

**ASSOCIATED STUDENTS, INC. OF
CALIFORNIA STATE UNIVERSITY, EAST BAY
(a Component Unit of California State University, East Bay)**

Basic Financial Statements and
Supplementary Information

Year Ended June 30, 2017
(With Independent Auditor's Report Thereon)

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Associated Students, Inc. of California State University, East Bay
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Associated Students, Inc. of California State University, East Bay, a component unit of California State University, East Bay, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Associated Students, Inc. of California State University, East Bay as of June 30, 2017, and the 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.

Emphasis-of-Matter Regarding Correction of Error

As described in Note 10 to the financial statements, the Associated Students, Inc. of California State University, East Bay net position has been restated to correct for an error in the previous years related to its calculation of the net OPEB liability. Our opinion is not modified with respect to these matters.

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 of other postemployment benefits, schedule of proportionate share of the net pension liability, and the schedule of contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Associated Students, Inc. of California State University, East Bay’s basic financial statements. The schedule of net position, the schedule of revenues, expenses, and changes in net position, and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates 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 schedules of the Associated Students, Inc. of California State University, East Bay, referred to above, are 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 15, 2017, on our consideration of the Associated Students, Inc. of California State University, East Bay’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 result 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 the Associated Students, Inc. of California State University, East Bay’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 15, 2017

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Management's Discussion and Analysis

Year Ended June 30, 2017

(Unaudited)

This section of Associated Students, Inc. of California State University, East Bay (Associated Students) annual financial report includes some of management's insights and analyses of Associated Students' financial performance for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follows this section.

Financial Highlights

Operating expenses increased by \$0.85 million, or 57%, primarily attributed to the overall increase in the contribution made by Associated Students in fiscal year 2017 to University's signage and fitness equipment, student clubs and organizations funding, and collaboration across the campus. The increase was also the result of 8% increase in salary due to 2% general salary increase effective July 1, 2016 and additional hours rendered by student assistants because of the increase in student events and activities in fiscal year 2017; 80% increase in the cost recovery related to University's (California State University, East Bay) services mostly attributable to the increase in the campus cost base calculation; 60% increase in expenses related to training, professional development, and travel; 31% increase in performing artists fees and catering services during events; and 52% increase in stipend rate paid to the board of directors and members in fiscal year 2017.

Overview of the Financial Statements

The annual report consists of a series of financial statements, prepared in accordance with the GASB, Governmental Accounting Standards Board, Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This standard is applicable to Associated Students because it is a component unit of California State University, East Bay (University). Consistent with the University, Associated Students has adopted the business-type activity (BTA) reporting model to represent its activities.

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 report by the notes to the financial statements and this section. All sections should be considered together to obtain a complete understanding of the financial picture of Associated Students.

Statement of net position: The statement of net position include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of Associated Students. It is prepared under the accrual basis of accounting, whereby revenues and receivables are recognized when the service is provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged. It also identifies major categories of restrictions on the net position of the Associated Students.

Statement of revenues, expenses, and changes in net position: The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2017
(Unaudited)

Statement of cash flows: The statement of cash flows presents the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows, and therefore, presents gross rather than net amounts for the year's operating activities.

Notes to financial statements: The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Associated Students' basic financial statements. The notes are included immediately following the basic financial statements within this report.

A summary of key financial statement information is presented below:

Statement of Net Position

	<u>2017</u>	<u>2016</u>
Asset		
Current assets	\$ 4,793,029	\$ 4,993,539
Noncurrent assets	-	779
Total assets	<u>4,793,029</u>	<u>4,994,318</u>
Deferred outflows of resources	<u>334,122</u>	<u>150,967</u>
Liabilities		
Current liabilities	144,495	124,661
Noncurrent liabilities	<u>2,096,921</u>	<u>1,930,999</u>
Total liabilities	<u>2,241,416</u>	<u>2,055,660</u>
Deferred inflows of resources	<u>119,641</u>	<u>101,639</u>
Net Position		
Net investment in capital assets	-	779
Unrestricted	<u>2,766,094</u>	<u>2,987,207</u>
Total net position	<u>\$ 2,766,094</u>	<u>\$ 2,987,986</u>

Current assets decreased \$0.2 million, or 4%, primarily the result of the overall Associated Students' increase in operating activities in fiscal year 2017 not fully offset by the increases in revenue.

Deferred outflow of resources related to pension increased \$0.18 million, or 121%, was the result of changes in the expected versus actual experience and the difference between the projected and actual investment earnings of \$0.17 million. In addition, the Associated Students contributed a total of \$0.09 million in fiscal year 2017 towards the pension liability compared to \$0.08 million in fiscal year 2016.

