributions subsequent to measurement date	(70,816)	(150,207)
Actuarial pension income	(22,319)	118,424
(Increase) decrease in assets:		
Accounts receivable	(9,381)	32,756
Due from related party	70,188	(65,754)
Increase (decrease) in liabilities:		
Accounts payable	17,750	860
Accrued salaries	(8,327)	26,295
Due to related party	(143,531)	249,464
Accrued compensated absences	2,949	(10,110)
OPEB obligation	(31,650)	111,488
Net cash used for operating activities	<u>\$ (8,121)</u>	<u>\$ (56,602)</u>
<u>DISCLOSURE OF NONCASH CAPITAL ACTIVITIES</u>		
Capital assets disposal	\$ (65,289)	\$ -

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, 2016**

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, 2016**

**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, 2016**

**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 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 2012.

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.

Reclassifications

Certain amounts in the 2015 comparative totals have been reclassified to conform to the 2016 reporting format.

Implementation of New Pronouncement

The Student Union implemented GASB Statement No. 72, Fair Value Measurement and Application. The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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

**Notes to Financial Statements
June 30, 2016**

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

Unrestricted Net Position

The Unrestricted Net Position of \$1,630,915 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.

Administrative Working capital	\$ 829,245
Administrative Equip/Furnishings	25,000
Administrative Special Projects	22,514
Admin. OPEB Liability Reserve	243,556
Central Local Reserves	50,000
Maintenance Repairs	116,600
Programs	344,000
Unrestricted	-
	<u>\$ 1,630,915</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.

Subsequent Events

Management has evaluated subsequent events through September 19, 2016, which is the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and cash equivalents	\$ 214,201
Short-term investments	<u>2,791,345</u>
Total Cash and Investments	<u>\$ 3,005,546</u>

*Santos Manuel Student Union
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**Notes to Financial Statements
June 30, 2016**

Note 2: Cash and Investments (continued)

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 1,600
Deposits with financial institutions	212,601
Investments	<u>2,791,345</u>
 Total Cash and Investments	 <u><u>\$ 3,005,546</u></u>

Fair Value Measurements

GASB Statement No. 72, Fair Value Measurements and Application, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2016:

<u>Investments by Fair Value Level</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
SWIFT Investments:			
Asset Backed Securities	\$ -	\$ 70,656	\$ 70,656
Certificates of Deposit	87,333	-	87,333
Commercial Paper	-	3,239	3,239
Corporate Bonds	-	343,719	343,719
Money Market Funds	5,332	-	5,332
Mortgage Backed Securities	-	230	230
Municipal Bonds	-	11,642	11,642
Repurchase Agreement	-	6,594	6,594
US Agency Securities	-	365,626	365,626
US Treasury Securities	252,188	-	252,188
Total SWIFT Investments	<u>344,853</u>	<u>801,706</u>	<u>1,146,559</u>
LAIF	-	1,644,786	1,644,786
	<u><u>\$ 344,853</u></u>	<u><u>\$ 2,446,492</u></u>	<u><u>\$ 2,791,345</u></u>

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Notes to Financial Statements
June 30, 2016

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 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.

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.

As of June 30, 2016, none of the Student Union's deposits with financial institutions, were in excess of the Federal Deposit Insurance Corporation (FDIC) limits.

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**Notes to Financial Statements
June 30, 2016**

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.

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, 2016:

Investment	Fair Value	WAM (Years)	Ratings as of Year-End			
			AAA	AA	A	Not Rated
Asset Backed Securities	\$ 70,656	1.00332	\$ 70,656	\$ -	\$ -	\$ -
Certificates of Deposit	87,332	0.22407	-	11,377	75,955	-
Commercial Paper	3,239	0.32250	-	-	3,239	-
Corporate Bonds	343,719	1.12292	841	75,061	267,818	-
Money Market Funds	5,331	-	-	-	957	4,374
Mortgage Backed Securities	230	1.16662	-	230	-	-
Municipal Bonds	11,642	0.13505	-	11,642	-	-
Repurchase Agreement	6,594	0.00272	-	-	1,586	5,008
US Agency Securities	365,627	1.35711	-	354,737	10,890	-
US Treasury Securities	252,188	1.76091	-	-	-	252,188
LAIF	1,644,786	-	-	-	-	1,644,786
	<u>\$ 2,791,345</u>		<u>\$ 71,497</u>	<u>\$ 453,047</u>	<u>\$ 360,445</u>	<u>\$ 1,906,356</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, 2016, 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
Government of the United States	Federal government securities	\$ 252,282
Federal Farm Credit Banks Funding Corporation	Federal agency securities	82,871
Federal Home Loan Mortgage Corporation	Federal agency securities	80,608
Federal National Mortgage Association Fannie Mae	Federal agency securities	89,085
FHLBanks Office of Finance	Federal agency securities	113,198

