

**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, 2018
(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, 2018, 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, 2018, 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

During fiscal year ended June 30, 2018, Associated Students, Inc. of California State University, East Bay adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result of the implementation of this standard, Associated Students, Inc. of California State University, East Bay reported a restatement for the change in accounting principle (see Note 10). Our auditors' opinion was not modified with respect to the restatement.

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

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

Management's Discussion and Analysis

Year Ended June 30, 2018

(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, 2018. 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

- x Operating expenses decreased by \$0.25 million, or 11% primarily due to the \$0.27 million or 68% decrease in the contribution made to the University. The decrease was also the result of 74% decrease in the cost recovery related to University services attributable to the change in campus base calculation as payroll and HR services were performed in-house; 45% decrease in expenses related to travel and catering services. The decrease is offset mostly by \$0.09 million or 26% increase in salaries and benefits due to 5% salary increase and additional staff hired in fiscal year 2018; and \$0.2 million increase in pension expense due to pension adjustment related to GASB Statement No. 68, Accounting and Financial Reporting for Pensions.
- x The Associated Students implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Other than Pensions. The statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. It establishes standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required the Associated Students to adjust the beginning net OPEB liability and record the deferred inflow of resources due to change in assumptions as of July 1, 2017. As a result, the net position was restated by approximately \$0.59 million.

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 positionThe statement of net position includes 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 positionStatement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

Statement of cash flowsThe 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 statementsThe 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

	2018	2017
Asset		
Current assets	4,648,438	

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2018
(Unaudited)

Current assets decreased \$0.14 million, or 3%, primarily the result of the purchase of capital assets offset by the overall decrease in operating expenses incurred in fiscal year 2018.

Noncurrent assets increased \$0.33 million, or 100%, mainly due to the acquisition of new iMAC computers, furniture, and outdoor electronic digital sign. There was no capital asset addition in the prior year.

Total current liabilities increased \$0.04 million, or 31%, mostly due to \$0.07 million increase in unearned revenue in connection to the additional collection of student body fees related to next fiscal year as the University (California State University, East Bay) changed from quarter system to semester starting academic year 2018. This increase was offset by \$0.04 million decrease in account payable due to less activities and event held in fiscal year 2018. Accrued salaries & benefits and compensated absences increased more than 20% due to 5% salary increase and additional staff hired.

The noncurrent liabilities increased by \$0.34 million, or 13%, primarily due to \$0.26 million increase in net pension liability and an additional \$0.08 million in net other postemployment benefits (OPEB) recorded in fiscal year 2018. Since Associated Students OPEB plan

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2018
(Unaudited)

Operating expenses decreased by \$0.25 million, or 11%. Auxiliary enterprise expenses decreased \$0.29 million or 13%, primarily due to the \$0.27 million or 68% decrease in the contribution made to the University. The decrease was also the result of 74% decrease in the cost recovery related to University services attributable to the change in campus base calculation as payroll and HR services were performed in-house in fiscal year 2018; 45% decrease in expenses related to travel and catering services. The decrease is offset by the following: \$0.09 million or 26% increase in salaries and benefits due to 5% salary increase and additional staff hired in fiscal year 2018; pension expense increased \$0.2 million due to a pension adjustment related to

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Statement of Net Position
June 30, 2018

Assets:

Current assets:

Cash and cash equivalents	\$ -
Short-term investments	4,631,234
Accounts receivable, net	16,067
Prepaid expenses and other current assets	1,137
Total current assets	4,648,438

Noncurrent assets:

Capital assets, net	326,132
Total noncurrent assets	326,132
Total assets	4,974,570

Deferred outflows of resources:

Net pension liability	333,874
Total deferred outflows of resources	333,874

Liabilities:

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2018

Revenues:

Operating revenues:	
Student tuition and fees, net	\$ 1,869,376
Sales and services of auxiliary enterprise	<u>251</u>
Total operating revenues	<u>1,869,627</u>

Expenses:

Operating expenses:	
Auxiliary enterprise expenses	1,863,230
Student grants and scholarships	219,146
Depreciation and amortization	<u>7,248</u>
Total operating expenses	<u>2,089,624</u>
Operating loss	<u>(219,997)</u>

Nonoperating Revenues (Expenses):

Investment income (loss), net	<u>140,587</u>
Net nonoperating revenues (expenses)	<u>140,587</u>
Income (loss) before other revenues (expenses)	(79,410)

Net Position:

Net position at beginning of year, as previously reported	2,766,094
Restatement (see Note 10)	<u>(588,030)</u>
Net position at beginning of year, as restated	<u>2,178,064</u>
Net position, end of year	<u>\$ 2,098,654</u>