Total current liabilities increased by \$0.02 million, or 16%. Accounts payable increased by 27% due to the additional expenditures towards the end of fiscal year 2017. The increase in accrued compensated absences

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2017
(Unaudited)

of 15% contributed to the overall variance due to increase in accrued vacation hours at June 30, 2017. The total increase in current liabilities was offset by 16% decrease in unearned revenue from student body fees.

The noncurrent liabilities increased by \$0.18 million, or 9%, primarily due to the increase in the pension and other post-retirement healthcare liabilities. Deferred inflow of resources related to pension increased \$0.02 million or 18%, mainly because of the changes in assumptions as well as the difference between the projected and actual investment earnings.

Net position decreased \$0.22 million or 7%, primarily to the decrease in net operating and non-operating income of \$.2 million.

Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues increased by \$0.03 million, or 2%, mainly due to the slight overall increase in student headcount that resulted in an increase in student body fees earned in fiscal year 2017.

	<u>2017</u>	<u>2016</u>
Revenues		
Operating revenues	\$ 1,932,359	\$ 1,898,570
Expenses		
Operating expenses	<u>2,335,234</u>	<u>1,484,232</u>
Operating loss	(402,875)	414,338
Non-operating revenues	<u>180,983</u>	<u>23,739</u>
Increase (Decrease) in net position	(221,892)	438,077
Net position at beginning of year	2,987,986	3,612,683
Restatement	<u>-</u>	<u>(1,062,774)</u>
Net position at beginning of year, as restated	<u>2,987,986</u>	<u>2,549,909</u>
Net position at end of year	<u>\$ 2,766,094</u>	<u>\$ 2,987,986</u>

Operating expenses increased by \$0.85 million, or 57%. Auxiliary enterprise expenses increased \$0.79 million or 58%, primarily due to the \$0.3 million or 374% increase in contribution to the University for signage and fitness equipment, student clubs and organizations funding, and collaboration across the campus. The increase was also the result of 8% increase in salary due to 2% general salary increase effective July 1, 2016 and additional hours rendered by student assistants because of an increase in student events and activities in fiscal year 2017; 80% increase in the cost recovery related to University services mostly attributable to the increase in the campus cost base calculation in fiscal year 2017; 60% increase in expenses related to training, professional development, and travel; and 31% increase in performing artists fees and catering services during events. Pension expense also increased \$0.3 million in fiscal year 2017 primarily due to a pension adjustment of (\$0.2) million related to *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* in fiscal year 2016. Student grants and scholarship increased by \$0.06 million or 55%. The 55% increase was mostly attributable to the stipend rate increase paid to the board of directors and members in fiscal year 2017.

Nonoperating revenues increased by \$0.16 million, or 662%, mostly attributed to the investment gains from an improved financial performance throughout fiscal year 2017.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
 Management's Discussion and Analysis (Continued)
 Year Ended June 30, 2017
 (Unaudited)

Capital Assets

Capital Assets, net of accumulated depreciation, totaled \$0.0 million and \$0.001 million as of June 30, 2017 and 2016 respectively. The following table summarizes the changes in capital assets for the fiscal years ended June 30:

	2017	2016
Furniture and fixtures	\$ 14,696	\$ 14,696
Equipment	43,740	44,840
Total	58,436	59,536
Less accumulated depreciation	(58,436)	(58,757)
Net capital assets	\$ -	\$ 779

The decrease of equipment during the year ended June 30, 2017 is related to routine review of equipment inventory and subsequent disposal of equipment that is no longer in use. Additional information on capital assets can be found in Note 5 to the financial statements included in this report.

Request for Information

The financial report is designed to provide a general overview of the Associated Students' finances. For questions concerning any information in this report or for additional financial information, contact Debra Chaw, Vice President Admin & Finance/CFO, California State University, East Bay, 25800 Carlos Bee Boulevard, Hayward California 94542 or call (510) 885-3803.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Statement of Net Position
June 30, 2017

Assets	
Current Assets	
Cash and cash equivalents	\$ -
Investments	4,773,985
Accounts receivable, net	16,335
Prepaid expenses and other assets	<u>2,709</u>
Total current assets	<u>4,793,029</u>
Deferred outflows of resources	
Net pension liability	<u>334,122</u>
Total deferred outflows of resources	<u>334,122</u>
Liabilities	
Current Liabilities	
Accounts payable	81,647
Accrued salaries and benefits payable	19,249
Unearned revenue	10,490
Accrued compensated absences	32,170
Other liabilities, current	<u>939</u>
Total current liabilities	<u>144,495</u>
Non-current Liabilities	
Other postemployment benefits obligations	936,982
Net pension liability	<u>1,159,939</u>
Total noncurrent liabilities	<u>2,096,921</u>
Total liabilities	<u>2,241,416</u>
Deferred inflows of resources	
Net pension liability	<u>119,641</u>
Total deferred inflows of resources	<u>119,641</u>
Net Position	
Unrestricted	<u>2,766,094</u>
Total net position	<u>\$ 2,766,094</u>