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**Notes to Financial Statements
June 30, 2016**

Note 2: Cash and Investments (continued)

Investment in CSU Systemwide Investment Fund Trust

Student Union has pooled investments with the CSU Systemwide Investment Fund Trust (SWIFT). As a result of a 2007 change in Education Code 89721(l) that allowed CSU to self-manage student tuition and fees, CSU created a central banking system and created the SWIFT investment portfolio for the purpose of enhancing centralized cash and investment management. Because the central banking system and SWIFT are inextricably linked, each member in the central banking system is also a member in SWIFT, also referred to collectively as The Bank of CSU. These funds are reported as a short-term investment. The SWIFT consists of investments of cash on an overnight and/or short-term basis, the funds representing the float on funds collected from all eligible sources prior to their use for payment of accounts payable and payroll. Excess cash over and above what is needed to fund short-term payables and payroll are transferred to medium or longer term investments.

Student Union relies upon information provided by the SWIFT in estimating the fair value position of its holdings in it. Student Union's holdings in SWIFT had a value of \$1,146,558 as of June 30, 2016. SWIFT is not subject to a credit quality rating. At June 30, 2016, SWIFT had invested \$218 million in asset and mortgage backed securities. SWIFT also had \$20 million invested in repurchase agreements. The allocated totals presented are derived from the percentage of the Student Union's investment balance in relation to the pool's investment balance applied to the pools total balance for each investment category.

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 \$65 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 \$1,719 million, which represents 2.81% of the total LAIF portfolio of \$75.4 billion as of June 30, 2016. LAIF's (and the Student Union's) exposure to risk (credit, market or legal) is not currently available.

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**Notes to Financial Statements
June 30, 2016**

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, 2016 held by the Campus on behalf of the Santos Manuel Student Union were Designated for Operations and Designated for Maintenance and Repairs for \$9,282,678 and \$2,588,093 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, 2016 amounted to \$9,245,000.

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, 2016 amounted to \$1,105,000.

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. The 2005 A Expansion Project bond was refunded during fiscal year 2015-16. Bonds outstanding at June 30, 2016 amounted to \$11,885,000.

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**Notes to Financial Statements
June 30, 2016**

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Works of art	\$ -	\$ 33,500	\$ -	\$ 33,500
Capital assets, being depreciated:				
Buildings	52,525	100,371	-	152,896
Leasehold improvements	444,094	42,754	-	486,848
Equipment, furniture and fixtures	529,519	66,127	(65,289)	530,357
Total capital assets, being depreciated	<u>1,026,138</u>	<u>209,252</u>	<u>(65,289)</u>	<u>1,170,101</u>
Less accumulated depreciation for:				
Buildings	(2,043)	(12,360)	-	(14,403)
Leasehold improvements	(267,766)	(26,367)	-	(294,133)
Equipment, furniture and fixtures	(506,504)	(21,611)	65,289	(462,826)
Total accumulated depreciation	<u>(776,313)</u>	<u>(60,338)</u>	<u>65,289</u>	<u>(771,362)</u>
Capital assets, net	<u>\$ 249,825</u>	<u>\$ 182,414</u>	<u>\$ -</u>	<u>\$ 432,239</u>

Total depreciation expense for the year ended June 30, 2016 was \$60,338.

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 \$135,965 for the year ended June 30, 2016.

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.

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**Notes to Financial Statements
June 30, 2016**

Note 6: Related Party and Economic Dependency

Below is a summary showing the related party transactions at June 30, 2016.

	<u>CSUSB</u>	<u>ASI</u>	<u>PHL</u>	<u>UEC</u>	<u>Totals</u>
Payments to Univ/Aux for salaries of personnel working on contracts, grants, and other programs as of June 30, 2016	\$ 529,963	\$ -	\$ -	\$ -	\$ 529,963
Payments to Univ/Aux for other than salaries of personnel as of June 30, 2016	765,648	-	350	5,386	771,384
Payments received from Univ/Aux for services, space, and programs as of June 30, 2016	212,307	152,292	20,936	137,791	523,326
Accounts Payable to Univ/Aux as of June 30, 2016	(174,410)	-	-	(4)	(174,414)
Accounts Receivable due from Univ/Aux as of June 30, 2016	33,574	958	790	-	35,322

Note 7: Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications at www.calpers.ca.gov.

