

Colorado State University System
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2017 and 2016
Compliance Audit
Year Ended June 30, 2017

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COLORADO STATE UNIVERSITY SYSTEM
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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Colorado State University System (a higher education institution of the State of Colorado) (the System) as of and for the years ended June 30, 2017 and 2016 and the fiduciary fund information of the System, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado State University Foundation (the CSU Foundation) or the financial statements of the Colorado State University – Pueblo Foundation (CSU-Pueblo Foundation), which are included in the aggregate discretely presented component units of the System, which statements reflect total assets constituting 99.8 percent and 99.9 percent, respectively, of the aggregate discretely presented component units total assets at June 30, 2017 and 2016, and total revenues constituting 99.2 percent and 98.6 percent, respectively, of the aggregate discretely presented component units total revenues for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits 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. The financial statements of the CSU Foundation, the CSU-Pueblo Foundation and the Colorado State University System Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System'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 System'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 opinions.

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the System as of and for the years ended June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended and the fiduciary fund information of the System as of June 30, 2017 and its changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the System, an institution of higher education in the State of Colorado, are intended to present the financial position, the respective changes in financial position and, where applicable, cash flows of the business-type activities, aggregate discretely presented component units and the fiduciary fund information of the State of Colorado that are attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2017 and 2016, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 3, during fiscal year 2017 the by-laws of the Colorado State University Other Postemployment Benefits Trust were updated and as a result management determined the Trust should be reported as a fiduciary fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefit information, and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 System's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 1, 2017

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COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
(Unaudited)

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the Colorado State University System (the System). It is intended to make the System's financial statements easier to understand and communicate our financial situation in an open and accountable manner. This section of the financial report provides an objective discussion and analysis of the financial performance of the System for the fiscal years ended June 30, 2017 and 2016. This discussion provides an analysis of the System's financial activities based on currently known facts, decisions, or existing conditions. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The System includes Colorado State University (CSU), Colorado State University Pueblo (CSU-Pueblo), and Colorado State University Global Campus (CSU-Global). CSU-Global issued separate audited financial statements for the year ended June 30, 2017.

Understanding the Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the System's finances and are comprised of three basic statements.

Statements of Net Position present information on all of the System's assets, deferred outflows, liabilities, and deferred inflows; with the difference between assets plus deferred outflows less liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

Statements of Revenues, Expenses, and Changes in Net Position present information showing how the System's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

Statements of Cash Flows are reported on the direct method. The direct method of cash flows reporting portrays cash flows from operating, noncapital financing, capital and related financing, and investing activities. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes provide information regarding both the accounting policies and procedures the System has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to financial statements follow the basic financial statements.

Required Supplementary Information (RSI) presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes schedules of the System's proportionate share of the Public Employee's Retirement Association (PERA) net pension liability and contributions to the PERA pension. In addition, the schedules of funding status of the Other Postemployment Benefits (OPEB), OPEB liability, employer contributions, and investment returns are provided.

COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
(Unaudited)

Management's Discussion and Analysis focuses on the primary government, which is the Colorado State University System. The System reports its activity as a business-type activity using the economic resources measurement focus and the accrual basis of accounting.

Financial Highlights

Financial highlights are presented in this discussion and analysis to help with the assessment of the System's financial activities. This analysis should be read in conjunction with the System's financial statements and notes thereto, which are also presented in this document.

The Colorado State Legislature established spending authority to the System in its annual Long Appropriations Bill (Long Bill). The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund.

For the fiscal years ended 2017 and 2016, appropriated expenses in the System were within the authorized spending authority. For the fiscal years ended 2017 and 2016, the System had a total appropriation of \$570.5 million and \$134.6 million, respectively. For the fiscal years ended 2017 and 2016, the System's appropriation from reappropriated funds consisted of \$43.3 and \$42.9 million, respectively, received from students that qualified for stipends from the College Opportunity Fund, and \$91.2 million and \$91.7 million, respectively, as state fee for service contract revenue. Starting in fiscal year 2017, the students' share of tuition, \$436.0 million, became appropriated from cash funds. All other revenues and expenses reported by the System represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

The assets and deferred outflows of the System exceeded its liabilities and deferred inflows at June 30, 2017 by \$415.2 million (net position). Of this amount, \$655.2 million is related to the net investment in capital assets and \$71.1 million is restricted for purposes which the donor or grantor or other external party intended. The remaining (\$311.1) million is unrestricted. Although unrestricted net position is not externally restricted, it may be internally designated by the System's administration for various purposes. Unrestricted net position continues to be negatively impacted by the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*.

The continued introduction of new courses combined with strong enrollment led to increases in operating revenues and expenses at CSU-Global.

Financial Analysis

The Summary of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the Colorado State University System for the fiscal years ended June 30, 2017, 2016, and 2015. The System's assets and deferred outflows exceeded liabilities and deferred inflows resulting in a net position at June 30, 2017 and 2016 of \$415.2 million, and \$496.0 million, respectively. In the fiscal years 2017 and 2016, the deferred outflows of resources and deferred inflows of resources include items related to the PERA pension, whose liability was recorded due to the implementation of GASB Statement No. 68. The University's proportionate share of the net pension liability at the years ended 2017 and 2016, was \$992.3 million and \$578.7 million, respectively. The net investment in capital assets (e.g., land, buildings and equipment) is used to provide services to students, faculty and administration. Consequently, these assets are not available to fund future spending.

COLORADO STATE UNIVERSITY SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
(Unaudited)

Summary of Net Position
(Amounts expressed in thousands)

	Year Ended June 30		
	2017	2016 *	2015 *
Current assets	\$ 642,754	565,534	455,830
Noncurrent assets, including net capital assets of \$1,779,353, \$1,531,228, and \$1,308,364, and respectively	1,941,011	1,905,177	1,758,815
Deferred outflows	353,558	111,971	71,904
Total assets and deferred outflows	2,937,323	2,582,682	2,286,549
Current liabilities	232,453	229,649	193,266
Noncurrent liabilities	2,277,525	1,842,966	1,645,275
Deferred inflows	12,136	14,091	2,755
Total liabilities and deferred inflows	2,522,114	2,086,706	1,841,296
Net position:			
Net investment in capital assets	655,232	624,707	638,613
Restricted	71,097	68,483	67,976
Unrestricted	(311,120)	(197,214)	(261,336)
Total net position	415,209	495,976	445,253

* Reclassified

The \$113.1 million increase in the System assets in 2017 over that of 2016 is related to increases in current assets, depreciable, and nondepreciable capital assets offset by a large decrease in noncapital noncurrent assets. The \$77.2 million increase in current assets was primarily due to a \$62.6 million increase in cash and cash equivalents and a \$14.2 million increase in receivables. The increase in cash and cash equivalents and receivables is primarily related to a 4.4 percent growth in enrollment combined with a three percent tuition rate increase, as well as increases in cash for capital projects. The increases in noncurrent assets were primarily due to increases in construction in progress, \$91.3 million; buildings and improvements, \$160.6 million; offset by a \$217.5 million decrease in restricted cash and cash equivalents. This increase in construction in progress and buildings and improvements, and decrease in restricted cash is due to the progress made on large bonded projects and completed and capitalized projects. This will be discussed in more detail in the Capital Asset section.

The \$241.6 million increase in deferred outflows is mainly due to the change in PERA's collective assumption, which required the use of a blended investment rate of return in the 2016 analysis.

In fiscal year 2017, total liabilities increased \$437.4 million. Current liabilities increased \$2.8 million primarily due to a \$5.0 million increase in unearned revenue related to timing differences for summer camps, parking services, summer tuition and fees, as well as deposits on athletic tickets. This was offset by a \$3.8 million decrease in accounts payable. The decrease in accounts payable was mainly due to a reduction in capital project payables as projects are nearing completion. Noncurrent liabilities increased \$434.6 million. This increase is primarily due to the \$413.6 million increase in the PERA pension liability and an increase in bonds payable related to the issuance of Bond Series 2016 A and B.

The \$2.0 million decrease in deferred inflows was mainly due to the change in the System's proportionate share of PERA and the change in PERA assumptions.

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Management's Discussion and Analysis

Years Ended June 30, 2017 and 2016

(Unaudited)

Net position was reevaluated in the fiscal year 2017 to determine the appropriateness of amounts classified as restricted for expendable purposes. As a result of this assessment, tuition and fees, auxiliaries, and Research Building and Revolving Fund (RBRF) activity related to pledges required by bond resolutions were reclassified from restricted for expendable purposes to unrestricted. The change in net position in the fiscal years 2016 and 2015 were reclassified to be comparable. The reclassification had no effect on total net position.

The statements of revenues, expenses and changes in net position report the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net position at the end of the fiscal year. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues/expenses include items determined to not fall in the operating category.

Summary of Revenues, Expenses and Changes in Net Position

(Amounts expressed in thousands)

	Year Ended June 30		
	2017	2016 *	2015 *
Operating revenues	\$ 1,182,661	1,114,235	1,029,434
Operating expenses	1,375,408	1,180,608	1,122,794
Operating loss	(192,747)	(66,373)	(93,360)
Nonoperating revenues (expenses)	65,344	79,207	75,594
Gain (loss) before other revenues (expenses)	(127,403)	12,834	(17,766)
Other revenues	46,636	37,889	51,182
Increase (decrease) in net position	(80,767)	50,723	33,416
Net position, beginning of year	495,976	445,253	899,611
Change in accounting principle	-	-	(487,774)
Net position, beginning of year as adjusted	495,976	445,253	411,837
Net position, end of year	\$ 415,209	495,976	445,253

* Reclassified

The System experienced a \$192.7 million, \$66.4 million, and \$93.4 million loss from operations in the fiscal years ended 2017, 2016, and 2015, respectively. The operating loss in 2017 was reduced by net nonoperating and other revenues of \$112.0 million.

An evaluation of tuition and scholarship allowance was performed in fiscal year 2017. The result of this analysis impacted total operating revenues and total operating expenses by an equal and offsetting amount. There was no impact to the net operating loss. Fiscal years 2016 and 2015 were reclassified to be comparable.

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Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
(Unaudited)

Operating and Nonoperating Revenues (Excluding Capital)
(Amounts expressed in thousands)

	Year Ended June 30		
	2017	2016 *	2015 *
Operating revenues:			
Student tuition and fees, net	\$ 559,548	519,044	478,424
State fee for service revenue	91,242	91,723	78,931
Grants and contracts	305,307	291,131	274,318
Sales and services of educational activities	41,497	37,876	33,763
Auxiliary enterprises	175,045	163,533	153,865
Other	10,022	10,928	10,133
Total operating revenues	1,182,661	1,114,235	1,029,434
Nonoperating revenues:			
State appropriations	899	2,144	2,355
Gifts	48,859	48,507	44,405
Investment income	1,072	7,109	3,901
Federal nonoperating grants and contracts	41,736	41,176	41,116
Other, net	4,255	5,805	10,788
Net nonoperating revenues	96,821	104,741	102,565
Total noncapital revenue	\$ 1,279,482	1,218,976	1,131,999

*Reclassified

Fiscal year 2017 System operating revenues increased \$68.4 million. This is attributable to increases in several operating revenue sources: tuition and fees increased \$40.5 million due to increases in both attendance and tuition and fee rates, grants and contracts increased \$14.2 million due to increases in federal grants, auxiliary enterprise revenue increased \$11.5 million mainly due to rental increases created by increased census, and sales and services of educational activities increased \$3.6 million. State fee for service revenue and other operating revenue both reflected slight decreases. In fiscal year 2016 System operating revenues increased \$84.8 million. This was attributable to increases in all operating revenue sources: tuition and fees increased \$40.6 million due to increases in both attendance and tuition and fee rates, grants and contracts increased \$16.8 million due to increases in federal grants, state fee for service increased \$12.8 million as determined by the State of Colorado, auxiliary enterprise revenue increased \$9.7 million mainly due to the increase in census, and sales and services of educational activities and other operating revenue increased a combined \$4.9 million.

System nonoperating revenues decreased \$7.9 million and increased \$2.2 million in the fiscal years 2017 and 2016 respectively. The fiscal year 2017 decrease is partially due to the Forest Service State appropriations ending in fiscal year 2016. This reduction was offset by \$899 thousand received by CSU-Pueblo for Cannabis research. This research was funded by the Marijuana Tax. The remaining decrease is related to the reduction in investment income due to the large unrealized losses recorded in fiscal year 2017. Federal nonoperating grants and contracts reflected a small increase. The fiscal year 2016 increase is mainly related to a \$4.1 million increase in gifts, a \$3.2 million increase in investment income, offset by a \$5.0 million decrease in other nonoperating revenues. Federal nonoperating grants and contracts remained constant.

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(Unaudited)

In addition to operating and nonoperating revenues, the System had the following capital revenue.

Capital Revenue

(Amounts expressed in thousands)

	Year Ended June 30		
	2017	2016	2015
State capital contributions	\$ 30,183	19,831	17,153
Capital grants	7,181	8,117	12,591
Capital gifts	7,756	10,451	21,055
Total capital revenues	\$ 45,120	38,399	50,799

System other revenues increased \$6.7 million and decreased \$12.4 million in fiscal year 2017 and 2016, respectively from capital revenue. The \$6.7 million increase is related to a \$10.4 million increase in state capital contributions offset by decreases in capital grants and capital gifts of \$936 thousand and \$2.7 million, respectively. The Chemistry Building at CSU received an additional \$14.0 million in funding through state capital contributions in fiscal year 2017. The \$12.4 million decrease in fiscal year 2016 is mainly attributed to a \$10.6 million decrease in capital gifts as projects were completed.

Operating Expenses by Functional Category

(Amounts expressed in thousands)

	Year Ended June 30		
	2017	2016 *	2015 *
Instruction	\$ 382,657	317,284	302,885
Research	233,438	201,908	194,020
Public service	119,404	102,055	90,806
Academic support	105,464	85,541	79,991
Student services	72,518	59,142	52,088
Institutional support	87,361	66,215	64,497
Operation and maintenance of plant	86,429	74,161	73,590
Scholarships and fellowships	30,820	30,188	30,661
Auxiliary enterprises	167,710	149,156	144,718
Depreciation	89,607	94,958	89,538
Total operating expenses	\$ 1,375,408	1,180,608	1,122,794

* Reclassified

Fiscal year 2017 System operating expenses increased \$194.8 million. This is due to increases in the following areas: \$65.4 million in instruction, \$31.5 million in research, \$17.3 million in public service, \$19.9 million in academic support, \$13.4 million in student services, \$21.1 million in institutional support, \$12.3 million in operation and maintenance of plant, \$632 thousand in scholarships and fellowships, and \$18.6 million in auxiliary enterprises. These increases are offset by a \$5.4 million decrease in depreciation. The PERA collective assumption, which required the use of a blended investment rate of return in the 2016 analysis, created a \$147.4 million increase in pension expense. The remainder of the increase is mainly related to cost of living increases. These increases are reflected across all functional lines.