See accompanying notes to financial statements

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2017

Revenues		
Operating revenues		
Student fees, net	\$	1,932,000
Sales and services of auxiliary enterprise		<u>359</u>
Total operating revenues		<u><u>1,932,359</u></u>
Expenses		
Operating expenses		
Auxiliary enterprise expenses		2,154,337
Student grants and scholarships		180,118
Depreciation and amortization		<u>779</u>
Total operating expenses		<u><u>2,335,234</u></u>
Operating loss		<u><u>(402,875)</u></u>
Nonoperating Revenues / (Expenses)		
Investment income (loss), net		<u>180,983</u>
Total nonoperating revenues (expenses)		<u><u>180,983</u></u>
Decrease in net position		<u><u>(221,892)</u></u>
Net Position		
Net position at beginning of year, as previously reported		4,098,910
Restatement (see Note 10)		<u>(1,110,924)</u>
Net position at beginning of year, as restated		<u><u>2,987,986</u></u>
Net position, end of year	\$	<u><u><u>2,766,094</u></u></u>

See accompanying notes to financial statements

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities:	
Student fees	\$ 1,922,038
Sales and services of auxiliary enterprises	6,045
Payment to suppliers	(1,515,374)
Payment to employees	(614,535)
Payment to students	(180,328)
Other operating activities	1,304
Net cash provided by operating activities	<u>(380,850)</u>
Cash flows from investing activities:	
Purchase of investments	(5,080,920)
Proceeds from sale of investment	5,380,585
Investment income	81,185
Net cash used provided by in investing activities	<u>380,850</u>
Net change in cash	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (402,875)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	779
Changes in assets and liabilities	
Accounts receivable, net	(1,594)
Prepaid expenses and other current assets	2,237
Post retirements healthcare	20,120
Deferred outflows of resources	(183,155)
Accounts payable	17,202
Accrued salaries and benefits payable	(6)
Accrued compensated absences	4,193
Unearned revenue	(2,072)
Pension obligation	145,802
Other liabilities	517
Deferred inflows of resources	18,002
Net cash provided by operating activities	<u>\$ (380,850)</u>

See accompanying notes to financial statement

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements
Year Ended June 30, 2017

(1) Organization and Summary of Significant Accounting Policies

(a) Nature of Activities

Associated Students, Inc. of California State University, East Bay (Associated Students) is a nonprofit, tax exempt, California State University auxiliary organization located on the campus of California State University, East Bay (University). The University is one of 23 campuses in the California State University System (System). Associated Students was established to advance and promote the common interest of its students, as follows:

Associated Students is the student government component of the campus and provides a means for responsible and effective participation in the governance of the campus; provides an official voice through which student opinion may be expressed; fosters awareness of this opinion in the campus, local, state, national and international communities; assists in the protection of the rights and interests of the individual student and the student body; and stimulates the educational, social, physical and cultural well-being of the University community.

Associated Students makes funds and resources available for events that broaden educational, social, political, and cultural awareness on campus while enhancing the experiences of students at the University. Associated Students arranges for public speakers, music, bands, and other cultural and recreational events for the students' enjoyment. Associated Students also provides miscellaneous services to students such as fax transmittals, copy services, sales of movie tickets, program tickets and scantrons.

The basic financial statements include the accounts of Associated Students. Associated Students is a government organization under accounting principles generally accepted in the United States of America (U.S. GAAP) and is also a component unit of the University, a public university under the California State University system. Associated Students has chosen to use the reporting model for special-purpose governments engaged only in business-type activities.

(b) Basis of Presentation

The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary non-exchange transactions are recognized as revenue as soon as all eligibility requirements have been met.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(d) Investments

Investments are reflected at fair value using quoted market prices. Gains and losses are included in the statement of revenues, expenses, and changes in net position as investment income.

(e) Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of the management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

(f) Capital Assets

Acquisitions of capital assets of \$5,000 or more are capitalized. Capital assets are stated at cost or, if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of 5 to 20 years. In accordance with instructions from the System, depreciation expense is shown separately in the statement of revenues, expenses, and changes in net position, rather than being allocated among other categories of operating expenses.

(g) Compensated Absences

Compensated absences are recognized when the right to receive the compensation is earned by employees. Vacation is accrued on a monthly basis. The Associated Students uses the employee's current pay rate, as of July 1, 2017, to calculate the liability for accrued compensated absences. The Associated Students employees' pay rates are based on the length of service and job classification.