See accompanying notes to financial statements.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:		
Student fees	\$	1,941,802
Sales and services of auxiliary enterprises		251
Payment to suppliers		(962,209)
Payment to employees		(710,693)
Payment to students		(219,131)
Other operating activities		(283)
Net cash provided by operating activities		49,737
Cashflows from capital and related financing activities:		
Acquisition of capital assets		(333,380)
Net cash provided by capital and related financing activities		(333,380)
Cash flows from investing activities:		
Purchase of investments		(5,049,443)
Proceeds from sale of investment		5,241,239
Investment income		91,847
Net cash used provided by in investing activities		283,643
Net change in cash		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	\$	-
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$	(219,997)
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation		7,248
Changes in assets and liabilities		
Accounts receivable, net		(37)
Prepaid expenses and other current assets		1,572
Deferred outflows of resources		

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

Notes to Financial Statements

Year Ended June 30, 2018

(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, 2018

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Associated Students' plan (OPEB Plan) and additions to / deductions from the OPEB Plan's fiduciary net position have been de

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

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 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)

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

(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 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 ar

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

	6/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)
Corporate bonds	\$ 1,065,722	\$ -	\$ 1,065,722	\$ -
Equity securities	1,041,605	1,041,605	-	-
U.S. agency securities	957,018	-	957,018	-
U.S. treasury securities	878,873	-	878,873	-
Asset backed securities	234,400	-	234,400	-
Certificates of deposit	161,858	-	161,858	-
Mutual funds	179,403	-	179,403	-
Money market funds	62,442	-	-	62,442
Municipal bonds	41,510	-	41,510	-
Repurchase agreements	8,187	-	8,187	-
Mortgage backed securities	216	-	216	-
Total investments	\$ 4,631,234	\$ 1,041,605	\$ 3,527,187	\$ 62,442

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

limitation. More than 5% of Associated Student's investment pool are in Federal National Mortgage Association, Inc. (\$306,484 or 7%), FHL Banks Office of Finance (\$414,036 or 9%), and remaining equities under threshold (\$871,364 or 19%).

(4) Accounts Receivable

As of June 30, 2018, accounts receivable consist of the following:

Student Fees	\$ 21,575
Interest	1,917
Other	223
	<u>23,715</u>
Less: allowance of doubtful accounts	(7,648)
Accounts receivable, net	<u><u>\$ 16,067</u></u>

(5) Capital Assets

Capital assets' activity for the year ended June 30, 2018 consists of the following:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	Retirements/ <u>Transfers</u>	Balance <u>June 30, 2018</u>
Furniture and fixtures	\$ 14,696	\$ 95,162	\$ -	\$ 109,858
Equipment	43,740	238,218	(42,246)	239,712
Total	<u>58,436</u>	<u>333,380</u>	<u>(42,246)</u>	<u>349,570</u>
Less accumulated depreciation				
Furniture and fixtures	(14,696)	(2,865)	-	(17,561)
Equipment	(43,740)	(4,383)	42,246	(5,877)
Total accumulated depreciation	<u>(58,436)</u>	<u>(7,248)</u>	<u>42,246</u>	<u>(23,438)</u>
Capital assets, net	<u><u>\$ -</u></u>	<u><u>\$ 326,132</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 326,132</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, 2016 Annual Vaoc>Employees Covered

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

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 measurement period ended June 30, 2017 (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 11.599% and 6.908% on the classic and PEPRA, respectively in fiscal year 2017. The Associated Students contribution for the year ended June 30, 2018 was \$103,734.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling period forward the June 30, 2016 total pension liability determined in the June 30, 2016 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	7.15%
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.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2018

All other assumptions used in the June 30, 2016 valuation were based on the results of an

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

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 1-10¹	Real Return Years 11+²
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

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.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 34, the amortization of deferred outflows of resources and deferred inflows of resources should be calculated as a percentage of the unamortized amount at the beginning of the period. The percentage is determined by dividing the unamortized amount at the beginning of the period by the present value of the amount to be amortized at the end of the period. The present value is calculated using the discount rate of 10.00%.

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2018

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

(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, 2017.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Pension	Plan Net Pension Liability
Balance at: 6/30/2016 (VD)	\$ 3,858,142	\$ 2,698,203	\$ 1,159,939
Balance at: 6/30/2017 (MD)	4,122,286	2,704,469	1,417,817
Net Changes	<u>\$ 264,144</u>	<u>\$ 6,266</u>	<u>\$ 257,878</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 7.15 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 (6.15 percent), or 1 percentage-point higher (8.15 percent) that the current rate.