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	14.777%	8.003%

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate for the plan is 8.0 percent of annual pay, and the employer's contribution rate is 14.777% percent of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2015 are \$151,401. The actual employer payments of \$151,401 made to CalPERS by the Student Union during the measurement period ended June 30, 2015 differed from the Student Union's proportionate share of the employer's contributions of \$97,901 by \$53,500, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

Student Union's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

B. Net Pension Liability, continued

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3%-14.2%
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

B. Net Pension Liability, continued

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

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

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

B. Net Pension Liability, continued

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate Share of Net Pension Liability

The following table shows the Plan's proportion share of the net pension liability over the measurement period.

	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$ 3,399,999	\$ 2,557,061	\$ 842,938
Balance at: 6/30/2015 (MD)	3,664,116	2,830,245	833,871
Net Changes during 2014-15	<u>\$ 264,117</u>	<u>\$ 273,184</u>	<u>\$ (9,067)</u>

Valuation Date (VD), Measurement Date (MD)

Student Union's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. Student Union's proportion of the net pension liability was based on a projection of the Student Union's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Student Union's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

C. Proportionate Share of Net Pension Liability(continued)

Proportion Share of NPL - June 30, 2014	0.03411%
Proportion Share of NPL - June 30, 2015	0.30390%
Change - Increase	26.97900%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate - 1%</u> <u>(6.65%)</u>	<u>Current Discount</u> <u>Rate (7.65%)</u>	<u>Discount Rate + 1%</u> <u>(8.65%)</u>
Miscellaneous Plan's Net Pension Liability	\$ 1,332,875	\$ 833,871	\$ 421,886

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

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**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

C. Proportionate Share of Net Pension Liability(continued)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the PERF C for the June 30, 2015 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2014), the net pension liability for the plan is \$842,938 (the net pension liability of the aggregate plan as of June 30, 2014 is \$3,750,976,838).

For the measurement period ending June 30, 2015 (the measurement date), Student Union incurred a pension expense/(income) of \$(22,319) for the Plan (the pension expense for the aggregate plan for the measurement period is \$169,012,983).

As of June 30, 2015, the Student Union has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and Actual Experience	\$ 9,703	\$ -
Changes in Assumptions	-	(91,804)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(46,023)
Changes in Employer Proportion	66,366	
Difference in Actual vs Projected Contributions	72,701	-
Pension Contributions Subsequent to Measurement Date	<u>70,816</u>	<u>-</u>
Total	<u>\$ 219,586</u>	<u>\$ (137,827)</u>

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

**Notes to Financial Statements
June 30, 2016**

Note 7: Defined Benefit Pension Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. The \$70,816 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ 810
2017	(840)
2018	(10,454)
2019	21,427
2020	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2015, Student Union reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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.

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

**Notes to Financial Statements
June 30, 2016**

Note 8: Other Post-Employment Benefits (continued)

Funding Policy

The contribution requirements of the Student Union are established and may be amended by the Board of Directors. In fiscal year 2014-2015 the annual required contribution determination method changed from pay-as-you-go basis to prefunding policy. The Student Union contributed \$168,500 to the plan during the year ended June 30, 2016.

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.

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:

	<u>June 30, 2016</u>
Annual required contribution	\$ 141,582
Interest on net OPEB obligation	19,265
Adjustment to annual required contribution	<u>(23,997)</u>
Annual OPEB cost (expense)	136,850
Contributions made	<u>(168,500)</u>
Change in net OPEB obligation	(31,650)
Net OPEB obligation - beginning of year	<u>275,216</u>
Net OPEB obligation - end of year	<u><u>\$ 243,566</u></u>

The Student Union's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 181,672	535.6%	\$ 163,728
6/30/15	130,010	14.2%	275,216
6/30/16	136,850	123.1%	243,566

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

**Notes to Financial Statements
June 30, 2016**

Note 8: Other Post-Employment Benefits (continued)

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.

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, 2016 totaled \$9,784.