Fiscal year 2016 System operating expenses increased \$57.8 million. This is due to increases in expenditures in all of the functional areas: \$14.4 million in instruction, \$7.9 million in research, \$11.2 million in public

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2017 and 2016

(Unaudited)

service, \$5.6 million in academic support, \$7.1 million in student services, \$1.7 million in institutional support, \$571 thousand in operation and maintenance of plant, \$4.4 million in auxiliary enterprises, and \$5.4 million in depreciation. These increases were offset by a \$473 thousand decrease in scholarships and fellowships. Half of the increase is related to cost of living increases across all functional lines.

Capital Assets and Debt Administration

At June 30, 2017 the System had approximately \$1.8 billion invested in capital assets, net of accumulated depreciation of \$1.0 billion. At June 30, 2016, the System had approximately \$1.5 billion invested in capital assets, net of accumulated depreciation of \$951.1 million. At June 30, 2015, the System had approximately \$1.3 billion invested in capital assets, net of accumulated depreciation.

Depreciation charges were \$89.6 million, \$95.0 million, and \$89.5 million for the fiscal years ended June 30, 2017, 2016, and 2015 respectively.

During fiscal year 2017, the System received \$30.2 million of state capital contributions for capital construction projects. Of this amount, \$28.9 million is related to the CSU campus and \$1.3 million is related to the CSU-Pueblo campus. At CSU, \$27.6 million is related to the Chemistry building with the remaining \$1.3 million related to fire alarm and fire sprinkler projects, natural gas line and water line projects, elevator upgrades, and flood protection and College Lake Dam repairs. At CSU-Pueblo, \$594 thousand is related to technology infrastructure upgrades, \$585 thousand is related to the modular data center, with the remaining amount related to smaller campus projects.

A breakdown of assets by category, net of accumulated depreciation is provided below.

Capital Assets, Net of Accumulated Depreciation

(Amounts expressed in thousands)

	June 30		
	2017	2016	2015
Land	\$ 37,492	37,492	32,144
Land improvements	41,928	35,209	34,359
Buildings and improvements	1,187,177	1,026,612	1,028,515
Leasehold improvements	313	987	2,286
Equipment	78,213	88,163	99,784
Collections	5,831	5,149	3,808
Library materials	7,177	7,697	8,357
Construction in progress	421,222	329,919	99,111
Total capital assets, net	\$1,779,353	1,531,228	1,308,364

In fiscal year 2017 capital assets, net increased \$248.1 million with the increase attributable to construction in progress and buildings and improvements. The following are the increases in the major construction in progress projects: \$129.7 million – Multi-Purpose Stadium, \$49.6 million – Biology Building, \$31.7 million – Chemistry Building, as well as many other smaller projects. The following are the major completed projects that were capitalized: \$129.4 million – Aggie Village North Redevelopment, \$57.4 million – CSU Health & Medical Center Building, and \$17.1 million – South College Parking Garage. This was offset by a \$51.6 million increase in accumulated depreciation – buildings and improvements.

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Management's Discussion and Analysis

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(Unaudited)

In fiscal year 2016 capital assets, net increased \$222.9 million with the increase attributable to construction in progress. The following are the major construction in progress projects: \$91.5 million – Multi-Purpose Stadium, \$78.4 million – Aggie Village North Redevelopment, \$23.9 million – Biology Building, \$22.9 million – CSU Health & Medical Center Building, \$15.4 million – South College Parking Garage, \$13.2 million – Chemistry Building, as well as many other smaller projects.

In fiscal year 2015 capital assets, net increased \$74.7 million. This increase was primarily attributable to a \$140.3 million increase in buildings and improvements, offset by the \$65.0 million decrease in construction in progress. The increase in buildings and improvements was largely attributed to the capitalization of the following substantially complete buildings: \$75.2 million – Student Center project, \$49.4 million – Laurel Village project, \$12.4 million – Animal Sciences projects, \$11.9 million – Eddy Building project, \$5.6 million – Avenir Gallery Addition, \$3.8 million – Walter and Suzanne Scott, Jr. Bioengineering 2nd Floor Tenant Finish, as well as many other smaller projects. These costs were offset by depreciation. The decrease in construction in progress was mainly due to several large projects being capitalized in fiscal year 2015.

The System had capital construction commitments of approximately \$109.4 million at June 30, 2017 including approximately \$72.3 million for the Translational Therapies & Research Horse Barn, \$3.4 million for the Biology Building, \$15.0 million for the Natural Resources addition, \$8.8 million for the Multi-Purpose Stadium, \$3.0 million for the Chemistry Building, and \$2.2 million for the Aggie Village North Redevelopment at CSU. The remaining commitments are for other small projects at the University. CSU-Pueblo had capital construction commitments of \$7.7 million for the Energy Performance Contract and \$5.9 million for the OUC Addition and Renovation.

The System had \$1.2 billion, \$1.2 billion, and \$1.1 billion of debt outstanding at June 30, 2017, 2016, and 2015 respectively.

Summary of Debt

(Amounts expressed in thousands)

	June 30		
	2017	2016	2015
Debt outstanding:			
Revenue bonds, certificates of participation	\$ 1,214,755	1,193,743	1,043,146
Capital lease obligations	17,898	20,228	21,950
Total Long-term Debt	\$ 1,232,653	1,213,971	1,065,096

In fiscal year 2017, the System issued \$70.2 million in System Enterprise Revenue and Refunding Bonds, Series 2016 A, B. The proceeds of series 2016 A, B will be used to finance certain improvements as determined by the Board, including but not limited to the construction, acquisition, improvement and equipping of the Michael Smith Natural Resources Building in Fort Collins; the Richardson Design Center in Fort Collins; the Institute for Biological and Translational Therapies in Fort Collins; the Chemistry Building in Fort Collins; the CSU Pueblo Energy Performance Projects in Pueblo; and the Shields and Elizabeth Streets Underpass and above-grade improvements in Fort Collins; to finance any other improvements to any of the campuses for which the Board has spending authority and such other capital projects as may be designated by the Board, to refund the Board's Series 2007 A Bonds and a portion of the Board's Series 2007 B Bonds and advance refund a portion of the Board's Series 2008 A Bonds, and to pay the costs of issuing the Series 2016 A, B Bonds. Series 2016 A are taxable and bears a 1.5-3.4 percent interest rate and matures in March 2025, Series 2016 B bears a 3-5 percent interest rate and matures in March 2046.

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Management's Discussion and Analysis

Years Ended June 30, 2017 and 2016

(Unaudited)

In fiscal year 2016, the System issued \$156.3 million in System Enterprise Revenue Bonds, Series 2015 E and F. The proceeds will be used on the following projects in Fort Collins: The Prospect Underpass, Research Dr. Parking Lot, S. College Ave. Garage, PERC, the Biology Building, the CSU Health & Medical Center, and the Stadium Academic Space. Series 2015 E-1 bears a 5 percent interest rate and matures in March 2047, Series 2015 E-2 bears a 5 percent interest rate and matures in March 2033, and Series 2015 F bears interest rates from 1.75-5 percent, and matures in 2023.

In fiscal year 2015, the System issued \$235.2 million in System Enterprise Revenue Bonds, Series 2015 A, B and C. The proceeds from the sale of the Series 2015 A and B (\$167.5 million) was used to construct a 643,000 gross square foot multipurpose stadium to be located between Lake Street and Pitkin Street in Fort Collins, Colorado. Series 2015 C (\$67.7 million) will advance refund a portion of the outstanding Series 2007 B bonds, Series 2008 A bonds, and Series 2009 A bonds. The 2015 A, B, and C Bonds bear interest rates from 2.0 to 5.0 percent with final maturity falling in 2055. In addition, the System issued \$66.7 million in System Enterprise Revenue Bonds, Series 2015 D. The proceeds from the sale of the Series 2015 D was used to defray a portion of the cost of financing certain 2015 improvement projects. The 2015 D Bond has a variable interest with a final maturity falling in 2047.

Net proceeds of the above mentioned Series 2016 B and previous Series 2015 C and Series 2013 A, B were placed in an escrow account to purchase U.S. Treasury Securities. The principal and interest from the U.S. Treasury Securities is being used to repay the refunded bonds, which are considered to be defeased. The Escrow Agent will pay the debt service requirements on each of the remaining refunded bonds. Details of each of the outstanding bonds that were partially or fully refunded by these refunding bonds is listed below.

Outstanding Refunded Bonds by Series

(Amounts expressed in thousands)

Refunding Bond	Refunded Bond	Defeased Obligation	Call Date	Call Par Amount	Call Price (% of Par)
Series 2013 B	Series 2007 C	\$ 11,610	N/A	N/A	N/A
Series 2015 C, 2016 B	Series 2008 A	69,170	3/1/2018	\$ 69,170	100
Series 2013 A, 2015 C	Series 2009 A	52,595	3/1/2019	50,975	100

Economic Outlook/Future of the Colorado State University System

The Colorado State University System is a group of higher education institutions in the State of Colorado run under one common leadership structure as previously identified.

The System receives revenues from numerous sources including students who receive a stipend from the State to cover a portion of their higher education expenses. In many states, this funding is appropriated directly to the institution. In Colorado, it is appropriated for use by the student.

The Colorado State University System is authorized to receive \$95.2 million in fee for service contract revenue and \$44.1 million in student stipends in fiscal year 2018. The \$139.3 million of anticipated fiscal year 2018 state support represents an \$806 thousand increase in student stipends and a \$4.0 million increase in fee for service, for a net \$4.8 million increase in state support.

The State General Fund revenue is projected on a quarterly basis by the Governor's Office of State Planning and Budgeting. The most recent projection (March 2017) estimates that revenue will exceed the amount

COLORADO STATE UNIVERSITY SYSTEM

Management's Discussion and Analysis

Years Ended June 30, 2017 and 2016

(Unaudited)

required to maintain the same level of appropriations in fiscal year 2017-2018 as is currently budgeted for fiscal year 2016-2017 by \$254.2 million, or 2.4 percent. The State's overall budgetary situation remains governed by the three constitutional budgetary provisions: The Taxpayer Bill of Rights (TABOR), the Gallagher Amendment on property taxes, and Amendment 23 requiring specified amounts in state support for K-12 Education. The budgetary situation for higher education has changed with the implementation of the College Opportunity Fund in fiscal year 2006. As a result of legislation adopted in the 2004 session (S.B. 04-189), the State no longer provides direct State General Fund appropriation to the governing boards. Instead, the State provides stipends to qualified, resident undergraduate students, and institutions receive fee for service contracts from the Colorado Commission on Higher Education for the provision of other educational services. Finally, S.B. 04-189 also allows institutions of higher education to become TABOR enterprises through this new funding mechanism. Enterprise status eliminates institutional cash funds, such as tuition, from counting against the state's TABOR limitation. As a result of S.B. 04-189, the Colorado State University System became a qualified Tabor enterprise.

In fiscal year 2007, the System was designated a Single Enterprise providing it greater flexibility and expanded financial capabilities in a host of areas. This designation allows the System to raise revenues and finance projects outside of the revenue limits set for most governmental entities. With this TABOR status, the cash funds collected by the System's institutions no longer count toward the State's overall revenue limit. In addition, as enterprises, the institutions can consider issuing revenue bonds backed by student fees for academic buildings.

Total full time equivalent enrollment at the System for fiscal year ended 2017 was 38,247. This includes 26,013 at CSU, 3,872 at CSU-Pueblo, and 8,362 enrolled at CSU-Global. Compared to fiscal year ended 2016, CSU saw growth of 2.5 percent. CSU-Pueblo enrollment remained steady, and CSU-Global saw total enrollment grow 13.0 percent from fiscal year ended 2016. Total enrollment at the System is anticipated to increase 3.0 percent in fiscal year 2018. This includes a 1.3 percent increase at CSU, a 6.6 percent decrease at CSU-Pueblo, and a 12.7 percent increase at CSU-Global.

Requests for Information

The financial report is designed to provide a general overview of the Colorado State University System's finances for all those with an interest in the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the attention of the Chief Financial Officer, Colorado State University System, 410 Seventeenth Street, Suite 1415, Denver, CO 80202.