(h) Pension

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement Systems (CalPERS) Financial Office of the plan. For this purpose, benefit payments (including refund of the employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68), requires that the reported results must pertain to liability and asset information with certain define timeframes. For this report, the following timeframes are used:

Valuation Date (VD) June 30, 2015

Measurement Date (MD) June 30, 2016

Measurement Period (MP) June 30, 2015 to June 30, 2016

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(i) Other Post-Employment Benefits Other than Pensions (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* establishes the standards for the actuarial measurement, recognition, presentation, disclosure, and required supplemental information of postemployment benefits and related liabilities.

(j) Net Position

Associated Students' net position is classified into the following categories:

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted*: All other categories of net position, including those amounts designated by the Board of Directors or management.

(k) Classification of Revenues and Expenses

Associated Students considers operating revenues and expenses in the statements of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly with Associated Students' primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These nonoperating activities include Associated Students' net investment income.

(l) Student Fees

Each matriculated student of the University is required to pay quarterly student body fees. Student body fees are received by Associated Students directly and used for daily operations.

(m) Income Taxes

Associated Students is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, Associated Students qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). However, Associated Students remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

Associated Students recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Associated Students files informational and income tax returns in various state and local jurisdictions in the United States. The Associated Students' Federal income tax and informational returns are subject to examination by the Internal Revenue Service generally for 3 years after the returns were filed. State and local jurisdictions have statutes of limitation that generally range from 3 to 5 years.

(n) Unearned Revenue

Associated Students bills student dues by term in advance. The amount is recorded as unearned revenue within the statement of net position.

(o) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Cash and Cash Equivalents

Associated Students includes all cash accounts that are not subject to withdrawal restrictions or penalties, and considers highly liquid investments with a maturity of three months or less to be cash and cash equivalents. Each account is managed by the University and is held by the Office of the Chancellor.

(3) Investments

Investments are made on a short-term basis (less than one year). Associated Students' investment policy is to earn a rate of return consistent with a safety objective of 100% preservation of capital. Associated Students can invest in the following: Repurchase agreements using U.S. Government or any of its agencies, U.S. Treasury and Federal agency securities with maturities of one year or less, banker's acceptances eligible for purchase by the Federal Reserve, certificates of deposit (not to exceed \$100,000 per institution), notes and bonds due in one year or less (not rated less than D-1 or A-1 by Moody's or Standard & Poor's), money market accounts, mutual funds, Local Agency Investment Fund (LAIF), and all other investments managed by the University.

Associated Students participates in the CSU Consolidated Investment Pool (the Pool), an internal investment pool, managed in a 50/50 split by U.S. Bank Corp and Wells Capital Management, asset management and investment advisory firms that serve the University and separate accounting is maintained as to the amounts allocated to the Associated Students. Securities within the investment Pool that are not insured are held in the name of the University. Such short-term investments are reported at fair market value. Associated Students investment in the pool was \$3,476,497 represents approximately .09% of the Pool as of June 30, 2017.

Associated Students also has investments held and managed by UBS Financial Services.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Investments consist of the following at June 30, 2017:

U.S. agency securities	\$	1,273,324
Corporate bonds		1,105,249
Equity securities		927,003
U.S. treasury securities		868,272
Asset backed securities		297,405
Certificates of deposit		147,471
Mutual funds		91,737
Money market mutual funds		37,641
Municipal bonds		15,753
Repurchase agreements		9,786
Mortgage backed securities		344
Total investments	\$	<u><u>4,773,985</u></u>

Investment income, net, consists of the following for the year ended June 30, 2017:

Interest and dividends	\$	43,907
Unrealized gains (losses), net		<u>137,076</u>
Total investment income, net	\$	<u><u>180,983</u></u>

(a) Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Associated Students' investment policy generally prohibits investments in the following vehicles: private placements, venture capital investments, real estate properties, futures contracts, options, short sales, or margin sales. Investments in cash equivalents, fixed income securities, equity securities, and mutual funds are done in a diversified manner that is risk averse with an objective to minimize risk while obtaining a reasonable return.

The following table indicates the credit rating for corporate bonds and U.S. agency securities at June 30, 2017:

	Weighted-Average Duration (Years)	Fair Value	Rating			
			AAA	AA	A	BBB
Corporate bonds	1.50	\$ 1,105,249	\$ 17,553	\$ 236,080	\$ 767,296	\$ 84,320
U.S. agency securities	1.35	1,273,324	37,493	1,235,831	-	

(b) Fair Value Measurement and Application

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Investments in an external government investment pool are not subject to reporting within the level hierarchy.