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, 2016**

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)
6/30/2008	\$ -	\$ 929,329	\$ 929,329	0.0%	\$ 537,912	172.8%
6/30/2011	-	1,654,183	1,654,183	0.0%	900,432	183.7%
6/30/2014	1,044,451	1,132,101	87,650	92.3%	1,008,496	8.7%

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

**Schedule of the Plan's Proportionate Share of the Plan's Net Pension Liability and
Related Ratios as of the Measurement Date
For the Year Ended June 30, 2016**

*Schedule of the Local Government's Proportionate Share of the Plan's Net Pension Liability and
Related Ratios as of the Measurement Date
Last 10 Years**

	Measurement Date 6/30/2014	Measurement Date 6/30/2015
Employer's Proportion of the Collective Net Pension Liability ¹	0.03411%	0.03039%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 842,938	\$ 833,871
Employer's Covered Payroll ²	\$ 848,953	\$ 893,752
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered-Employee Payroll	99.29%	93.30%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.21%	77.24%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

² Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation.

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

**Schedule of Plan Contributions
Last Ten Years*
For the Year Ended June 30, 2016**

	Measurement Period 2013-14	Measurement Period 2014-2015
Contractually Determined Contributions	\$ 139,396	\$ 151,401
Contributions in Relation to the Contractually Determined Contributions	(139,396)	(151,401)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll ¹	\$ 848,953	\$ 893,752
Contributions as a Percentage of Covered Payroll	14.69%	16.94%

¹ Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

OTHER SUPPLEMENTARY INFORMATION

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

**Organizational Data
June 30, 2016**

Officers

Ryan Bracken – Chair Designee
Shakeh Ghazaryan – Vice Chair
Jake Orta – Secretary
Aaron Burgess – Chief Financial Officer

Faculty Representatives

Mary Fong
Josephine Mendoza

Student Representatives

Diana Hernandez Aguilar
Casey Ysaguirre
Anaiza Moreno Gonzalez
Jessica Pitzek
Joshua Imeri-Garcia
Kassandra Johnston

Alumni Representative

Louis Pena
David Friedman

ASI Executive President

Bryce Davis

ASI Executive Vice President

Jorge Zatarain
Jack Abbott

University Administrative Representative

Hamid Azhand

President's Designee

Dr. Alysson Satterlund

Interim Executive Director

Aaron Burgess

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

**Schedule of Operating Expenses by Function
For the Year Ended June 30, 2016**

	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	Scheduling	Audio Visual		Technology	Subtotal
Salaries, wages & stipends	\$ 59,304	\$ 72,139	\$ 84,446	\$ 79,698	\$ 704,888	\$ 80,195	\$ 61,160	\$ 74,213	\$ 1,216,043	\$ 252,469	\$ -	\$ 186,320	\$ -	\$ 138,068	\$ 148,505	\$ 48,132	\$ 38,700	\$ 812,194	\$ 2,028,237
Employee benefits & taxes	76	97	54	102	44,208	262	81	37	44,917	43	366,124	189	-	28	168	167	34	366,753	411,670
OPEB expense	-	-	-	-	30,623	-	-	-	30,623	-	-	-	-	-	71,453	-	-	71,453	102,076
Contract Svs-Contingency Reserve	-	-	-	-	38,154	-	-	10,457	48,611	43,805	72,432	-	-	-	-	-	-	116,237	164,848
Communications	-	-	-	-	12,260	-	-	-	12,260	-	13,748	-	-	-	-	-	-	13,748	26,008
Utilities	-	-	-	-	167,646	-	-	440	168,086	-	297,515	-	-	-	-	-	-	297,515	465,601
Travel	2,058	2,213	1,649	2,241	105,222	1,305	1,345	9,293	125,326	12,427	15,798	3,260	25,169	4,815	6,895	253	250	68,867	194,193
Equipment	-	-	-	-	777	2,016	-	-	2,793	-	2,250	554	-	-	-	1,203	-	4,007	6,800
Postage	-	-	-	-	185	-	-	-	185	-	2,537	-	-	-	-	-	-	2,537	2,722
Supplies & services	2,633	2,716	4,085	4,768	454,173	2,614	1,930	2,753	475,672	35,229	10,303	62,375	2,203	3,545	4,612	4,474	1,914	124,655	600,327
Duplicating	2,871	1,619	3,732	1,594	8,666	576	2,151	1,875	23,084	267	175	-	214	1,591	236	-	-	2,483	25,567
Accounting fees	-	-	-	-	69,325	-	-	-	69,325	-	114,442	-	-	-	-	-	-	114,442	183,767
Audit fees	-	-	-	-	-	-	-	-	-	-	9,665	-	-	-	-	-	-	9,665	9,665
Professional fees	-	-	-	-	1,150	-	-	-	1,150	1,600	11,966	-	-	-	-	-	-	13,566	14,716
Hospitality	253	35	5,000	-	29,113	-	79	-	34,480	3,851	1,098	-	2,936	-	55	-	-	7,940	42,420
Specialized training	64	-	-	-	9,326	-	-	-	9,390	99	525	-	-	-	-	-	-	624	10,014
Insurance	-	-	-	-	12,068	-	-	-	12,068	-	18,101	-	-	-	-	-	-	18,101	30,169
Repairs & maintenance	-	-	-	-	4,488	-	-	728	5,216	-	127,197	-	-	-	-	-	-	127,197	132,413
Advertising	-	-	-	-	17,961	-	-	3,380	21,341	-	-	-	-	8,446	-	-	-	8,446	29,787
Rental expense	-	-	-	-	11,226	-	-	-	11,226	-	-	-	-	-	-	-	-	-	11,226
Program expenses	29,049	21,205	57,941	20,081	29,904	3,949	21,167	50,337	233,633	-	-	-	-	661	-	-	-	661	234,294
Campus services	-	-	-	-	101,002	-	-	-	101,002	-	134,721	1,980	-	-	-	-	-	136,701	237,703
Resource materials	-	172	251	-	-	-	299	-	722	-	-	178	-	-	-	-	-	178	900
Depreciation	-	-	-	-	26,366	-	-	-	26,366	-	26,633	4,299	-	-	-	3,040	-	33,972	60,338
Totals	\$ 96,308	\$ 100,196	\$ 157,158	\$ 108,484	\$ 1,878,731	\$ 90,917	\$ 88,212	\$ 153,513	\$ 2,673,519	\$ 349,790	\$ 1,225,230	\$ 259,155	\$ 30,522	\$ 157,154	\$ 231,924	\$ 57,269	\$ 40,898	\$ 2,351,942	\$ 5,025,461