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COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2017 and 2016

(Amounts expressed in thousands)

	System		Discretely Presented Component Units	
	2017	2016 *	2017	2016
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	\$ 516,194	453,556	\$ 6,025	2,590
Student accounts receivable, net	37,103	32,063	-	-
Grant and other accounts receivable, net	68,728	59,718	81,235	44,968
Student loans receivable, net	3,304	3,191	-	-
Inventories	9,235	9,404	-	-
Prepaid expenses	8,190	7,602	1,332	393
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	642,754	565,534	88,592	47,951
Noncurrent assets:				
Restricted cash and cash equivalents	99,871	317,394	-	-
Investments, restricted and unrestricted	26,435	25,248	532,407	458,886
Student loans receivable, net	21,675	20,286	-	-
Other noncurrent assets	13,677	11,021	697	651
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent assets - non capital	161,658	373,949	533,104	459,537
Nondepreciable capital assets:				
Land and land improvements	37,492	37,492	-	-
Construction in progress	421,222	329,919	-	-
Collections	5,831	5,149	-	-
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Total nondepreciable capital assets	464,545	372,560	-	-
Depreciable capital assets, net:				
Land improvements	41,928	35,209	-	-
Buildings and improvements	1,187,177	1,026,612	-	-
Leasehold improvements	313	987	26	32
Equipment	78,213	88,163	134	67
Library materials	7,177	7,697	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciable capital assets (net of accumulated depreciation)	1,314,808	1,158,668	160	99
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent assets	1,941,011	1,905,177	533,264	459,636
Deferred outflows of resources:				
Loss on bond refundings	43,123	45,275	-	-
Deferred outflows-pensions	310,435	66,696	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	353,558	111,971	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 2,937,323	2,582,682	\$ 621,856	507,587
	<hr/>	<hr/>	<hr/>	<hr/>

* Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Net Position

June 30, 2017 and 2016

(Amounts expressed in thousands)

	System		Discretely Presented Component Units	
	<u>2017</u>	<u>2016 *</u>	<u>2017</u>	<u>2016</u>
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	\$ 74,683	78,470	\$ 6,027	1,775
Accrued liabilities	78,841	76,975	178	179
Unearned revenue	40,031	35,009	-	-
Deposits held for others, current	6,914	6,712	-	-
Bonds payable and certificates of participation, current	24,525	23,249	-	-
Capital leases payable, current	2,946	3,884	-	-
Other noncurrent liabilities, current	1,526	2,411	100	78
Compensated absences liabilities, current	2,987	2,939	-	-
	<u>232,453</u>	<u>229,649</u>	<u>6,305</u>	<u>2,032</u>
Total current liabilities				
Noncurrent liabilities:				
Bonds payable and certificates of participation	1,190,230	1,170,494	-	-
Capital leases payable	14,952	16,344	-	-
Deposits held for others	19,382	19,140	13,572	13,009
Other noncurrent liabilities	5,636	5,774	977	807
Compensated absences liabilities	54,989	52,496	-	-
Net pension liability	992,336	578,718	-	-
	<u>2,277,525</u>	<u>1,842,966</u>	<u>14,549</u>	<u>13,816</u>
Total noncurrent liabilities				
Deferred inflows of resources:				
Deferred inflows-other	442	595	-	-
Deferred inflows-pensions	11,694	13,496	-	-
	<u>12,136</u>	<u>14,091</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources				
Total liabilities and deferred inflows of resources				
	<u>\$ 2,522,114</u>	<u>2,086,706</u>	<u>\$ 20,854</u>	<u>15,848</u>
Net position				
Net investment in capital assets	\$ 655,232	624,707	\$ -	-
Restricted for nonexpendable purposes	26,709	25,421	228,753	198,824
Restricted for expendable purposes - other	44,388	43,062	334,193	269,806
Unrestricted	<u>(311,120)</u>	<u>(197,214)</u>	<u>38,056</u>	<u>23,109</u>
Total net position				
	<u>\$ 415,209</u>	<u>495,976</u>	<u>\$ 601,002</u>	<u>491,739</u>

* Reclassified

See accompanying notes to basic financial statements.

**COLORADO STATE UNIVERSITY
OTHER POSTEMPLOYMENT BENEFITS TRUST**

Statement of Fiduciary Net Position

June 30, 2017

(Amounts expressed in thousands)

Assets	2017
Cash and deposits	\$ 1,534
Receivables:	
Contributions	2
Investment income	12
Total receivables	<u>14</u>
Investments:	
Domestic equities	10,976
International equities	9,055
Fixed income	34,016
Alternative investments	19,126
Real estate	3,800
Total investments	<u>76,973</u>
Total assets	<u>78,521</u>
Liabilities	
Payables:	
Bank trustee and administration fees	9
Benefits payable to members	144
Total liabilities	<u>153</u>
Net position restricted for postemployment benefits other than pensions	\$ <u>78,368</u>

See accompanying notes to basic financial statements.

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COLORADO STATE UNIVERSITY SYSTEM
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2017 and 2016
(Amounts expressed in thousands)

	System		Discretely Presented Component Units	
	2017	2016 *	2017	2016
Operating revenues:				
Student tuition and fees (including \$91,236 and \$85,117 of revenues pledged for bonds in 2017 and 2016, respectively, and net of scholarship allowances of \$121,800 and \$111,158 for 2017 and 2016, respectively)	\$ 559,548	519,044	\$ -	-
State fee for service revenue	91,242	91,723	-	-
Grants and contracts (including \$49,256 and \$47,618 of revenues pledged for bonds in 2017 and 2016, respectively)	305,307	291,131	-	-
Sales and services of educational activities	41,497	37,876	-	-
Auxiliary enterprises (including \$141,666 and \$125,070 of revenues pledged for bonds in 2017 and 2016, respectively, and net of scholarship allowances of \$4,427 and \$4,341 for 2017 and 2016, respectively)	175,045	163,533	-	-
Contributions	-	-	111,011	102,044
Other operating revenue	10,022	10,928	2,174	14,618
Total operating revenues	<u>1,182,661</u>	<u>1,114,235</u>	<u>113,185</u>	<u>116,662</u>
Operating expenses:				
Instruction	382,657	317,284	-	-
Research	233,438	201,908	-	-
Public service	119,404	102,055	-	-
Academic support	105,464	85,541	-	-
Student services	72,518	59,142	-	-
Institutional support	87,361	66,215	58,695	59,107
Operation and maintenance of plant	86,429	74,161	-	-
Scholarships and fellowships	30,820	30,188	-	-
Auxiliary enterprises	167,710	149,156	-	-
Depreciation	89,607	94,958	19	4
Total operating expenses	<u>1,375,408</u>	<u>1,180,608</u>	<u>58,714</u>	<u>59,111</u>
Operating income (loss)	<u>\$ (192,747)</u>	<u>(66,373)</u>	<u>\$ 54,471</u>	<u>57,551</u>

* Reclassified

COLORADO STATE UNIVERSITY SYSTEM
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2017 and 2016
(Amounts expressed in thousands)

	System		Discretely Presented Component Units	
	2017	2016 *	2017	2016
Nonoperating revenues (expenses):				
State appropriations	\$ 899	2,144	\$ -	-
Gifts	48,859	48,507	-	-
Investment income (loss) (including \$1,284 and \$1,100 revenues pledged for bonds in 2017 and 2016, respectively)	1,072	7,109	55,140	(9,344)
Interest expense on capital debt	(31,477)	(25,534)	-	-
Federal nonoperating grants and contracts	41,736	41,176	-	-
Other nonoperating revenues (expenses)	4,255	5,805	(348)	(220)
Net nonoperating revenues (expenses)	65,344	79,207	54,792	(9,564)
Income (loss) before other revenues	(127,403)	12,834	109,263	47,987
Other revenues:				
State capital contributions	30,183	19,831	-	-
Capital grants	7,181	8,117	-	-
Capital gifts	7,756	10,451	-	-
Payments from governing boards or other institutions	228	220	-	-
Additions (reductions) to permanent endowments	1,288	(730)	-	-
Total other revenues	46,636	37,889	-	-
Increase (decrease) in net position	(80,767)	50,723	109,263	47,987
Net position, beginning of year	495,976	445,253	491,739	443,752
Net position, end of year	\$ 415,209	495,976	\$ 601,002	491,739

* Reclassified

See accompanying notes to basic financial statements.

**COLORADO STATE UNIVERSITY
OTHER POSTEMPLOYMENT BENEFITS TRUST**

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2017

(Amounts expressed in thousands)

	2017
Additions	
Employer contributions	\$ 6,292
Employee/Member contributions	1,501
Total contributions	7,793
Investment income:	
Net increase in fair value of investments	2,081
Interest and dividends	576
Less investment expense	(90)
Net investment income	2,567
Total additions	10,360
 Deductions	
Benefit payments	3,231
Administrative expense	296
Total deductions	3,527
Net increase in net position	6,833
 Net position restricted for postemployment benefits other than pensions	
Beginning of year	71,535
End of year	\$ 78,368

See accompanying notes to basic financial statements.

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(Amounts expressed in thousands)

	<u>2017</u>	<u>2016 *</u>
Cash flows from operating activities:		
Cash received:		
Tuition and fees	\$ 561,848	515,080
Student loans collected	5,418	5,162
Sales of products	22,803	24,229
Sales of services	194,184	170,646
State fee for service revenue	91,242	91,723
Grants and contracts	294,804	292,435
Other operating receipts	9,273	10,986
Cash payments:		
Scholarships disbursed	(26,920)	(22,648)
Student loans disbursed	(5,833)	(4,522)
Payments to employees	(803,538)	(785,105)
Payments to suppliers	(286,227)	(253,416)
Net cash provided by operating activities	<u>57,054</u>	<u>44,570</u>
Cash flows from noncapital financing activities:		
State appropriations - noncapital	899	2,144
Gifts and grants for other than capital purposes	41,732	47,043
Agency (direct lending inflows)	284,254	260,039
Agency (direct lending outflows)	(284,254)	(259,896)
Other agency inflows	71,182	64,931
Other agency (outflows)	(70,771)	(68,553)
Payments (to) from governing boards or other institutions	946	(550)
Other nonoperating revenues	49,803	47,960
Net cash provided by noncapital financing activities	<u>93,791</u>	<u>93,118</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	49,059	174,824
State appropriations - capital	30,183	19,831
Capital grants, contracts, and gifts	12,018	14,464
Acquisition and construction of capital assets	(317,764)	(256,855)
Principal paid on capital debt	(28,046)	(24,517)
Interest on capital debt	(50,457)	(45,241)
Net cash used in capital and related financing activities	<u>\$ (305,007)</u>	<u>(117,494)</u>

* Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(Amounts expressed in thousands)

	<u>2017</u>	<u>2016 *</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	\$ 21,034	11,256
Purchase of investments	(21,603)	(12,192)
Investment earnings (loss)	(154)	5,666
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(723)	4,730
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(154,885)	24,924
	<hr/>	<hr/>
Cash and cash equivalents	453,556	352,583
Restricted cash and cash equivalents	317,394	393,443
	<hr/>	<hr/>
Cash and cash equivalents, beginning of the year	770,950	746,026
	<hr/>	<hr/>
Cash and cash equivalents	516,194	453,556
Restricted cash and cash equivalents	99,871	317,394
	<hr/>	<hr/>
Cash and cash equivalents, end of the year	\$ 616,065	770,950
	<hr/>	<hr/>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (192,747)	(66,373)
Adjustments:		
Depreciation expense	89,607	94,958
Noncash operating transactions	2,339	5,678
Decrease (increase) in assets:		
Receivables, net	(11,655)	(15,160)
Inventories and prepaids	(3,074)	2,105
Increase (decrease) in liabilities:		
Accounts payable	(4,021)	5,263
Accrued liabilities	1,390	(9,443)
Unearned revenue	5,021	835
Deposits held for others	776	775
Compensated absences liabilities	2,541	3,409
Pension liability	168,078	22,396
Deferred inflow other	(153)	286
Other liabilities	(1,048)	(159)
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 57,054	44,570
	<hr/>	<hr/>

*Reclassified

COLORADO STATE UNIVERSITY SYSTEM

Statements of Cash Flows

Years ended June 30, 2017 and 2016

(Amounts expressed in thousands)

	2017	2016 *
Noncash activities:		
Noncash gifts	\$ 5,773	7,008
Noncash capital leases	1,985	2,802
Noncash additions (subtractions) to investments held by Foundation	563	(1,232)
Unrealized gains (losses) on investments	(5,130)	2,540
Capitalized interest	15,722	18,512
Capital debt refinanced, gain/loss	547	-
Noncash bond issuance costs	158	428
Amortization of bond premium	3,925	4,661
Amortization of bond issuance costs	15	10
Retainage payable	4,179	7,321
Amortization of bond refunding	(2,699)	(2,641)

* Reclassified

See accompanying notes to basic financial statements.

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COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

(1) Governance and Reporting Entity

(a) Governance

The Colorado State University System (the System) is an institution of higher education of the State of Colorado. For financial reporting purposes, the System is included as part of the State of Colorado's primary government. The Board of Governors (the Board) is the governing board of the System. The Board consists of nine members appointed by the Governor of the State of Colorado and six nonvoting representatives from the institutions. In addition to these financial statements, the System's financial activity is also included in the basic financial statements of the State of Colorado.

(b) Reporting Entity

The accompanying financial statements present the operations of the System. The System conducts its operations through the following three institutions:

Colorado State University – (CSU)

Colorado State University – Pueblo (CSU-Pueblo)

Colorado State University – Global Campus (CSU-Global)

As the State's land grant institution, CSU includes the Agriculture Experiment Station, CSU Extension, and the Colorado State Forest Service. In addition, the accompanying financial statements contain the financial activity of the System offices.

As a higher education institution of the State of Colorado, the income of the System is generally exempt from income taxes under Section 115 of the Internal Revenue Code (IRC). However, income unrelated to the exempt purpose of the System would be subject to tax under IRC Section 511(a)(2)(B). The System had no material unrelated business income for the fiscal years ended June 30, 2017 and 2016.

(c) Discretely Presented Component Units

The System follows Governmental Accounting Standards Board (GASB) Statement No. 39, as amended by GASB 61, *The Financial Reporting Entity: Omnibus*. This statement provides guidance to determine whether certain organizations for which the System is not financially accountable should be reported as component units based on the nature and significance of their relationship with the System. The Colorado State University System Foundation (the CSUS Foundation), the Colorado State University Foundation (the CSU Foundation), and the Colorado State University – Pueblo Foundation (the CSU-Pueblo Foundation) have been determined to be component units of the System and have therefore been included as discretely presented component units in the System financial reporting entity. The Colorado State University Research Foundation does not meet the criteria to be reported as a component unit.

The CSUS Foundation

The CSUS Foundation, established in 2015, began operations in fiscal year 2016 as a Colorado nonprofit entity to support the System in accordance with Colorado law as authorized by the Board. The CSUS Foundation was created to accept transfers of intellectual property of the System, which in turn is then licensed to a wholly owned private corporate subsidiary, Beyond Campus Innovations (the Corporation), of the CSUS Foundation in exchange for ownership of the Corporation and a share of the revenues of the Corporation. The CSUS Foundation will distribute monies or make grants to the System in accordance with the rules and regulations of the internal revenue code. Uses of these distributions include funding innovation and System initiatives, investment in new technology for the

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

benefit of the System, improvement of access and affordability for students of the System, and other purposes as determined by the Board.

The officers of the CSUS Foundation are appointed by the Board of Directors. The Board of Directors initially consists of seven Directors. Three members are designated as CSU Directors and four members are designated as Independent Directors. The Board shall elect the CSU Directors and the reigning Independent Directors shall elect future Independent Directors. The number of Directors is subject to change as determined by the Board of Directors.