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Associated Students has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation technique utilized to measure the Associated Students' investments is the market approach using prices and other relevant information generated by market transactions involving identical or comparable assets.

A portion of the Money Market Funds are not categorized under the fair value hierarchy and are shown at Net Asset Value (NAV). These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

	6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)
U.S. agency securities	\$ 1,273,324	\$ 651,922	\$ 621,401	\$ -
Corporate bonds	1,105,249	226,554	878,695	-
Equity securities	927,003	927,003	-	-
U.S. treasury securities	868,272	-	868,272	-
Asset backed securities	297,405	297,405	-	-
Certificates of deposit	147,471	-	147,471	-
Mutual funds	91,737	91,737	-	-
Money market funds	37,641	22,709	-	14,933
Municipal bonds	15,753	-	15,753	-
Repurchase agreements	9,786	-	9,786	-
Mortgage backed securities	344	344	-	-
Total investments	<u>\$ 4,773,985</u>	<u>\$ 2,217,674</u>	<u>\$ 2,541,378</u>	<u>\$ 14,933</u>

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(c) Custodial Credit Risk

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

(d) Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to rising interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, short-term investments are limited to relatively liquid instruments such as certificates of deposit, savings accounts, Federally guaranteed notes and bills, money market mutual funds. Interest rate risk is mitigated by ensuring sufficient liquidity to meet cash flow needs and only then investing in longer-term securities. There is no interest rate risk for money market mutual funds as they are available on demand.

(e) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. In order to maximize the rate of return in Associated Students' long-term investment portfolio while preserving capital and limiting concentration of credit risk, Associated Students investment policy dictates a diverse asset allocation as follows: domestic equities (30-50%), international equities (20- 40%), fixed income/intermediate (15-60%), and alternatives (0-25%). U.S. Treasury and Agency securities are not subject to this limitation. More than 5% of Associated Student's investment pool are in Federal National Mortgage Association, Inc. (\$367,880 or 8%), FHL Banks Office of Finance (\$431,847 or 9%), Government of the United States (\$868,497 or 18%), and remaining equities under threshold (\$767,651 or 16%).

(4) Accounts Receivable

As of June 30, 2017, accounts receivable consist of the following:

Student Fees	\$	20,801
Interest		2,222
Other		432
		23,455
Less: allowance of doubtful accounts		(7,120)
Accounts receivable, net	\$	16,335

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(5) Capital Assets

Capital assets' activity for the year ended June 30, 2017 consists of the following:

	Balance June 30, 2016	Additions	Retirements/ Transfers	Balance June 30, 2017
Furniture and fixtures	\$ 14,696	\$ -	\$ -	\$ 14,696
Equipment	44,840	-	(1,100)	43,740
Total	59,536	-	(1,100)	58,436
Less accumulated depreciation				
Furniture and fixtures	(16,236)	(779)	-	(17,015)
Equipment	(42,521)	-	1,100	(41,421)
Total accumulated depreciation	(58,757)	(779)	1,100	(58,436)
Capital assets, net	<u>\$ 779</u>	<u>\$ (779)</u>	<u>\$ -</u>	<u>\$ -</u>

(6) Pension

(a) General Information About the Pension Plan

Plan Description, Benefits Provided, and Employees Covered

The Plan is an agency cost-sharing multiple-employer defined benefit plan administered by CalPERS. A full description of the pension plan benefit provisions, assumptions, and membership information is listed in the June 30, 2015 Annual Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the funding valuation report. This report is publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contributions

In January 2013, the California Public Employees' Pension Reform Act (PEPRA), took effect which changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. Individuals hired on, or after January 2013 are under PEPRA. All members who do not fall under this category are considered classic members. Classic members will retain existing benefit levels for future service with the same employer.

Section 2018(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public agency employers be determined on an annual basis by the actuary and shall be effective on July 1 following the notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety 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 pools' costs of benefit 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

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

measurement period ended June 30, 2016 (the measurement date), the covered classic employees are required to contribute 5% of their monthly earnings in excess of \$513 per month while those under PEPRA are required to contribute 6.5% of their salary. The Associated Students was required to contribute 11.558% and 6.5% on the classic and PEPRA, respectively in fiscal year 2017. The Associated Students contribution for the year ended June 30, 2017 was \$92,452.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling period forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	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 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.

All other assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1977 to 2011, including updates to salary increased, mortality, and retirement rates. Further details of the Experience Study can be found on CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the asset would not run out. Therefore the long-term rate of return on pension plan of investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-clock method in which best-estimate ranges of expected future real rates of return

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(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 (Public Employees' Retirement Fund) cash flows. Using the historical returns of the entire funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using the building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. 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 table below reflects the 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%

¹ An expected inflation of 2.50% used for this period.