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
	Plan's Net Pension Liability	\$ 2,210,169	\$ 1,417,817

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

For the measurement period ended June 30, 2017 (the measurement date), the Associated Students incurred a pension expense of \$200,810 (the pension expense for the risk pool for the measurement period is \$719,747,608). As of June 30, 2017 (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	\$ 1,503	\$ (21,531)
Changes of Assumptions	186,466	(14,218)
Net difference between projected and actual earnings on Pension Plan Investments	42,171	-
Pension contributions subsequent to measurement date	103,734	-
Total	<u>\$ 333,874</u>	<u>\$ (35,749)</u>

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

Pension contribution made subsequent to measurement date in the amount of \$103,734 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:

Measurement Period Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 61,807	\$ (9,750)
2019	61,807	(9,750)
2020	61,807	(9,750)
2021	44,719	(6,499)

(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.

For the year ended June 30, 2018, 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 \$53.30 (single), \$87.80 (two parties), and \$133.60 (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, 2018.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the post-retirement healthcare plan:

Active employees	5
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving benefits	-
Total	14

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

Net OPEB Liability

Associated Students' net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017.

Actuarial Assumptions

Discount Rate	2.85% as of June 30, 2016		
	3.58% as of June 30, 2017		
Inflation	2.00%		
Salary Increases	3.25% annual increase		
Investment Rate of Return	N/A		
Health Care Trend		Increase in Premium Rate	
Year Beginning		Pre-65	Post-65
2019		7.70%	5.30%
2020		7.45%	5.05%
2021		7.20%	4.80%
2022		6.95%	4.55%
2023		6.70%	4.30%
2024		6.45%	4.25%
2025		6.20%	4.25%
2026		5.95%	4.25%
2027		5.70%	4.25%
2028		5.45%	4.25%
2029		5.20%	4.25%
2030		4.95%	4.25%
2031		4.70%	4.25%
2032		4.45%	4.25%
2033 and later		4.25%	4.25%

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2018

Actuarial Assumptions (continued)

Plan Distribution for calculating baseline cost	Plan	Distribution
	Kaiser	79%
	PERS	14%
	United Healthcare	7%
	Total	100%
Baseline cost	Pre-Medicare: \$9,080 per year Post-Medicare: \$3,791 per year	
Morbidity factors	CalPERS 2013 study	
Polulation for curving	CalPERS 2013 study	
Age-Weighted claims costs (1)	Age	Premium
	50	\$ 9,263.00
	55	\$ 11,287.00
	60	\$ 13,025.00
	65	\$ 4,118.00
	70	\$ 3,405.00
	75	\$ 3,931.00
	80	\$ 4,357.00
	85	\$ 4,530.00

(1) Due to the small size of the participant group, a single blended claims curve was use for all participants.

Mortality The mortality rates used in this valuation are those used in the most recent CalPERS valuations.
Pre-Retirement: CalPERS 2014 Mortality pre-retirement
Post-Retirement: CalPERS 2014 Mortality post-retirement

Discount rate

The discount rate is based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

The Bond Buyer 20-Bond General Obligation Index was in determining the discount rate used to measure the Total OPEB Liability as of June 30, 2016 and June 30, 2017 (measurement dates under GASB 75).

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Discount Rate	2.85%	3.58%
Bond Buyer 20-Bond GO Index	2.85%	3.58%

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
Notes to Financial Statements (Continued)
Year Ended June 30, 2018

Change in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

OPEB Liability

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

Notes to Financial Statements (Continued)

Year Ended June 30, 2018

(8) Board Designated Net Position

Unrestricted net position was designated by the Board for the following purposes at June 30, 2018:

Current operations and working capital	\$	1,000,000
Other Post Employment Benefit		172,522
Undesignated		600,000
Total Board designated net position	\$	<u>1,772,522</u>

(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, 2018, Associated Students paid the University \$88,360. The Associated Students received \$47,038 from the University for services, space, and programs. Associated Students provided \$123,435 in contribution to the University for student events, functions, capital projects, and other programs during the year ended June 30, 2018. In addition, amounts due to the University at June 30, 2018 was \$8,393.

(10) Restatement

Effective July 1, 2017, Associated Students implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Other than Pensions. The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required Associated Students to adjust the beginning net OPEB liability and record the deferred inflow of resources due to change in assumptions.

The effect of the change was to reduce the net position by the following amounts as of July 1, 2017.