The source of the CSUS Foundation's revenue is distributions from the Corporation. The major source for the Corporation's revenue is management fees from the Saudi Electronic University (SEU) and applicant advising. For the fiscal years ended June 30, 2017 and 2016, gross profit was \$1.5 million and \$1.8 million, respectively.

The CSU Foundation

The CSU Foundation is a legally separate, tax-exempt entity that was established to receive, manage and invest philanthropic gifts on behalf of CSU. The majority of resources or income thereon that the CSU Foundation holds and invests is restricted for use by, or for the benefit of CSU by the donors. The CSU Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), including FASB ASC 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation requirements are different from GASB revenue recognition criteria and presentation requirements. No modifications have been made to the CSU Foundation's financial information in the System's financial reporting entity for these differences, as permitted by GASB Statement No. 39. The CSU Foundation fully discloses the nature of its endowment funds, both donor restricted endowment funds and board-designated endowment funds, and are classified and reported based on the existence or absence of donor-imposed restrictions.

The CSU Foundation was established in 1970 as an independent 501(c)(3) organization. The officers of the CSU Foundation are appointed by the Board of Directors. The Board of Directors consists of five voting members. Four voting members are community members elected by the Board of Directors and the fifth voting member is the President of the CSU Foundation. The three ex-officio, nonvoting members of the Board of Directors serve by virtue of title: President of Colorado State University, the CSU Vice President for University Advancement, and the CSU Vice President for University Operations. No person who is an employee of CSU is eligible to serve as an officer of the CSU Foundation or as a voting Board Member.

The major source for the CSU Foundation's revenue is contributions. For the fiscal years ended June 30, 2017 and 2016, respectively, gifts were \$108.1 million and \$97.5 million. Included in Total Support and Revenue is net investment income. The CSU Foundation had net investment income and net investment loss for the fiscal years ended June 30, 2017 and 2016 of \$51.2 million and \$9.4 million, respectively. The Total Support and Revenue at June 30, 2017 and 2016 was \$159.7 million and \$100.5 million, respectively.

The support provided by the CSU Foundation to CSU is intended to assist in the promotion, development, and enhancement of the facilities, and educational programs and opportunities of the faculty, students, and alumni of CSU. Additionally, the CSU Foundation provides receipts to contributors and invests philanthropic gifts. Approximately \$49.0 million and \$47.6 million was transferred to CSU for the fiscal years ended June 30, 2017 and 2016, respectively, in pursuit of the above stated objectives.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

Endowments and the related expendable accounts of CSU are held by the CSU Foundation for investment safekeeping. These funds amounted to \$13.6 million and \$13.0 million as of June 30, 2017 and 2016, respectively, and are reported as deposits held in custody for CSU in the financial statements of the CSU Foundation.

Separately issued financial statements for the CSU Foundation are available at 410 University Services Center, Fort Collins, CO 80523.

The CSU-Pueblo Foundation

The CSU-Pueblo Foundation was established in 1954 as an independent 501(c)(3) nonprofit corporation. The affairs of the CSU-Pueblo Foundation are conducted by up to twenty-five voting, elected Director-Trustees. In addition, the President of CSU-Pueblo, one member of the Board of Governors, and the President/CEO of the CSU-Pueblo Foundation serve as nonvoting, ex-officio members. The CSU-Pueblo Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), including FASB ASC 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation requirements are different from GASB revenue recognition criteria and presentation requirements. No modifications have been made to the CSU-Pueblo Foundation's financial information in the System's financial reporting entity for these differences, as permitted by GASB Statement No. 39.

The CSU-Pueblo Foundation's major sources of revenue are contributions and fundraising revenues, dividends and interest, and gains/losses on marketable securities for the fiscal year ended June 30, 2017. The CSU-Pueblo Foundation had \$8.5 million in related revenue as of June 30, 2017. The CSU-Pueblo Foundation's major sources of revenue are contributions and fundraising revenues, dividends and interest, and gains/losses on marketable securities for the fiscal year ended June 30, 2016. The CSU-Pueblo Foundation had \$6.9 million in related revenue as of June 30, 2016. The Total Revenue and Support at June 30, 2017 and 2016 was \$8.6 million and \$7.0 million, respectively.

The CSU-Pueblo Foundation was formed to advance and assist in the development, growth, and operation of CSU-Pueblo. The CSU-Pueblo Foundation recorded \$5.4 million and \$6.3 million in transfers of gifts and other assets to CSU-Pueblo during fiscal years ended June 30, 2017 and 2016, respectively, in pursuit of the above stated objectives.

Separately issued financial statements may be obtained from the CSU-Pueblo Foundation office at 2200 Bonforte Boulevard, Pueblo, CO 81001-4901.

(d) Other Postemployment Benefits Trust

During fiscal year 2017, the bylaws of the Colorado State University Other Post Employment Benefit Trust (Trust) were amended. As a result of this change and further analysis, the University now reports the Trust as a fiduciary fund. The Trust was established June 27, 2014, as a single-employer other postemployment benefits (OPEB) plan, for the purpose of accumulating and investing assets to fund certain post-retirement medical benefits for retirees and disability income replacement for employees of CSU. The Trust, which is an entity separate from the University, is for the exclusive purpose of providing funds to pay benefits and for paying expenses of administering the Trust.

The Colorado State University OPEB Trust Administration Committee (Administration Committee) serves as the Trust Administrator, and a Trustee, First National Bank, has the authority over the management, disposition and investment of Trust assets, as defined in the Trust Agreement. Members

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of the Administration Committee consist of the University's Chief Total Rewards Officer, the University's Chief Financial Officer, the University's Controller, the Colorado State University System's Treasurer, and the University's Chief Human Resources Officer, and any at-large members that may be appointed by the Administration Committee.

(2) Basis of Presentation

For financial reporting purposes, the System is considered a special-purpose government engaged primarily in business-type activities. For financial reporting, the system also includes the Trust as a fiduciary fund starting with fiscal year 2017. The System applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the legislative budget request of the System, must take into consideration the differences in the basis of accounting and other requirements for the presentation of such information.

(3) Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies

As a special-purpose government engaged primarily in business-type activities, the basic financial statements of the System have been presented using the economic resources measurement focus and the accrual basis of accounting. Presentation is also in accordance with the State of Colorado Higher Education Accounting Standard No. 17. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-agency transactions have been eliminated.

(a) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity when purchased of three months or less.

(b) Investments

With the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, the System now provides additional fair value measurements. CSU treasury bill investments are accounted for at fair value, which is determined by quoted prices in active markets for identical assets (level 1). Changes in unrealized gain (loss) on the carrying value of investments are reported as a gain (loss) on investment as well as an unrealized gain (loss) income source in the statements of revenues, expenses, and changes in net position.

Discretely presented component units – CSU Foundation and CSU-Pueblo Foundation investments are accounted for at fair value, which is determined by one of the following: quoted prices in active markets for identical assets (level 1), inputs other than quoted prices that are observable directly or indirectly (level 2), significant unobservable inputs where level 1 and 2 inputs are unavailable (level 3), or net asset value practical expedients not within the fair value hierarchy (NAV).

Other Postemployment Benefits Trust – Trust investments are accounted for at fair value, which is determined by one of the following: quoted prices in active markets for identical assets (level 1), inputs other than quoted prices that are observable directly or indirectly (level 2), or significant unobservable inputs where level 1 and 2 inputs are unavailable (level 3).

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(c) ***Inventories***

Inventories, consisting of livestock; facilities and housing maintenance supplies; medical, pharmaceutical, and laboratory supplies; food supplies; books; and soft-goods are stated at the lower of cost or market. Cost is determined either on the first-in/first-out, average-cost, specific-identification, or on the retail method. Livestock inventories have been recorded at the lower of cost or market using unit livestock costing methods and estimated animal weights.

(d) ***Restricted Cash and Cash Equivalents and Restricted Investments***

Assets are reported as restricted when restrictions on asset use change the nature or normal understanding of the availability of the assets. For the System, examples of restricted cash and cash equivalents and restricted investments include cash and cash equivalents required as bond reserves, unexpended bond proceeds, and investments held by endowment funds.

(e) ***Capital Assets***

Land, land improvements, buildings and improvements, leasehold improvements, library materials, collections, and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Capitalization limits vary at the three institutions ranging from \$5 thousand to \$50 thousand. At CSU, library materials are valued at average acquisition cost. At CSU-Pueblo, library materials are valued at actual cost.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or intangible assets, generally 10 to 70 years for buildings, 5 to 21 years for land improvements, 10 to 15 years for library books, 2 to 12 years for equipment and software, and 3 to 25 years for leasehold improvements. Depreciation expense was not allocated among functional categories.

Renovations to buildings and other improvements that significantly increase the value and extend the useful life of the structure or includes a conversion of the use of the space, are capitalized. Routine repairs and maintenance are charged to expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project.

During capital construction, interest cost is capitalized from the date of the borrowing to the date the qualifying asset is ready for use. In addition, interest earnings are capitalized from the date of the tax-exempt borrowing to the date the qualifying asset is ready for use. Once the capital asset is ready for use, the net cost of interest on the borrowing is capitalized and added to the acquisition cost of the asset.

The System has capitalized collections such as works of art and historical artifacts. The nature of certain collections is such that the value and usefulness of the collection does not change over time. These collections have not been depreciated in the System's financial statements.

Assets under capital leases are recorded at the present value of the future minimum lease payments and are amortized using the straight-line method over the estimated useful life of the asset being leased.

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Capital assets are generally considered impaired if a decline in service utility occurs, the impairment is material, and the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the System are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the System are measured using the method that best

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reflects the diminished service utility of the capital asset. If evidence is available to demonstrate that impairment will be temporary, the capital asset is not written down. There were no material impairments of capital assets for the fiscal years ended June 30, 2017 and 2016.

(f) *Deferred Outflows of Resources*

With the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the System now carries a deferred outflow of resources related to the loss on bond refundings previously reported as a liability. Additionally, with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment to GASB Statement No. 27, the System now carries a deferred outflow of resources related to pensions.

(g) *Compensated Absences Liabilities*

The amount of compensated absence liabilities that are recorded as a current liability on the Statements of Net Position are a three or five-year rolling average of actual payouts. The remaining balance of the compensated absence liabilities is recorded as a noncurrent liability on the Statements of Net Position.

(h) *Deferred Inflows of Resources*

With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment to GASB Statement No. 27, the System now carries a deferred inflow of resources related to pensions. In addition, with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the System now carries a deferred inflow of resources related to sponsored program nonexchange transactions.

(i) *Net Position*

Net position of the System is classified as follows:

Net investment in capital assets – This represents the total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted net position – nonexpendable – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing future income, which may either be expended or added to principal.

Restricted net position – expendable – Restricted expendable net position includes resources in which the System is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees, state fee for service reserves, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the System and may be used to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net position may be designated by actions of the Board.

Discretely presented component units – Net assets of the CSUS Foundation, the CSU Foundation, and the CSU-Pueblo Foundation and the changes therein are classified and reported as follows:

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Unrestricted net assets – Net assets that are not subject to third party or donor-imposed restrictions.

Temporarily restricted net assets – Net assets are subject to third party or donor-imposed stipulations that will be met either by actions of the CSUS Foundation, the CSU Foundation, the CSU-Pueblo Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets are subject to donor-imposed restrictions that are maintained permanently by the CSUS Foundation, the CSU Foundation, and the CSU-Pueblo Foundation.

Other Postemployment Benefits Trust – Net position of the Trust is classified as restricted for postemployment benefits.

(j) *Classification of Revenues*

The System has classified revenues as either operating or nonoperating according to the following criteria:

Operating revenues consist of services and sales related to teaching, research, and public service, along with auxiliary activities of student, faculty, and staff support. These revenues include: 1) tuition and fees from students (after reduction for scholarship allowances provided with institutional funds); 2) grants and contracts from federal, state, and local governments, and private sources including businesses, individuals, and foundations; 3) state fee for service revenues; 4) sales and services of the Veterinary Teaching Hospital and Diagnostic Laboratory; and 5) fees for goods and services of auxiliary operations such as student housing and dining, student center retail stores, health services, and athletics. Revenues from exchange transactions are recognized when they are earned and measurable.

Operating expenses represent the full cost of providing the services and goods associated with operating revenues. These expenses are accrued when incurred and measurable and reported using functional classifications.

Nonoperating revenues consist primarily of gifts from grantors and donors, and investment income that are relied upon and budgeted for support of operating expenses. Also included in nonoperating revenues are Federal Pell Grants. Nonoperating expenses include interest expense on capital debt.

Other revenues include revenues from state capital construction and controlled maintenance appropriations, capital gifts, and grants primarily designated for capital purposes. Other expenses include payments to other governing boards or other institutions.

(k) *Summer Session Revenue and Related Expenses*

The System prorates the summer session revenues and expenses based on the number of days between the first day of the summer session and the last day of the summer session which falls before or after June 30.

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(l) Application of Restricted and Unrestricted Resources

This application is made on a case-by-case basis by management depending on overall program requirements and resources. Generally, management applies restricted resources then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Reclassifications

Net position was evaluated to determine the appropriateness of restricting tuition and fees, auxiliaries, and the Research Building Revolving Fund (RBRF) related to pledges required by bond resolutions. As a result of this evaluation, it was determined that there is no external restriction associated with these items. \$67.0 million of restricted for expendable purposes net position (\$47.9 million restricted for auxiliaries, \$14.3 million restricted for tuition and fees, and \$4.8 million restricted for RBRF) was reclassified to unrestricted net position.

Certain balances in 2016 have been reclassified to conform to the presentation in 2017. Tuition payments made on behalf of Graduate Assistants previously reported as scholarship allowance are now reported as benefit expense. As a result of the reduction to scholarship allowance, both Student tuition and fees and Operating expenses increased \$19.0 million.

Certain tuition reductions were excluded from the scholarship allowance calculation in the parenthetical statement of the Statements of Revenues, Expenses, and Changes in Net Position in 2016. This reclassification of \$6.1 million in scholarships offset by the \$19.0 million Graduate Assistant Tuition reclassification noted above decreased scholarship allowance related to Student tuition and fees from \$124.1 million to \$111.2 million.

(4) Cash and Cash Equivalents

The System deposits its cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities authorized by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2017, the System had cash on deposit with the State Treasurer of \$576.7 million which represented approximately 8.5 percent of the total \$6.8 billion fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2016, the System had cash on deposit with the State Treasurer of \$745.4 million which represented approximately 10.1 percent of the total \$7.4 billion fair value of deposits in the Pool.