² An expected inflation of 3.00% used for this period.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of the GASB Statement No. 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB Statement No. 68 indicated that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportionate allocation of individual plan amounts as of the valuation date are used where not available.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 68, actuarial gains and losses related to changes in total pension liability and fiduciary net pension 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 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:

Net difference between projected and actual earnings on pension plan investments	5 year straight line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with pension (active, inactive, and retired) as of the beginning of measurement period

The Net Difference between Projected and Actual Investment Earning on Pension Plan Investments is amortized over a five-year period on a straight line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and prior measurement period on a net basis.

Deferred outflow of resources and deferred inflows of resources relating to the Difference between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for PERF C for the June 30, 2016, measurement date is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of all active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The Schedule of Collective Pension Amounts does not reflect employer-specific amounts such as changes in proportion, differences between actual employer contributions and employers' proportionated shares of contributions, and employer contributions to PERF C subsequent to the measurement date as defined in GASB Statement No. 68 paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(b) Changes in the Plan's Proportionate Share of Net Pension Liability

The following tables show the Plan's proportionate share of the risk pool collective net pension liability over the measurement period of June 30, 2016.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Pension	Plan Net Pension Liability
Balance at: 6/30/2015 (VD)	\$ 3,977,531	\$ 2,963,394	\$ 1,014,137
Balance at: 6/30/2016 (MD)	3,858,142	2,698,203	1,159,939
Net Changes	<u>\$ (119,389)</u>	<u>\$ (265,191)</u>	<u>\$ 145,802</u>

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

The following presents the net pension liability of the 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 percent-point lower (6.65 percent), or 1 percentage-point higher (8.65 percent) that the current rate.

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 1,807,155	\$ 1,159,939	\$ 625,048

(c) Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the measurement period ended June 30, 2016 (the measurement date), the Associated Students incurred a pension expense of \$98,526 (the pension expense for the risk pool for the measurement period is \$396,802,310). As of June 30, 2016 (the measurement date), the Associated Students reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,009	\$ (690.00)
Changes of Assumptions	-	(28,471)
Net difference between projected and actual earnings on Pension Plan Investments	238,661	(90,480)
Pension contributions subsequent to measurement date	92,452	-
Total	<u>\$ 334,122</u>	<u>\$ (119,641)</u>

Pension contribution made subsequent to measurement date in the amount of \$92,452 will be recognized in the following measurement period. Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized as future pension expense as follows:

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Measurement Period Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 60,486	\$ (30,573)
2018	60,486	(30,573)
2019	60,486	(30,573)
2020	60,212	(27,922)

(7) Other Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description

The Associated Students sponsors a single-employer post-retirement healthcare plan, which covers substantially all full-time, central staff employees of the Associated Students. This plan provides lifetime medical benefits to retirees who have attained age 50 with five years of service. Spouses and dependents of eligible retirees are also eligible for life. During the year ended June 30, 2009, the plan was amended to provide lifetime medical benefits to retirees who have attained the age of 50 with ten years of service. The Governing Board of the Associated Students has the authority to establish and amend benefit provisions of the Plan.

Funding Policy

For the year ended June 30, 2017, the Associated Students' share of the monthly medical premiums was limited to \$622 (single), \$1,183 (two parties), and \$1,515 (three or more parties). Retirees are responsible for premiums in excess of the Associated Students' share. In addition, the Associated Students' share of dental premiums was limited to \$54.37 (single), \$89.61 (two parties), and \$136.28 (three or more parties). The Associated Students contributes annually based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. However, the Associated Students did not contribute to the plan for the year ended June 30, 2017.

Annual OPEB Cost and Net OPEB Obligation

The Associated Students' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Associated Students has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 14 years. The following table shows the components of the Associated Students' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation (asset) to the Retiree Health Plan as of June 30, 2017:

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Annual required contribution	\$	93,825
Interest on net OPEB obligations		64,182
Adjustment to annual required contribution		(78,457)
Annual OPEB cost		79,550
Contribution made		59,430
Increase in net OPEB		20,120
Net OPEB liability - beginning of the year		916,862
Net OPEB liability - end of year	\$	936,982

The Associated Students annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the most recent three fiscal years as follow:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 147,979	40%	\$ 885,510
June 30, 2016	88,638	65%	916,863
June 30, 2017	79,549	75%	936,982

Funded Status and Funding Progress

The projections of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual results are compared with past expectations and new estimates are made about the future. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$917,641.

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

Methods and Assumptions

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

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4.0%.

Health insurance premiums – The 2017 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 65.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 2.0% annually.