See the accompanying independent auditor's report.

San Manuel Student Union
Schedule of Net Position
June 30, 2016
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 214,201
Short-term investments	2,791,345
Accounts receivable, net	54,180
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	—
Total current assets	3,059,726
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	432,239
Other assets	—
Total noncurrent assets	432,239
Total assets	3,491,965
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	219,586
Others	—
Total deferred outflows of resources	219,586
Liabilities:	
Current liabilities:	
Accounts payable	299,409
Accrued salaries and benefits	54,096
Accrued compensated absences, current portion	43,557
Unearned revenue	—
Capitalized lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	397,062
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	36,071
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Other postemployment benefits obligations	243,566
Net pension liability	833,871
Other liabilities	—
Total noncurrent liabilities	1,113,508
Total liabilities	1,510,570
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	137,827
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	137,827
Net Position:	
Net investment in capital assets	432,239
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	1,630,915
Total net position	\$ 2,063,154

See accompanying independent auditor's report.

San Manuel Student Union
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2016
(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 \$_____)	5,152,139
Other operating revenues	—
Total operating revenues	<u>5,152,139</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	2,647,153
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	2,317,970
Depreciation and amortization	60,338
Total operating expenses	<u>5,025,461</u>
Operating income (loss)	<u>126,678</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	—
Investment income (loss), net	28,805
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses)	—
Net nonoperating revenues (expenses)	<u>28,805</u>
Income (loss) before other revenues (expenses)	155,483
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>155,483</u>
Net position:	
Net position at beginning of year, as previously reported	1,907,671
Restatements	—
Net position at beginning of year, as restated	<u>1,907,671</u>
Net position at end of year	<u>\$ 2,063,154</u>

See accompanying independent auditor's report.

San Manuel Student Union
Other Information
June 30, 2016
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2016:	
Portion of restricted cash and cash equivalents related to endowments	\$ —
All other restricted cash and cash equivalents	—
Total restricted cash and cash equivalents	<u>\$ —</u>

2.1 Composition of investments at June 30, 2016:

	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)	1,644,786	—	1,644,786	—	—	—	1,644,786
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	—	—	—	—	—	—
Money Market funds	—	—	—	—	—	—	—
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—	—
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
SWIFT	1,146,559	—	1,146,559	—	—	—	1,146,559
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	<u>2,791,345</u>	<u>—</u>	<u>2,791,345</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,791,345</u>
Less endowment investments (enter as negative number)							
Total investments	<u>2,791,345</u>	<u>—</u>	<u>2,791,345</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,791,345</u>

2.2 Investments held by the University under contractual agreements at June 30, 2016:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2016 :	1,146,559	—	1,146,559	—	—	—	1,146,559
---	-----------	---	-----------	---	---	---	-----------

2.3 Restricted current investments at June 30, 2016 related to:

Amount	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2016	<u>\$ —</u>

See accompanying independent auditor's report.