On the basis of the System's participation in the Pool, the System reports as an increase or decrease in cash and cash equivalents its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

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The difference between the System's cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. Interest earned on deposits with the State for the fiscal years ended June 30, 2017 and 2016 was approximately \$6.9 million and \$7.5 million, respectively. These amounts reflect increases in cash and cash equivalents and increases or decreases in investment income as a result of recording unrealized gains or losses on deposits with the State Treasurer. The System reflected an unrealized loss and an unrealized gain on cash and cash equivalents on deposit with the State Treasurer for the fiscal years ended June 30, 2017 and 2016 of \$253 thousand and \$4.9 million, respectively. The unrealized loss on investment income for the fiscal year ended June 30, 2017 was \$5.1 million and the unrealized gain on investment income for the fiscal year ended June 30, 2016 was \$2.5 million.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to it. To manage custodial risk, deposits with financial institutions are made in accordance with the Colorado Public Deposit Protection Act (PDPA) of 1975. PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having a market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under PDPA are considered to be collateralized with securities held by the pledging institutions in the System's name. Deposits held in money market funds are not PDPA eligible deposits.

At June 30, 2017 and 2016, the System's book value of cash not on deposit with the State Treasurer was \$39.4 million and \$25.5 million, respectively. Cash included petty cash/change funds and bank account balances of \$7.4 million and \$32.0 million as of June 30, 2017 and \$124 thousand and \$25.4 million as of June 30, 2016, respectively. Bank account balances per the bank at June 30, 2017 and 2016 were \$39.4 million and \$32.7 million, respectively. Of the June 30, 2017 deposits, \$765 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$38.6 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name. Of the June 30, 2016 deposits, \$770 thousand were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$31.9 million were collateralized with securities held by the pledging institution's trust department or agent in the System's name.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

(5) Restricted Investments

As of June 30, 2017 and 2016, the System's restricted investments had a fair value of \$26.4 million and \$25.2 million, respectively. Investment earnings/losses consist of land fund interest and income/loss from investments held by the CSU Foundation. For the fiscal years ended June 30, 2017 and 2016 there was an investment gain of \$618 thousand and loss of \$604 thousand, respectively.

Treasury Bills purchased on January 5, 2017, with a par value of \$12.8 million matured and were reinvested on April 27, 2017. The System only invests in U.S. Treasury securities, which are federally guaranteed investments, as required by state law. The System's restricted investments include investments held by the CSU Foundation.

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With the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, the System reports investments using the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Valuation techniques are used to determine fair value by maximizing the use of relevant observable inputs and minimize the use of unobservable inputs. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices for identical assets in an active market.

Level 2 – quoted prices for similar assets in active markets, or identical or similar assets in markets that are not active, or inputs other than quoted prices that are observable for the asset such as interest rates.

Level 3 – unobservable inputs. In these situations, the organization develops inputs using the best information available in the circumstances. The System’s interest in investments held at the CSU Foundation fair value is determined by the Foundation as a proportionate share of total investments at June 30, 2017.

The following details each major category of the System’s investments at fair value as of June 30, 2017 and 2016:

	June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury obligations	\$ 12,862	-	-	12,862
Interest in investments held by CSU Foundation	-	-	13,573	13,573
Total investments	<u>\$ 12,862</u>	<u>-</u>	<u>13,573</u>	<u>26,435</u>
	June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury obligations	\$ 12,239	-	-	12,239
Interest in investments held by CSU Foundation	-	-	13,009	13,009
Total investments	<u>\$ 12,239</u>	<u>-</u>	<u>13,009</u>	<u>25,248</u>

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(Amounts expressed in thousands)

(a) Interest Rate Risk

At June 30, 2017, the following System investments were subject to interest rate risk:

Type of Investment	Fair Value	Weighted Average Maturity (in years)	Duration (in years)
U.S. Treasury obligations	\$ 12,862	0.83	-
Investments subject to interest rate risk	\$ <u>12,862</u>		

At June 30, 2016, the following System investments were subject to interest rate risk:

Type of Investment	Fair Value	Weighted Average Maturity (in years)	Duration (in years)
U.S. Treasury obligations	\$ 12,239	0.62	-
Investments subject to interest rate risk	\$ <u>12,239</u>		

The System's U.S. Treasury obligations are invested in accordance with Colorado Revised Statute 23-31-504. This statute requires these investments relating to the CSU land grant fund to be invested in specific types of investments, which includes U.S. Treasury obligations. The System does not have a specific policy relating to the management of interest rate risk.

Discretely presented component units – As of June 30, 2017, the Foundations' investments consisted of various securities carried at fair value as determined by quoted market prices on national exchanges. Alternative investments are valued at the position value (NAV) provided by the investment manager. This NAV is computed based on dealer quotations on the fair value of the underlying securities, the majority of which are traded on national exchanges. Alternative investments are comprised of two investment types: hedge funds and private market investments. The goal of hedge fund investments is to achieve returns with a lower correlation to long-only public equity markets. Hedge funds frequently hold both long and short positions. The goal of private market investments is to generate returns in excess of public markets in exchange for restricted liquidity. Private market investments are generally made in the form of equity capital or debt in private companies. The average time to achieve a total commitment draw down is five years for private market investments.

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The following details each major category of the CSU Foundation's investments at fair value as of June 30, 2017 and 2016:

		June 30, 2017				
		Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and cash equivalents subject to investment management direction	\$	1,771	—	—	—	1,771
Public equities:						
Domestic		81,781	—	—	1,059	82,840
International		—	—	—	18,146	18,146
Emerging markets		—	—	—	26,844	26,844
Global		22,032	—	—	61,411	83,443
Fixed income		72,221	—	—	28,100	100,321
Other/global asset allocation		20,138	—	—	—	20,138
Alternative investments:						
Hedge funds		—	—	—	60,946	60,946
Private markets		—	—	—	55,740	55,740
Short duration		41,973	—	—	—	41,973
Student-managed investments		1,003	—	—	—	1,003
Total	\$	240,919	—	—	252,246	493,165

		June 30, 2016				
		Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and cash equivalents subject to investment management direction	\$	7,578	—	—	—	7,578
Public equities:						
Domestic		89,543	—	—	16,089	105,632
International		18,763	—	—	9,998	28,761
Emerging markets		—	—	—	29,722	29,722
Global		—	—	—	37,702	37,702
Fixed income		31,870	—	—	—	31,870
Alternative investments:						
Hedge funds		—	—	—	97,669	97,669
Private markets		—	—	—	45,680	45,680
Short duration		39,694	—	—	—	39,694
Student-managed investments		855	—	—	—	855
Total	\$	188,303	—	—	236,860	425,163

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Net investment income of the CSU Foundation consisted of the following for the fiscal years ended June 30, 2017 and 2016:

	<u>June 30</u>	
	<u>2017</u>	<u>2016</u>
Interest, dividends, and other income	\$ 5,849	7,273
Net unrealized and realized gain (loss) on investments	51,429	(13,729)
Less investment management fees	<u>(4,720)</u>	<u>(3,590)</u>
	52,558	(10,046)
Less net investment (income) loss on deposits held in custody for CSU	<u>(1,354)</u>	<u>637</u>
Total	<u>\$ 51,204</u>	<u>(9,409)</u>

The following details each major category of the CSU-Pueblo Foundation's investments at fair value for the fiscal years ended June 30, 2017 and 2016:

	<u>June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities				
Domestic	\$ 18,380	-	-	18,380
International	4,806	-	-	4,806
Marketable debt securities				
Domestic	13,031	-	-	13,031
Master limited partnership	423	-	-	423
Beneficial interest in remainder trusts	-	-	248	248
Total	<u>\$ 36,640</u>	<u>-</u>	<u>248</u>	<u>36,888</u>

	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities				
Domestic	\$ 15,437	-	-	15,437
International	4,172	-	-	4,172
Marketable debt securities				
Domestic	11,080	-	-	11,080
International	1,221	-	-	1,221
Real estate investment trust	623	-	-	623
Master limited partnership	455	-	-	455
Beneficial interest in remainder trusts	-	-	232	232
Total	<u>\$ 32,988</u>	<u>-</u>	<u>232</u>	<u>33,220</u>

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Net investment income of the CSU-Pueblo Foundation consisted of the following for the fiscal years ended June 30, 2017 and 2016:

	2017		
	Temporarily		Total
	Unrestricted	Restricted	
Dividend income	\$ 233	980	1,213
Interest income	-	2	2
Realized gain - securities	24	101	125
Unrealized gain	511	2,147	2,658
Total investment income	<u>\$ 768</u>	<u>3,230</u>	<u>3,998</u>

	2016		
	Temporarily		Total
	Unrestricted	Restricted	
Dividend income	\$ 375	1,276	1,651
Interest income	-	2	2
Realized loss - securities	(11)	(38)	(49)
Unrealized loss	(331)	(1,125)	(1,456)
Total investment income	<u>\$ 33</u>	<u>115</u>	<u>148</u>

Other Postemployment Benefits Trust - With the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, the Trust reports investments using the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Valuation techniques are used to determine fair value by maximizing the use of relevant observable inputs and minimize the use of unobservable inputs. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices for identical assets in an active market.

Level 2 – quoted prices for similar assets in active markets, or identical or similar assets in markets that are not active, or inputs other than quoted prices that are observable for the asset such as interest rates.

Level 3 – unobservable inputs. In these situations, the organization develops inputs using the best information available in the circumstances.

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The following details each major category of the Trust's investments at fair value as of June 30, 2017:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
U.S. government securities	\$ 15,688	-	-	15,688
Corporate bonds	10,918	-	-	10,918
Asset backed securities	4,968	-	-	4,968
Mutual funds	26,264	-	-	26,264
Private equities	-	-	311	311
Hedge funds	-	-	7,981	7,981
Alternative investments	-	-	10,843	10,843
Total	\$ 57,838	-	19,135	76,973

The following table presents the Standard & Poor's quality ratings of the fixed income assets of the Trust as of June 30, 2017. Certain fixed income investments of the Trust are invested in a bond mutual fund and therefore not included in the disclosure below.

	June 30, 2017		
Standard & Poor's	U.S. Government Agencies	Corporate Bonds	Asset Back Securities
AAA	\$ -	55	648
AA	15,688	1,497	448
A	-	4,655	2,212
BBB	-	3,549	697
NR	-	1,162	963
Total	\$ 15,688	10,918	4,968

The following details the effective weighted average maturity of fixed income investments of the Trust at June 30, 2017:

	June 30, 2017		
	Fair Value Amount	Weighted Average Maturity (in years)	Percent of Fixed Income Assets
U.S. government securities	\$ 15,688	6.6	46.1%
Corporate bonds	10,918	2	32.1%
Asset backed securities	4,968	0.9	14.6%
Bond mutual funds	2,442		7.2%
Total	\$ 34,016		100.0%

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

(6) Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying Statements of Net Position.

	June 30	
	2017	2016
Student accounts receivable:	\$ 52,236	44,955
Less allowance for doubtful accounts	(15,133)	(12,892)
Student accounts receivable, net	<u>\$ 37,103</u>	<u>32,063</u>
Student loans receivable:	\$ 33,046	31,038
Less allowance for doubtful accounts	(8,067)	(7,561)
Student loans receivable, net	<u>24,979</u>	<u>23,477</u>
Less current portion	(3,304)	(3,191)
Noncurrent student loans receivable, net	<u>\$ 21,675</u>	<u>20,286</u>
Grant and other accounts receivable:		
Sponsored programs	\$ 46,387	39,587
Commercial receivables	9,788	9,104
Conferences and summer programs	808	436
Insurance trust fund	1,403	1,502
Receivables from Foundation	5,785	1,512
Athletics	905	1,286
Self-funded operations	1,085	596
Other	7,116	13,204
Total grant and other accounts receivable	<u>73,277</u>	<u>67,227</u>
Less allowance for doubtful accounts	(4,549)	(7,509)
Grant and other accounts receivable, net	<u>\$ 68,728</u>	<u>59,718</u>

Discretely presented component unit – As of June 30, 2017, the CSUS Foundation’s receivables are recorded at cost and provisions for doubtful accounts have not been established as all receivables are deemed collectible.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

Discretely presented component unit – As of June 30, 2017 and 2016, the CSU Foundation’s pledges receivable consisted of the following:

	June 30	
	2017	2016
Receivables due in less than one year	\$ 16,859	14,016
Receivables due in one to five years	55,508	28,832
Receivables due in more than five years	15,338	4,498
	<u>87,705</u>	<u>47,346</u>
Less allowance for uncollectible pledges	(2,193)	(1,184)
Less present value discounting	(4,896)	(1,536)
	<u>\$ 80,616</u>	<u>44,626</u>

Unconditional promises to give (pledges receivable) are from various entities including foundations, corporations, and individuals. The discount factor utilized in the present value calculation is the five-year U.S. Treasury note rate as of June 30th in the fiscal year in which the commitment is made.

Pledges receivable from two donors at June 30, 2017 represented approximately 50 percent of net pledges receivable. Pledges receivable from two donors at June 30, 2016 represented approximately 36 percent of net pledges receivable.

Discretely presented component unit – As of June 30, 2017 and 2016, the CSU-Pueblo Foundation’s unconditional promises to give consisted of the following:

	June 30	
	2017	2016
Restricted for scholarships or other particular purposes	\$ 831	351
Less: Allowances for uncollectible unconditional promises to give	(30)	(106)
Gross unconditional promises to give	801	245
Less: unamortized discount	(14)	(2)
Net unconditional promises to give	<u>\$ 787</u>	<u>243</u>
 Amounts due in:		
Less than one year	461	207
One to five years	326	36
Total	<u>\$ 787</u>	<u>243</u>

The allowance for uncollectible unconditional promises to give was arrived at by identifying specific donors that have failed to keep their promises and by applying a historical percentage of 1.5 percent to the remaining amount.

Unamortized discount was arrived at by discounting amounts to be received in the future by the average market rate earned on investments of two percent.