Discount rate – The calculation uses an annual discount rate of 7.0%.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017 was fourteen years.

Plan for Funding

On an ongoing basis, the Associated Students will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2017

(8) Board Designated Net Position

Unrestricted net position was designated by the Board for the following purposes at June 30, 2017:

Current operations and working capital	\$	1,000,000
Other Post Employment Benefit		1,166,094
Undesignated		600,000
Total Board designated net position	\$	2,766,094

(9) Transactions with Affiliates

Associated Students enters into transactions with the University. Associated Students pays the University for accounting services, indirect cost allocations, and reimbursements for professional fees, utilities, special events and students' activities through an internal cost recovery process. For the year ended June 30, 2017, Associated Students paid the University \$239,182. The Associated Students received \$45,049 from the University for services, space, and programs. Associated Students provided \$390,197 in contribution to the University for student events, functions, capital projects, and other programs during the year ended June 30, 2017. In addition, amounts due to the University at June 30, 2017 was \$9,781.

(10) Restatement

Net position has been restated to correct for an error in the previous years. The Associated Students erroneously included investments that were not irrevocably placed in a trust, in its calculation of the net OPEB liability. The July 1, 2016 balances presented in these financial statements, have been restated to reflect the corrected balances as follows:

Statement of Financial Position	As Previously Reported	Adjustments	As Restated
Unrestricted net position	\$ 4,098,910	\$ (1,110,924)	\$ 2,987,986

REQUIRED SUPPLEMENTARY INFORMATION

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
 Required Supplementary Information
 Year Ended June 30, 2017

Schedules of Required Supplementary Information - Pension

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratio of the Measurement Date in Relation to PERF C

Net pension liability and fiduciary net position are allocated to the plan based on its proportion of the Miscellaneous Risk Pool. However, GASB Standard No. 68 requires that employers report certain proportions as a percentage of the total plan (PERF C, excluding the 1959 Survivors Risk Pool), which includes both the Miscellaneous and Safety Risk Pools. All cost-sharing public agency plans, are categorized as either Miscellaneous or Safety within PERF C. Therefore, to assist employers in meeting the requirements of GASB 68, proportions shown in the table below represent the plan's proportion of PERF C, excluding the 1959 Survivors Risk Pool, and not its proportion of the Miscellaneous Risk Pool.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan's Proportion of the Net Pension Liability	0.02778%	0.03028%	0.01773%
Plan's Proportionate Share of the Net Pension Liability	\$ 1,159,939	\$ 1,014,137	\$ 1,102,936
Plan's Covered Payroll	\$ 964,786	\$ 1,016,183	\$ 964,310
Plan's Proportionate Share of the Net Pension Liability as as Percentage of its Covered Payroll	120.23%	99.80%	114.38%
Plan's Proportionate Share of the Fiduciary Net Position as Percentage of the Plan's Total Pension Liability	69.94%	74.50%	72.97%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 84,228	\$ 41,239	\$ 80,496

(1) This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

(2) The discount rate increased to 7.65% in Fiscal Year 2014-15 as compared to 7.50% in Fiscal Year 2013-14.

Schedule of Plan Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 219,159	\$ 209,417	\$ 133,088
Contributions in Relation to the Actuarially Determined Contributions	219,159	209,417	133,088
Contribution Excess	-	-	-
Covered Payroll	964,786	1,016,183	964,310
Contributions as a Percentage of Covered Payroll	22.72%	20.61%	13.80%

(1) This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

Changes of Assumptions: No change in assumptions

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
 Required Supplementary Information (Continued)
 Year Ended June 30, 2017

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as of % of payroll ([a-b]/c)
7/1/2011	\$ 1,240,858	\$ -	\$ 1,240,858	\$ -	\$ 1,864,392	66.6%
7/1/2012	1,267,535	-	1,267,535	-	991,961	127.8%
7/1/2015	917,642	-	917,642	-	282,284	325.1%

**OTHER SUPPLEMENTARY INFORMATION
FOR CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR**

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Schedule of Net Position
June 30, 2017
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ —
Short-term investments	4,773,985
Accounts receivable, net	16,335
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	2,709
Total current assets	<u>4,793,029</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Student loans receivable, net	—
Other long-term investments	—
Capital assets, net	—
Other assets	—
Total noncurrent assets	<u>—</u>
Total assets	<u>4,793,029</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	334,122
Others	—
Total deferred outflows of resources	<u>334,122</u>
Liabilities:	
Current liabilities:	
Accounts payable	81,647
Accrued salaries and benefits	19,249
Accrued compensated absences, current portion	32,170
Unearned revenue	10,490
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	939
Total current liabilities	<u>144,495</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
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	936,982
Net pension liability	1,159,939
Other liabilities	—
Total noncurrent liabilities	<u>2,096,921</u>
Total liabilities	<u>2,241,416</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	119,641
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>119,641</u>
Net Position:	
Net investment in capital assets	—
Unrestricted	2,766,094
Total net position	<u>\$ 2,766,094</u>