Statement of Net Position	As Previously Reported	Adjustments	As Restated
<u>Unrestricted net position</u>	\$ 2,766,094	\$ (588,030)	\$ 2,178,064

REQUIRED SUPPLEMENTARY INFORMATION

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
 Required Supplementary Information
 Year Ended June 30, 2018

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan's Proportion of the Net Pension Liability	0.02790%	0.02778%	0.03028%	0.01773%
Plan's Proportionate Share of the Net Pension Liability	\$ 1,417,817	\$ 1,159,939	\$ 1,014,137	\$ 1,102,936
Plan's Covered Payroll	\$ 968,953	\$ 964,786	\$ 1,016,183	\$ 964,310
Plan's Proportionate Share of the Net Pension Liability as as Percentage of its Covered Payroll	146.32%	120.23%	99.80%	114.38%
Plan's Proportionate Share of the Fiduciary Net Position as Percentage of the Plan's Total Pension Liability	65.61%	69.94%	74.50%	72.97%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 92,452	\$ 84,228	\$ 41,239	\$ 80,496

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, EAST BAY
 Required Supplementary Information (Continued)
 Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability and Related Ratios

<u>Total OPEB Liability</u>	
Service cost	\$33,775
Interest	45,278
Change of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	(125,918)
Benefit payments, including refunds of employee contributions	(59,430)
Net change in Total OPEB Liability	(\$106,295)
Total OPEB Liability – beginning (a)	1,584,442
Total OPEB Liability – ending (b)	\$1,478,147
<u>Plan Fiduciary Net Position</u>	
Contributions – employer	\$59,430
Contributions – employee	0
Net investment income	0
Benefit payments, including refunds of employee contributions	(59,430)
Administrative expense	0
Other	0
Net change in Plan Fiduciary Net Position	\$0
Plan Fiduciary Net Position – beginning (c)	\$0
Plan Fiduciary Net Position – ending (d)	\$0
Net OPEB Liability - beginning (a) – (c)	\$1,584,442
Net OPEB Liability – ending (b) – (d)	\$1,478,147
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0%
Covered employee payroll(1)	N/A
Plan Net OPEB Liability as percentage of covered employee payroll(1)	N/A

(1) Covered payroll not available

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

Assets:

Current assets:

Cash and cash equivalents	\$	—
Short-term investments		4,631,234
Accounts receivable, net		16,067
Capital lease receivable, current portio		—
Notes receivable, current portio		—
Pledges receivable, net		—
Prepaid expenses and other current assets		1,137
Total current assets		4,648,438

Noncurrent assets:

Restricted cash and cash equivalents		—
Accounts receivable, net		—
Capital lease receivable, net of current portio		—
Notes receivable, net of current portio		—
Student loans receivable, net		—
Pledges receivable, net		—

Revenues:

Operating revenues:

Student tuition and fees, gross	\$	1,869,376
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		251
Scholarship allowances (enter as negative)		—
Other operating revenues		—
Total operating revenues		1,869,627

Expenses:

Operating expenses:

Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		—
Operation and maintenance of plant		—
Student grants and scholarships		219,146
Auxiliary enterprise expenses		1,863,230
Depreciation and amortization		—

1	Restricted cash and cash equivalents at June 30, 2018:			
	Portion of restricted cash and cash equivalents related to endowments	\$	—	—
	All other restricted cash and cash equivalents		—	
	Total restricted cash and cash equivalents	\$	—	

2.1	Composition of investments at June 30, 2018:			
		Current		
		Unrestricted	Current Restricted	Total Current

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

Other Information

June 30, 2018

(for inclusion in the California State University)

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

	Amount
Endowment investments	\$ —
Scholarships	—
Inflation reserves	—
University projects	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2018	<u>\$ —</u>

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

	Fair Value Measurements Using				Net Asset Value (NAV)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	1,065,722	—	1,065,722	—	—
Certificates of deposits	161,858	—	161,858	—	—
Mutual funds	179,403	—	179,403	—	—
Money Market funds	62,442	—	—	—	62,442
Repurchase agreements	8,187	—	8,187	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	234,400	—	234,400	—	—
Mortgage backed securities	216	—	216	—	—
Municipal bonds	41,510	—	41,510	—	—
U.S. agency securities	957,018	—	957,018	—	—
U.S. treasury securities	878,873	—	878,873	—	—
Equity securities	1,041,605	1,041,605	—	—	—
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	<u>4,631,234</u>	<u>1,041,605</u>	<u>3,527,187</u>	<u>—</u>	<u>62,442</u>

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

Other Information

June 30, 2018

(for inclusion in the California State University)

8	Transactions with related entities:	Amount
	Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 9,638

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

Other Information
June 30, 2018

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

Note to Supplementary Information

Year Ended June 30, 2018

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.