Other Postemployment Benefits Trust – As of June 30, 2017, the Trust has \$14 thousand in total receivables.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

(7) Capital Assets

Following are the changes in capital assets for the fiscal year ended June 30, 2017:

	Balance				Balance
	June 30, 2016	Additions	Transfers	Deletions	June 30, 2017
Nondepreciable capital assets:					
Land	\$ 35,171	-	-	-	35,171
Land improvements	2,321	-	-	-	2,321
Construction in progress	329,919	329,566	(228,655)	(9,608)	421,222
Collections	5,149	682	-	-	5,831
Total nondepreciable capital assets	<u>372,560</u>	<u>330,248</u>	<u>(228,655)</u>	<u>(9,608)</u>	<u>464,545</u>
Depreciable capital assets:					
Land and leasehold improvements	93,570	54	11,069	-	104,693
Buildings and improvements	1,564,606	-	214,861	(2,856)	1,776,611
Software	78,578	114	402	(9,701)	69,393
Equipment	284,762	20,968	2,323	(12,991)	295,062
Library materials	88,243	1,110	-	(34)	89,319
Total depreciable capital assets	<u>2,109,759</u>	<u>22,246</u>	<u>228,655</u>	<u>(25,582)</u>	<u>2,335,078</u>
Less accumulated depreciation:					
Land and leasehold improvements	57,374	5,078	-	-	62,452
Buildings and improvements	537,994	52,850	-	(1,410)	589,434
Software	62,605	8,948	-	(7,778)	63,775
Equipment	212,572	21,101	-	(11,206)	222,467
Library materials	80,546	1,630	-	(34)	82,142
Total accumulated depreciation	<u>951,091</u>	<u>89,607</u>	<u>-</u>	<u>(20,428)</u>	<u>1,020,270</u>
Net depreciable capital assets	<u>1,158,668</u>	<u>(67,361)</u>	<u>228,655</u>	<u>(5,154)</u>	<u>1,314,808</u>
Total capital assets, net	<u>\$ 1,531,228</u>	<u>262,887</u>	<u>-</u>	<u>(14,762)</u>	<u>1,779,353</u>

Land includes the following conservation easements:

Catspaw Conservation Easement	3,155
Snow Mountain Conservation Easement	5,000
Elmgreen Conservation Easement	515
Ben Delatour Forest Legacy Conservation Easement	4,000
S. Boulder/Toll Family Conservation Easement	5,070
Sawtooth Mountain Conservation Easement	2,995
Total	<u>\$ 20,735</u>

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

Following are the changes in capital assets for the fiscal year ended June 30, 2016:

	Balance				Balance
	June 30, 2015	Additions	Transfers	Deletions	June 30, 2016
Nondepreciable capital assets:					
Land	\$ 29,823	-	5,348	-	35,171
Land improvements	2,321	-	-	-	2,321
Construction in progress	99,111	296,976	(62,818)	(3,350)	329,919
Collections	3,808	1,341	-	-	5,149
Total nondepreciable capital assets	<u>135,063</u>	<u>298,317</u>	<u>(57,470)</u>	<u>(3,350)</u>	<u>372,560</u>
Depreciable capital assets:					
Land and leasehold improvements	88,423	48	5,099	-	93,570
Buildings and improvements	1,514,193	674	49,739	-	1,564,606
Software	76,402	2,041	342	(207)	78,578
Equipment	272,948	20,723	2,290	(11,199)	284,762
Library materials	87,281	1,201	-	(239)	88,243
Total depreciable capital assets	<u>2,039,247</u>	<u>24,687</u>	<u>57,470</u>	<u>(11,645)</u>	<u>2,109,759</u>
Less accumulated depreciation:					
Land and leasehold improvements	51,778	5,596	-	-	57,374
Buildings and improvements	485,678	52,316	-	-	537,994
Software	47,960	14,753	-	(108)	62,605
Equipment	201,606	20,432	-	(9,466)	212,572
Library materials	78,924	1,861	-	(239)	80,546
Total accumulated depreciation	<u>865,946</u>	<u>94,958</u>	<u>-</u>	<u>(9,813)</u>	<u>951,091</u>
Net depreciable capital assets	<u>1,173,301</u>	<u>(70,271)</u>	<u>57,470</u>	<u>(1,832)</u>	<u>1,158,668</u>
Total capital assets, net	<u>\$ 1,308,364</u>	<u>228,046</u>	<u>-</u>	<u>(5,182)</u>	<u>1,531,228</u>
Land includes the following conservation easements:					
Catspaw Conservation Easement		\$ 3,155			
Snow Mountain Conservation Easement		5,000			
Elmgreen Conservation Easement		515			
Ben Delatour Forest Legacy Conservation Easement		4,000			
S. Boulder/Toll Family Conservation Easement		5,070			
Sawtooth Mountain Conservation Easement		2,995			
Total		<u>\$ 20,735</u>			

Interest expense capitalized, net of related interest income for the System, was \$15.7 million and \$18.5 million for the fiscal years ended June 30, 2017 and 2016, respectively.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

(8) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2017 and 2016 were comprised of:

		June 30	
		2017	2016
Accrued payroll and benefits	\$	60,738	58,759
Accrued interest payable		16,740	16,396
Other liabilities		1,363	1,820
Total	\$	<u>78,841</u>	<u>76,975</u>

(9) Noncurrent Liabilities

Noncurrent liability activity for the fiscal year ended June 30, 2017 was as follows:

	Balance			Amounts	
	June 30, 2016	Additions	Reductions	Balance	Due Within
				June 30, 2017	One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	\$ 1,193,743	75,328	(54,316)	1,214,755	24,525
Capital leases payable	<u>20,228</u>	<u>1,985</u>	<u>(4,315)</u>	<u>17,898</u>	<u>2,946</u>
Total bonds and capital leases	1,213,971	77,313	(58,631)	1,232,653	27,471
Other liabilities:					
Deposits held for others	25,852	7,113	(6,669)	26,296	6,914
Other	8,185	25	(1,048)	7,162	1,526
Accrued compensated absences	55,435	2,751	(210)	57,976	2,987
Net pension liability	<u>578,718</u>	<u>463,591</u>	<u>(49,973)</u>	<u>992,336</u>	<u>—</u>
Total noncurrent liabilities	<u>\$ 1,882,161</u>	<u>550,793</u>	<u>(116,531)</u>	<u>2,316,423</u>	<u>38,898</u>

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

Noncurrent liability activity for the fiscal year ended June 30, 2016 was as follows:

	Balance			Balance	Amounts
	June 30, 2015	Additions	Reductions	June 30, 2016	Due Within
					One Year
Bonds and capital lease obligations:					
Revenue bonds and COPs payable	\$ 1,043,146	175,251	(24,654)	1,193,743	23,249
Capital leases payable	21,950	3,116	(4,838)	20,228	3,884
Total bonds and capital leases	1,065,096	178,367	(29,492)	1,213,971	27,133
Other liabilities:					
Deposits held for others	29,305	1,960	(5,413)	25,852	6,712
Other	8,334	45	(194)	8,185	2,411
Accrued compensated absences	52,026	3,409	-	55,435	2,939
Net pension liability	524,663	225,863	(171,808)	578,718	—
Total noncurrent liabilities	\$ 1,679,424	409,644	(206,907)	1,882,161	39,195

(10) Revenue Bonds and Certificates of Participation (COPs)

The revenue bonds consist of multiple issues to finance the acquisition, construction, repair, and equipping of various academic, auxiliary, and research facilities of the System. The revenue bonds are payable semiannually and monthly, have serial maturities, may contain sinking fund requirements, and certain bonds contain optional redemption provisions. The optional redemption provisions allow the System to redeem at various dates, portions of the outstanding revenue bonds at 100 percent of the principal amount of the revenue bonds redeemed. Payment of the principal and interest on certain bonds is either insured by various financial guarantee insurance policies or qualifies for payment under the State Intercept Program, which provides payment by the State Treasurer if payment is not made by the due date.

On December 20, 2016, the System issued \$70.2 million in System Enterprise Revenue and Refunding Bonds, Series 2016 A, B. The proceeds of series 2016 A, B will be used to finance certain improvements as determined by the Board, including but not limited to the construction, acquisition, improvement and equipping of the Michael Smith Natural Resources Building in Fort Collins, the Richardson Design Center in Fort Collins, the Institute for Biological and Translational Therapies in Fort Collins, the Chemistry Building in Fort Collins, the CSU Pueblo Energy Performance Projects in Pueblo, and the Shields and Elizabeth Streets Underpass and above-grade improvements in Fort Collins, to finance any other improvements to any of the campuses for which the Board has spending authority and such other capital projects as may be designated by the Board, to refund the Board's Series 2007 A Bonds and a portion of the Board's Series 2007 B Bonds and advance refund a portion of the Board's Series 2008 A Bonds, and to pay the costs of issuing the Series 2016 A, B Bonds.

On September 16, 2015, the System issued \$156.3 million in System Enterprise Revenue Bonds, Series 2015 E, F. The proceeds of series 2015 E, F will be used to construct a 152,000 gross square foot ("gsf") biology building, a 105,000 gsf medical center building, a 30,000 gsf plant environmental research center, a new 4-story parking structure, a new surface parking lot and 85,000 gsf of academic space to be located on the east side of the new Stadium. In addition the proceeds will pay capitalized interest and pay the costs of issuing the Series 2015 E-1, 2015 E-2 and 2015 F Bonds.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

A general description of each bond issue, original issuance amount, and the amount outstanding as of June 30, 2017 and 2016 is detailed below.

Revenue bonds and COPs payable consisted of the following at June 30, 2017 and 2016:

	Interest Range	June 30	
		2017	2016
Colorado State University System:			
Colorado State University System Enterprise			
Revenue Bonds of 2007 A, issued in the original amount of \$160.7 million and mature in varying annual amounts to March 2037. \$26.9 million advance refunded with 2012 B, \$110.8 million advance refunded with 2013 A, \$3.8 million advance refunded with 2013 B, and remaining amount of \$19.2 million advance refunded in full with 2016 B.	4.625% -5.250%	\$ -	19,185
Colorado State University System Enterprise			
Revenue Refunding Bonds of 2007 B, issued in the original amount of \$34.3 million and mature in varying annual amounts to March 2021. \$2.5 million advance refunded with 2015 C and \$1.7 million advance refunded with 2016 B.	4.000% -5.000%	-	4,570
Colorado State University System Enterprise			
Revenue Bonds of 2008 A, issued in the original amount of \$83.3 million and mature in varying annual amounts to March 2038. \$64.7 million advance refunded with 2015 C, and \$4.4 million advance refunded with 2016 B.	3.000% -5.000%	2,065	8,480
Colorado State University System Enterprise			
Revenue Bonds of 2009 A, issued in the original amount of \$56.1 million and mature in varying annual amounts to March 2039. \$54.4 million advance refunded with 2013 A and \$300 thousand advance refunded with 2015 C.	3.000% -5.000%	820	845

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

	Interest Range	June 30	
		2017	2016
Colorado State University System Enterprise Revenue Bonds of 2010 A, issued in the original amount of \$25.3 million and mature in varying annual amounts to March 2020.	4.000%-5.000%	\$ 10,635	13,870
Colorado State University System Enterprise Revenue Bonds of 2010 B, issued in the original amount of \$40.3 million and mature in varying annual amounts to March 2033.	4.900%-5.957%	40,335	40,335
Colorado State University System Enterprise Revenue Bonds of 2010 C, issued in the original amount of \$33.3 million and mature in varying annual amounts to March 2040.	6.057%	33,250	33,250
Colorado State University System Enterprise Revenue Bonds of 2012 A, issued in the original amount of \$126.2 million and mature in varying annual amounts to March 2044.	2.000%-5.000%	122,310	123,665
Colorado State University System Enterprise Revenue Refunding Bonds of 2012 B, issued in the original amount of \$54.1 million and mature in varying annual amounts to March 2035.	2.000%-5.000%	50,525	52,150
Colorado State University System Enterprise Revenue Refunding Bonds of 2012 C, issued in the original amount of \$5.3 million and mature in varying annual amounts to March 2017.	0.728%-1.864%	-	1,095
Colorado State University System Enterprise Revenue and Revenue Refunding Bonds of 2013 A, issued in the original amount of \$182.0 million and mature in varying annual amounts to March 2043.	1.000%-5.000%	165,445	170,095

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

	Interest Range	June 30	
		2017	2016
Colorado State University System Enterprise Revenue Refunding Bonds of 2013 B, issued in the original amount of \$16.7 million and mature in varying annual amounts to March 2020.	0.450% -2.073%	\$ 5,335	7,065
Colorado State University System Enterprise Revenue Bonds of 2013 C, issued in the original amount of \$18.6 million and mature in varying annual amounts to March 2044.	5.000% -5.250%	18,610	18,610
Colorado State University System Enterprise Revenue Bonds of 2013 D, issued in the original amount of \$7.9 million and mature in varying annual amounts to March 2028.	0.963% -5.251%	6,470	6,940
Colorado State University System Enterprise Revenue Bonds of 2013 E, issued in the original amount of \$138.7 million and mature in varying annual amounts to March 2045.	3.000% -5.000%	135,250	137,700
Colorado State University System Enterprise Revenue Bonds of 2015 A, issued in the original amount of \$134.7 million and mature in varying annual amounts to March 2055.	4.000% -5.000%	134,730	134,730
Colorado State University System Enterprise Revenue Bonds of 2015 B, issued in the original amount of \$32.8 million and mature in varying annual amounts to March 2030.	2.688% -4.081%	32,815	32,815
Colorado State University System Enterprise Revenue Refunding Bonds of 2015 C, issued in the original amount of \$67.7 million and mature in varying annual amounts to March 2038.	2.000% -5.000%	66,965	67,090
Colorado State University System Enterprise Revenue Bonds of 2015 D, issued in the original amount of \$66.7 million and mature in varying annual amounts to March 2047.	Variable	66,655	66,655