See accompanying note to supplementary information.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2017

(for inclusion in the California State University)

Revenues:

Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$ _____)	\$	1,932,000
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 \$ _____)		359
Other operating revenues		—
		<hr/>
Total operating revenues		1,932,359

Expenses:

Operating expenses:		
Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		—
Operation and maintenance of plant		—
Student grants and scholarships		180,118
Auxiliary enterprise expenses		2,154,337
Depreciation and amortization		779
		<hr/>
Total operating expenses		2,335,234
		<hr/>
Operating income (loss)		(402,875)

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		180,983
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses)		—
		<hr/>
Net nonoperating revenues (expenses)		180,983
		<hr/>
Income (loss) before other revenues (expenses)		(221,892)

State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
		<hr/>
Increase (decrease) in net position		(221,892)

Net position:

Net position at beginning of year, as previously reported		4,098,910
Restatements		(1,110,924)
		<hr/>
Net position at beginning of year, as restated		2,987,986
		<hr/>
Net position at end of year	\$	2,766,094

See accompanying note to supplementary information.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Other Information
June 30, 2017
(for inclusion in the California State University)

2.4 Restricted noncurrent investments at June 30, 2017 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, 2017	\$ —

2.5 Fair value hierarchy in investments at June 30, 2017:

	<u>Total</u>	<u>Fair Value Measurements Using</u>			<u>Net Asset Value (NAV)</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)	—	—	—	—	—
Corporate bonds	1,105,249	226,554	878,695	—	—
Certificates of deposit	147,471	—	147,471	—	—
Mutual funds	91,737	91,737	—	—	—
Money market funds	37,642	22,709	—	—	14,933
Repurchase agreements	9,786	—	9,786	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	297,405	297,405	—	—	—
Mortgage backed securities	344	344	—	—	—
Municipal bonds	15,753	—	15,753	—	—
U.S. agency securities	1,273,323	651,922	621,401	—	—
U.S. treasury securities	868,272	—	868,272	—	—
Equity securities	927,003	927,003	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	\$ 4,773,985	\$ 2,217,674	\$ 2,541,378	\$ —	\$ 14,933

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
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3.1 Composition of capital assets at June 30, 2017:

	Balance June 30, 2016	Prior period Adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	—	—	—	—
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	—	—	—	—	—	—	—	—
Depreciable/amortizable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	59,536	—	—	59,536	—	(1,100)	—	58,436
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	59,536	—	—	59,536	—	(1,100)	—	58,436
Total capital assets	59,536	—	—	59,536	—	(1,100)	—	58,436
Less accumulated depreciation/amortization:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	(58,757)	—	—	(58,757)	(779)	1,100	—	(58,436)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(58,757)	—	—	(58,757)	(779)	1,100	—	(58,436)
Total capital assets, net	\$ 779	\$ —	\$ —	\$ 779	\$ (779)	\$ —	\$ —	\$ —

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
 Other Information
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8 Transactions with related entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 14,827
Payments to University for other than salaries of University personnel	224,354
Payments received from University for services, space, and programs	45,049
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	390,197
Accounts (payable to) University (enter as negative number)	(9,781)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	—
Other amounts receivable from University	—

9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	\$	79,550
Contributions during the year		(59,430)
Increase (decrease) in net OPEB obligation (NOO)		20,120
Other adjustments		—
NOO - beginning of year		916,862
NOO - end of year	\$	936,982

10 Pollution remediation liabilities under GASB Statement No. 49:

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

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY

Other Information

June 30, 2017

(for inclusion in the California State University)

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2016, as previously reported		\$ 4,098,910
Prior period adjustments:		
1 Establishment of other postemployment benefits obligations		(1,110,924)
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, 2016, as restated		<u>\$ 2,987,986</u>

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 To record the cumulative adjustment for the establishment of other postemployment benefits obligations		
Unrestricted	\$ 1,110,924	
Other Assets		194,061
Other postemployment benefits obligations		916,863
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)	—	—

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Note to Supplementary Information
Year Ended June 30, 2017

NOTE 1 – SUPPLEMENTARY SCHEDULES

As an auxiliary organization of the California State University (CSU), Associated Students, Inc. of California State University, East Bay is required to include audited supplementary information in its financial statements in the form and content specified by CSU. As a result, there are differences in reporting format between the Associated Students' financial statements and supplementary schedules for CSU.