San Manuel Student Union
Other Information
June 30, 2016
(for inclusion in the California State University)

2.4 Restricted noncurrent investments at June 30, 2016 related to:

	<u>Amount</u>
Endowment investment	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2016	\$ —

2.5 Fair value hierarchy in investments at June 30, 2016:

	<u>Fair Value Measurements Using</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	1,644,786	—	1,644,786	—	—
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	—	—	—	—	—
Money Market funds	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
SWIFT Investments	1,146,559	344,852	801,707	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	2,791,345	344,852	2,446,493	—	—

See accompanying independent auditor's report.

San Manuel Student Union
Other Information
June 30, 2016
(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2016:

Depreciation and amortization expense related to capital assets	\$ 60,338
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 60,338</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2015	Prior period adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Balance June 30, 2016	Current portion	Long-term portion
Accrued compensated absences	\$ 76,679	—	—	76,679	2,949	—	79,628	43,557	36,071
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
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	<u>\$ 76,679</u>	<u>—</u>	<u>—</u>	<u>76,679</u>	<u>2,949</u>	<u>—</u>	<u>79,628</u>	<u>43,557</u>	<u>36,071</u>

5 Future minimum lease payments - capitalized lease obligations:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30, 2016:									
2017	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022 - 2026	—	—	—	—	—	—	—	—	—
2027 - 2031	—	—	—	—	—	—	—	—	—
2032 - 2036	—	—	—	—	—	—	—	—	—
2037 - 2041	—	—	—	—	—	—	—	—	—
2042 - 2046	—	—	—	—	—	—	—	—	—
2047 - 2051	—	—	—	—	—	—	—	—	—
2052 - 2056	—	—	—	—	—	—	—	—	—
2057 - 2061	—	—	—	—	—	—	—	—	—
2062 - 2066	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capitalized lease obligations									—
Less: current portion									—
Capitalized lease obligation, net of current portion									<u>\$ —</u>

See accompanying independent auditor's report.

San Manuel Student Union
Other Information
June 30, 2016
(for inclusion in the California State University)

6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30, 2016:									
2017	\$ —	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022 - 2026	—	—	—	—	—	—	—	—	—
2027 - 2031	—	—	—	—	—	—	—	—	—
2032 - 2036	—	—	—	—	—	—	—	—	—
2037 - 2041	—	—	—	—	—	—	—	—	—
2042 - 2046	—	—	—	—	—	—	—	—	—
2047 - 2051	—	—	—	—	—	—	—	—	—
2052 - 2056	—	—	—	—	—	—	—	—	—
2057 - 2061	—	—	—	—	—	—	—	—	—
2062 - 2066	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum payments									—
Unamortized net premium (discount)									—
Total long-term debt obligations									—
Less: current portion									—
Long-term debt obligations, net of current portion									\$ —

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 432,239
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	—
Net position - net investment in capital asset	\$ 432,239

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	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ —

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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 programs	\$	529,963
Payments to University for other than salaries of University personnel		765,648
Payments received from University for services, space, and programs		212,307
Gifts-in-kind to the University from discretely presented component units		—
Gifts (cash or assets) to the University from discretely presented component units		—
Accounts (payable to) University (enter as negative number)		(174,414)
Other amounts (payable to) University (enter as negative number)		—
Accounts receivable from University		33,574
Other amounts receivable from University		—

9 Other postemployment benefits obligation (OPEB)	
Annual required contribution (ARC)	\$ 141,582
Contributions during the year	<u>(168,500)</u>
Increase (decrease) in net OPEB obligation (NOO)	(26,918)
Other adjustments	(4,732)
NOO - beginning of year	<u>275,216</u>
NOO - end of year	<u>\$ 243,566</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	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	<u>—</u>

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

	<u>Net Position</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net position as of June 30, 2015, as previously reported	\$	1,907,671
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, 2015, as restated	\$	<u>1,907,671</u>

See accompanying independent auditor's report.

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

	Debit	Credit
Net position class: 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**

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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, 2016, 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 19, 2016.

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.

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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.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
September 19, 2016