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

	Interest Range	June 30	
		2017	2016
Colorado State University System Enterprise Revenue Bonds of 2015 E-1, issued in the original amount of \$96.5 million and mature in varying annual amounts to March 2047.	5.000%	\$ 96,490	96,490
Colorado State University System Enterprise Revenue Bonds of 2015 E-2, issued in the original amount of \$42.1 million and mature in varying annual amounts to March 2033.	5.000%	42,125	42,125
Colorado State University System Enterprise Revenue Bonds of 2015 F, issued in the original amount of \$17.7 million and mature in varying annual amounts to March 2023.	1.750% -5.000%	15,425	16,975
Colorado State University System Enterprise Revenue Bonds of 2016 A, issued in the original amount of \$5.2 million and mature in varying annual amounts to March 2025.	1.500% -3.400%	5,105	-
Colorado State University System Enterprise Revenue and Refunding Bonds of 2016 B, issued in the original amount of \$65.0 million and mature in varying annual amounts to March 2046.	3.000% -5.000%	64,630	-
Unamortized bond premium/discount		<u>96,888</u>	<u>97,007</u>
Total System Bonds		<u>1,212,878</u>	<u>1,191,742</u>
Colorado State University - Pueblo: Portion of the State of Colorado Certificate of Participation to remodel the Academic Resource Center (Library). Payable annually with a final maturity in 2029.	5.100%	<u>1,877</u>	<u>2,001</u>
Total System Bonds and Certificates of Participation		<u>\$ 1,214,755</u>	<u>1,193,743</u>

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

The scheduled maturities of the revenue bonds and COPs as of June 30, 2017 are as follows:

	Principal	Interest	Total Payments
2018	\$ 24,525	51,350	75,875
2019	25,411	50,432	75,843
2020	26,559	49,309	75,868
2021	28,836	48,093	76,929
2022	29,035	46,978	76,013
2023-2027	164,136	214,810	378,946
2028-2032	196,020	173,619	369,639
2033-2037	236,505	123,356	359,861
2038-2042	186,635	70,331	256,966
2043-2047	118,610	30,001	148,611
2048-2052	47,885	13,002	60,887
2053-2057	33,710	2,819	36,529
Total debt service maturities	<u>1,117,867</u>	<u>874,100</u>	<u>1,991,967</u>
Unamortized bond premium/discount	96,888		
Total	\$ <u>1,214,755</u>		

The System Enterprise Revenue Bonds are secured by a pledge of 10 percent of all net revenues derived at the System from charges to students for the provision of general instruction by the System, CSU facilities fees (80 percent of first \$10 credit hour fee and 100 percent of additional \$5 per credit hour fee), CSU-Pueblo facilities fees (100 percent), net revenues derived from the operation of the auxiliary pledged facilities, and net revenues of the CSU Research Building Revolving Fund (RBRF) enterprise. Revenues from the RBRF enterprise include all revenues derived by CSU from the operation of the pledged facilities including allocated recoveries on research contracts and grants performed under the auspices of CSU. Investment earnings from revenue sources are also included. See Note 12 for more information regarding these pledged revenues. The Revenue Bonds are special limited obligations of the Board of Governors and do not constitute a general obligation of the Board or the System.

There were no material events regarding rating changes to report for the fiscal years ended June 30, 2017 and 2016.

(11) Defeased Obligations

On December 20, 2016, the System issued \$24.1 million in System Enterprise Revenue Refunding Bonds, Series 2016 B, with an average interest rate of 4.68 percent as part of the System Enterprise Revenue and Refunding Bonds, Series 2016 A, B. The Bonds advance refunded \$4.4 million of the System Enterprise Revenue Bonds, Series 2008 A, fully refunded \$19.2 million of the System Enterprise Revenue Bonds, Series 2007 A, and partially refunded \$1.7 million of the System Enterprise Revenue Bonds, Series 2007 B with an average interest rate of 4.98 percent. Net proceeds of \$26.1 million were deposited with an escrow agent. The System completed the 2016 B refunding to reduce its total debt service payments over the next 20 years by \$3.8 million and obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$2.4 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$547 thousand. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through fiscal year 2037.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

Prior to the Series 2016 B detailed above, the System issued System Enterprise Revenue Bonds, Series 2015 C in fiscal year 2015; System Enterprise Revenue Bonds, Series 2013 A, B in fiscal year 2013; System Enterprise Revenue Bonds, Series 2012 B, C in fiscal year 2012; and System Enterprise Revenue Bonds, Series 2007 B in fiscal year 2008. The escrow deposits from Series 2016 B; Series 2015 C; and Series 2013 A, B are being used to purchase certain U.S. governmental obligations. The principal and interest from the U.S. governmental obligations will be sufficient to enable the escrow agent to make all future debt service payments on the refunded bonds and COPS. As a result, the refunded bonds and COPS are considered to be defeased and the liability for those bonds is no longer reflected in the Statements of Net Position.

The following bonds and certificates of participation were included in the refundings and have since been redeemed: Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1996; Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds, Series 1997; Certificates of Participation, Series 1997; Student Sports Recreational Facilities Revenue Bonds, Series 1998; Research Building Revolving Fund Enterprise Revenue Bonds, Series 2001; Enterprise System Refunding and Improvement Revenue Bonds, Series 2003 A (partially refunded on 2007 B and fully refunded on 2012 C); Enterprise System Revenue Bonds, Series 2003 B (fully refunded on 2012 B); Enterprise System Revenue Bonds, Series 2005 B (partially refunded on 2012 B and fully refunded on 2013 A); Research Building Revolving Fund Enterprise Revenue Bonds, Series 2005 A (fully refunded on 2007 B); System Enterprise Revenue Bonds, Series 2007 A (partially refunded on 2012 B, partially refunded on 2013 A, B, and fully refunded on 2016 B); and System Enterprise Revenue Bonds, Series 2007 B (partially refunded on 2015 C and partially refunded on 2016 B).

System Enterprise Revenue Bonds, Series 2007 C (partially refunded on 2013 B); System Enterprise Revenue Bonds, Series 2008 A (partially refunded on 2015 C and partially refunded on 2016 B); and System Enterprise Revenue Bonds, Series 2009 A (partially refunded on 2013 A and 2015 C) were also refunded and have remaining defeased obligations at June 30, 2017 as follows:

	Original Amount Refunded	Balance June 30, 2017
CSU System Enterprise Revenue Bonds, Series 2007 C	\$ 14,500	11,610
CSU System Enterprise Revenue Bonds, Series 2008 A	69,170	69,170
CSU System Enterprise Revenue Bonds, Series 2009 A	54,615	52,595
	<u>\$ 138,285</u>	<u>133,375</u>

(12) Pledged Revenues and Related Expenses

CSU and CSU-Pueblo are required to pledge certain revenues and report related expenses in accordance with the various bond resolutions. The pledged revenues and related expenses were as follows:

System Enterprise Revenue and Revenue Refunding Bonds (including Tuition and University Facilities Fees Revenue Bonds)

Pledged by ten percent System tuition revenues, CSU facilities fees (80 percent of first \$10 credit hour fee and 100 percent of additional \$5 per credit hour fee), CSU-Pueblo facilities fees (100 percent), CSU Research Building Revolving Fund revenues, and revenues derived from auxiliaries as defined by bond resolutions.

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	<u>June 30</u>	
	<u>2017</u>	<u>2016</u>
Gross auxiliary facility and student fee revenue	\$ 182,157	171,421
Less auxiliary facility and student fee operating expenses	<u>122,058</u>	<u>113,486</u>
Net auxiliary and student fee facility revenue	60,099	57,935
Other pledged tuition and revenue		
10% of tuition fees	\$ 47,932	43,826
Indirect cost recoveries	49,256	47,619
Research facilities	3,084	3,455
Investment income	<u>1,014</u>	<u>99</u>
Subtotal other pledged tuition and revenue	<u>101,286</u>	<u>94,999</u>
Total net pledged revenue	<u>\$ 161,385</u>	<u>152,934</u>

The revenue bonds contain provisions to establish and maintain reasonable fees, rates, and other charges to ensure gross revenues are sufficient for debt service coverage. The System is also required to comply with various other covenants while the bonds are outstanding. Management of the two institutions believe the universities have met all debt service coverage ratios and have complied with all bond covenants.

(13) Capital Lease Obligations

The following is a schedule of the System's future minimum lease payments for obligations under capital leases for each of the five subsequent fiscal years and for five-year increments thereafter.

	<u>Total</u>
Fiscal year ending June 30:	
2018	\$ 3,371
2019	2,516
2020	1,917
2021	1,449
2022	1,186
2023-2027	<u>9,874</u>
Minimum future lease payments	20,313
Less amount representing interest	<u>2,415</u>
Present value of minimum lease payments	<u>\$ 17,898</u>

Capital lease agreements have been utilized to provide for the use of property and equipment. As of June 30, 2017 and 2016, respectively, the System had capital lease obligations in effect with capitalized asset costs of \$24.1 million and \$29.9 million; accumulated depreciation of \$7.0 million and \$7.3 million; and related outstanding liabilities of \$17.9 million and \$20.2 million.

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(14) Operating Leases

The following is a schedule of the System's aggregate minimum rental commitments for operating leases of real and personal property for each of the five subsequent fiscal years and for five-year increments thereafter.

	<u>Total</u>
Fiscal year ending June 30:	
2018	\$ 3,370
2019	2,992
2020	2,522
2021	1,306
2022	1,246
2023-2027	<u>2,809</u>
Total	<u>\$ 14,245</u>

Rent expense was \$3.2 million for the fiscal year ended June 30, 2017 and \$3.1 million for the fiscal year ended June 30, 2016.

CSU-Pueblo leases a football stadium from a non-profit organization. The lease expires June 12, 2028 and is renewable subject to CSU-Pueblo meeting certain requirements as specified in the lease terms. The annual rent of the lease is \$100; however, CSU-Pueblo pays the annual costs of maintenance and upkeep for the lease premises.

(15) Net Position

The System is subject to multiple constraints, including those imposed by Colorado Constitutional and related legislative actions, State of Colorado statutes, and external third parties.

Under the 1862 Morrill Act, the System holds endowments related to the land granted by the federal government. These funds, including proceeds from the sale of the land and income earned on the assets, are therefore restricted for use under this Act. These amounts are reported as restricted for nonexpendable purposes and restricted for expendable purposes - other on the basic financial statements.

Student loan money is expended according to external restrictions imposed by the program funding sources. The federal programs are administered according to Department of Education Blue Book guidelines. The state match money is restricted by the Colorado Commission on Higher Education policy for student loan programs. These amounts are reported as restricted for expendable purposes - other on the basic financial statements.

Gift funds are restricted based on donor requirements. Available funds include those transferred from the Foundations and not yet spent and those transferred to capital construction projects not yet complete and capitalized. These amounts are reported as restricted for expendable purposes - other on the basic financial statements.

Colorado Revised Statute Section 23-31-135 requires a support fee to be annually assessed to cooperative state or accountable students in the System's professional veterinary medicine program. The statute specifies that this fee must be credited to a reserve account and used for renovation projects and for the acquisition or replacement of equipment. Other State legislations restrict the use of certain professional

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veterinary medicine program funds such as pari-mutuel receipts and expenses related to horse racing. These amounts are reported as restricted for expendable purposes - other on the basic financial statements.

The Forest Restoration Project and Healthy Forest-Vibrant Communities sub funds receive funding via State legislation for use in relation to wildfire risk mitigation and long-term ecological restoration. These amounts are reported as restricted for expendable purposes - other on the basic financial statements.

Total restricted net position was as follows:

	June 30	
	2017	2016 *
Restricted for nonexpendable purposes:		
Scholarships, research and other	\$ 13,549	12,864
Endowment/Land grant	13,160	12,557
Total	\$ 26,709	25,421
Restricted for expendable purposes:		
Endowment/Land grant	\$ 1,172	1,145
Student loans	26,375	26,471
Colorado Water Institute	312	311
Sponsored programs	176	—
Gifts	3,917	3,943
Plant fund gifts not capitalized	4,557	1,703
PVM federal and state restrictions	473	343
Colorado State Forest Service legislative funds	7,294	9,047
Workstudy	112	99
Total	\$ 44,388	43,062
* Reclassified		

Although other amounts reflected in unrestricted net position are not externally restricted, they may be internally designated by the System's administration for various purposes.

In regard to the net assets of the CSU Foundation, temporarily restricted net assets and the income earned on permanently restricted net assets, consisting of endowment funds to be held in perpetuity, are available to support CSU by providing funds for student scholarships, capital improvements, research, institutional support and other educational purposes and activities. Also, as of June 30, 2017 and 2016, the CSU Foundation's Board has designated \$30.7 million and \$21.4 million, respectively, of the unrestricted net assets to be used for board-designated endowments.

In regard to the net assets of the CSU-Pueblo Foundation, temporarily restricted net assets and the income earned on permanently restricted net assets, consisting of endowment funds to be held in perpetuity, are available to support CSU-Pueblo by providing funds for athletics, scholarships, repairs of facilities, etc. Also, as of June 30, 2017 and 2016, the CSU-Pueblo Foundation's Board has designated \$1.7 million and \$1.6 million, respectively, of the unrestricted net assets to be used for operating reserve for subsequent years' expense, special project awards, and the University personnel discretionary funds.

In regard to the net position of the Trust, all net position is classified as restricted for postemployment benefits other than pensions. As of June 30, 2017, the Trust has \$78.4 million of net position restricted for postemployment benefits other than pensions.

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(16) Commitments

Outstanding purchase order commitments against future funds not reflected in the financial statements at June 30, 2017 were \$176.1 million. These outstanding purchase order commitments included \$110.5 million of System capital construction commitments. CSU capital construction commitments included approximately \$72.3 million for the Translational Therapies & Research Horse Barn, \$15.0 million for the Natural Resources Addition, \$8.8 million for the Multi-Purpose Stadium, \$3.4 million for the Biology Building, \$3.0 million for the Chemistry Building, and \$2.2 million for the Aggie Village North Redevelopment. CSU-Pueblo's capital construction commitments included approximately \$7.7 million for the Energy Performance Contract and \$5.9 million for the OUC Addition and Renovation. The remaining capital construction commitments were for other smaller projects at CSU and CSU-Pueblo. Of the remaining noncapital purchase order commitments, \$34.7 million were related to CSU sponsored contracts and grants.

In addition to purchase order commitments, CSU has contracted obligations of \$39.8 million at June 30, 2017 related to employment hiring incentives and shared costs on long-term federal contracts. The hiring incentives arise in recruiting faculty and research scientists whereby the University commits to pay for various laboratory remodeling, equipment, and other costs that are important to the person in accepting the position. This obligation is binding on the University upon acceptance of the employment offer. The shared cost obligations arise in connection with federal contracts and grants in which the University agrees to pay for certain costs beyond what would otherwise be reimbursed by the sponsor under the contract or grant. Although the University can exercise cancellation clauses to avoid these shared cost obligations, the University has not used that option to avoid such obligations, and such obligations are considered highly probable. In both cases, settlement of the obligations involves payments to third parties, generally within three years.

Outstanding commitments at June 30, 2017 were:

Purchase order commitments	\$	176,076
Shared cost obligations on long-term revenue contracts		17,424
Obligations under accepted employment offers		22,117
Total	\$	<u>215,617</u>

(17) Employment Benefits

Employees of the System, eligible for retirement benefits, participate in one of three retirement plans. Eligible student employees participate in a Student Employee Retirement Plan (SERP), which is funded solely by student contributions. The SERP is a defined contribution plan administered by a consortium of institutions of higher education in the state. All other eligible employees of the System participate in one of two additional plans, the State Division Trust Fund (SDTF), a defined benefit pension fund administered by the Public Employees' Retirement Association (PERA) or an Optional Retirement Plan – The Defined Contribution Plan for Retirement (DCP), subject to eligibility criteria defined by PERA and the University for each separate governing entity.

The System's total payroll for the fiscal years ended June 30, 2017 and 2016 was approximately \$634.8 million and \$609.0 million, respectively. Payroll for employees covered by the SDTF plan, the DCP plan, and the SERP plan was approximately \$152.0 million, \$399.9 million, and \$16.0 million, respectively, for the fiscal year ended June 30, 2017 and \$151.4 million, \$378.6 million, and \$17.4 million, respectively, for the fiscal year ended June 30, 2016. The remaining employees were not eligible for participation in any of the System's plans.

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(a) *PERA Defined Benefit Pension Plan*

Summary of Significant Accounting Policies

The System participates in the SDTF, a cost-sharing multiple-employer defined benefit pension fund administered by PERA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

Eligible employees of the System are provided with pensions through the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provision of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and cannot exceed the maximum benefit allowed by Federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, receive an annual increase of two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar

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year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of two percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the System are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute eight percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in the table below:

	Fiscal Year 2016		Fiscal Year 2017	
	CY15	CY16	CY17	CY17
	7/1 to 12/31	1/1 to 6/30	7/1 to 12/31	1/1 to 6/30
Employer contribution rate	10.15%	10.15%	10.15%	10.15%
Apportioned to the Health Care Trust Fund ¹	-1.02%	-1.02%	-1.02%	-1.02%
Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) ²	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) ²	4.00%	4.50%	4.50%	5.00%
Total employer contribution rate to the SDTF	17.33%	18.23%	18.23%	19.13%

¹As specified in C.R.S. Section 24-51-208(1)(f).

²As specified in C.R.S. Section 24-51-411

The rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the System is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the System were \$30.5 million, \$28.8 million, and \$27.0 million for the years ended June 30, 2017, 2016 and 2015, respectively, including the 1.02 percent apportioned to the Health Care Trust Fund.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of fiscal years ended June 30, 2017 and 2016, the System reported a liability of \$992.3 million and \$578.7 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The System proportion of the net pension liability was based on System contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, the System proportion was 5.40 percent, which was a decrease of 0.10 percent from its proportion measured as of December 31, 2015.

The System has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly.

For the fiscal years ended June 30, 2017 and 2016, the System recognized pension expense of \$196.9 million and \$49.7 million, respectively. At June 30, 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,864	-
Changes of assumptions or other inputs	252,457	3,055
Net difference between projected and actual earnings on pension plan investments	32,897	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	514	8,639
Contributions subsequent to the measurement date	14,703	-
Total	\$ 310,435	11,694

At June 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,427	18
Changes of assumptions or other inputs	-	6,850
Net difference between projected and actual earnings on pension plan investments	43,594	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	745	6,628
Contributions subsequent to the measurement date	13,930	-
Total	\$ 66,696	13,496

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\$14.7 million reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Total</u>
Fiscal year ending June 30:	
2018	\$ 152,913
2019	121,655
2020	9,122
2021	<u>348</u>
Total	<u>\$ 284,038</u>

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 %
Real wage growth	1.10 %
Wage inflation	3.90 %
Salary increases, including wage inflation	3.90 – 9.57 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 %
Discount rate	7.50 %
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 (automatic)	2.00 %
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50 %
Salary increases, including wage inflation	3.50 – 9.17 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 %
Discount rate	5.26 %

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Post-retirement benefit increases:

PERA benefit structure hired prior to 1/1/07 (automatic)	2.00 %	
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)		Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

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- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016, adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. equity - large cap	21.20%	4.30%
U.S. equity - small cap	7.42%	4.80%
Non U.S. equity - developed	18.55%	5.20%
Non U.S. equity - emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount Rate

The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumption shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 28, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree healthcare benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The

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discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 1,229,071	992,336	797,842

Pension Plan Fiduciary Net Position

Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the Pension Plan

As of fiscal year end June 30, 2017, the System reported a payable of \$2.2 million for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2017 and for the fiscal year end June 30, 2016, the System reported a payable of \$2.2 million for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2016.

(b) Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401(k) plan entirely separate from the Defined Benefit Pension Plan. Certain agencies and institutions of the State offer 403(b) or 401(a) plans. The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State’s deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State’s administrative functions for the 457 plan were transferred to PERA, where all cost of administration and funding are borne by the plan participants.

(c) University Optional Retirement Plan – The Defined Contribution Plan for Retirement (DCP)

Under the University’s optional retirement plan, all Academic Faculty, Administrative Professionals, Post-Doctoral Fellows, Veterinary Interns and Clinical Psychology Interns appointed on or after April 1, 1993, are required as a condition of employment under Colorado law to participate in either the University’s Defined Contribution Plan (DCP) for Retirement or, in very limited cases, in the PERA Defined Benefit plan (as eligibility permits). DCP participants may select from three investment companies as follows:

1. Fidelity Investments / MetLife (eligible Faculty/Staff at CSU-Pueblo do not have access to this investment company)
2. Teachers Insurance and Annuity Association (TIAA)
3. Variable Annuity Life Insurance Corporation (VALIC)

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The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 C.R.S.). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required 8.0 percent of eligible salary. As required, CSU provides a matching contribution of 11.5 percent of eligible salary for all “permanent” appointees (those with regular, special and senior teaching appointments at half-time or greater) and for temporary appointees with appointments of half-time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 10.7 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half-time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant-directed within the funds available through the authorized investment companies. The System’s aggregate contribution to the above three vendors was equal to 11.1 percent of covered payroll or approximately \$44.3 million for the fiscal year ended June 30, 2017 and 10.6 percent of covered payroll or approximately \$40.3 million for the fiscal year ended June 30, 2016. The employee aggregate contribution to the above three vendors was equal to 8.0 percent of covered payroll or approximately \$32.0 million for the fiscal year ended June 30, 2017 and \$30.3 million for the fiscal year ended June 30, 2016.

The Federal retirement system covers a very limited number of employees at CSU Extension. The System’s contribution to this plan was approximately \$77 thousand for the fiscal year ended June 30, 2017 and \$97 thousand for the fiscal year ended June 30, 2016.

(d) Student Employee Retirement Program

Eligible student employees contribute 7.5 percent of covered payroll to the student employee retirement program (SERP). The SERP is funded entirely through employee contributions with no employer match. The SERP is a mandatory plan for all student employees who are enrolled at CSU but are not classified as a half-time student or greater. The SERP was established pursuant to state statute (24-54.6-101 through 24-54.6-106 C.R.S.) as a mandatory nonqualified plan under 403(b) of the IRC in lieu of mandatory old age, survivors, and disability insurance (OASDI) coverage. The student retirement plan is a defined contribution plan administered by the individual agencies that make up the System, as applicable. All contributions are vested immediately and are participant-directed within the funds available through the sole investment company, TIAA-CREF. The contribution by student employees for the fiscal years ended June 30, 2017 and 2016 was approximately \$1.2 million and \$1.3 million, respectively.

(e) Health Insurance Programs

The System’s contribution to the various third-party health insurance programs was approximately \$19.6 million and \$19.2 million for the fiscal years ended June 30, 2017 and 2016, respectively.

(18) Risk Financing and Insurance-Related Activities

CSU manages a combination of self-insured and fully-insured property and casualty insurance programs to best protect the University’s assets. At CSU, separate accounts currently make up the self-insured program: workers’ compensation, liability, auto comprehensive/collision and property. CSU contracts various day-to-day operations of the self-funded benefit plan, including claims processing, to third-party administrators. CSU carries excess insurance for liability and workers’ compensation claims over \$500 thousand per occurrence, including claims arising from employment practices. CSU’s excess liability limits for this insurance are \$25.0 million per occurrence. CSU self-insures for property insurance claims less than \$100

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thousand per occurrence with a \$1 thousand deductible per occurrence paid by the university department incurring the loss. CSU purchases property insurance with limits of \$1.0 billion. In addition to this, CSU carries auto insurance for out-of-state vehicles and workers' compensation for out-of-state employees, student intern professional liability, professional liability insurance (Architects & Engineers), crime insurance, foreign liability insurance, Canadian Liability, Cyber Liability, Aviation Liability, Unmanned Aerial Vehicles Liability, TULIP (Tenant User Liability Insurance Program), and self-insures for in-state auto insurance. As of March 1, 2016, CSU purchased liability, professional liability, and pollution liability for all CEMML operations, including their prescribed burn operations. This insurance included a primary layer of \$2.0 million aggregate, an umbrella layer of \$5.0 million, and an excess layer of \$5.0 million.

In addition to the above, CSU is self-insured for various other risks of loss. At CSU, separate accounts currently make up the self-insured program: healthcare, dental, short-term disability, and an unallocated reserve fund. CSU contracts various day-to-day operations of the self-funded benefit plans, including claims processing, to third-party administrators. Program funding is derived from a combination of premiums paid by benefit plan participants and various institutional match amounts. The self-funded benefit plans are fully self-insured except for healthcare coverage, which is reinsured for claims expenses above \$275 thousand per covered employee per year. The Unallocated Reserve Account is a general contingency reserve fund for miscellaneous and unanticipated expenses of the other health related accounts.

The amount of claims and administrative costs for the self-funded plans for the fiscal years ended June 30, 2017 and 2016 did not exceed plan revenues and reserves. Eligible faculty and nonclassified staff employees may select from various benefit plans and may elect to make premium contributions in the form of a pre-tax salary reduction.

The above health related programs had estimated claim liabilities of \$25.2 million and \$21.1 million at June 30, 2017 and 2016, respectively, which include incurred but not reported claims (IBNR) along with known claims at year end. These estimates are made through a combination of analyzing payments in early months of the subsequent year, historical trends, industry guidelines, and underwriting advice from our third-party administrator and benefits consultant.

In addition to these claims, workers' compensation had estimated claim liabilities of \$4.5 million and \$5.3 million at June 30, 2017 and 2016, respectively. Liability self-insurance had estimated claim liabilities of \$157 thousand and \$337 thousand at June 30, 2017 and 2016, respectively. These estimates are based on current data and actuarial reports. Property self-insurance had no estimated claim liabilities at June 30, 2017 and 2016.

The changes in the balance of claim liabilities were as follows:

	2017	2016
Claim liabilities, beginning of year	\$ 26,760	28,660
Incurred claims (including IBNR)	54,124	46,728
Claim payments	(50,967)	(48,628)
Claim liabilities, end of year	\$ 29,917	26,760

Claims liabilities are recorded in accrued liabilities, deposits held for others, and other noncurrent liabilities on the Statements of Net Position.

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(19) Postemployment Healthcare and Life Insurance Benefits

(a) PERA Postemployment Healthcare Plan

Plan Description

The System contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a healthcare premium subsidy and healthcare programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of healthcare subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The System is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the System are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2017, 2016, and 2015, the System contributions to the HCTF were \$1.5 million for all three years, equal to their required contributions for each year.

(b) Other Postemployment Benefits (OPEB) – CSU

Plan Descriptions

CSU contributes to three single-employer defined benefit healthcare plans: CSU Retiree Medical Premium Refund Plan for DCP Participants (DCP Refund), CSU Retiree Medical Premium Subsidy for PERA Participants (PERA Subsidy), and the CSU Retiree Umbrella Rx Plan for PERA Participants (Rx Subsidy). Each plan provides premium support or medical benefits to eligible retired CSU faculty and nonclassified employees with the Rx Subsidy extending benefit coverage to spouses and dependents that elect to participate. CSU also has a self-insured Long-Term Disability Plan (LTD or LTD Income Replacement). This plan provides income replacement after the 91st consecutive calendar day of total disability. Benefit provisions for each of the plans are established and amended through the Board of Governors of the Colorado State University System.

Membership of each plan consisted of the following as of June 30, 2017:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Active plan members	4,599	172	172	5,272
Former employees receiving income replacement	-	-	-	42
Retirees receiving a subsidy	384	495	366	-
Retirees eligible for a subsidy but not yet receiving one	68	172	172	-
Total	5,051	839	710	5,314

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CSU Retiree Medical Premium Refund Plan for DCP Participants

Employees who retire from the University at age 55 with 20 or more years of service or age 60 with 5 or more years of service are eligible for this benefit. For eligible retirees with 20 or more years of service, CSU pays a healthcare premium refund of the lesser of \$200 per month or the actual cost of the retiree's (not including dependents) health insurance. Benefits are prorated for service between 5 and 20 years. DCP Refund participants include employees who were hired after April 1, 1993, who have no previous participation in PERA or have less than one year of participation in PERA or employees with at least one year of previous participation in PERA who elect to enroll in DCP Refund at the time of appointment. DCP Refund participants also include certain employees hired prior to April 19, 1993 who made a one-time, irrevocable election at the time of implementation to terminate participation in PERA and join DCP Refund. DCP Refund is administered by HealthSmart.

On an annual basis, funds equal to the annual required contribution (ARC), provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$45.4 million and \$40.8 million for the fiscal years ended June 30, 2017 and 2016, respectively. Funds provided for the benefit of the program included \$4.1 million and \$4.5 million for the fiscal years ended June 30, 2017 and 2016, respectively, plus the corresponding interest income less plan costs. Total amounts paid to retirees for this healthcare subsidy were \$848 thousand and \$775 thousand for the fiscal years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, 384 and 408 former employees, respectively, received such benefits.

CSU Retiree Medical Premium Subsidy for PERA Participants

University faculty and nonclassified staff participating in the PERA retirement plan who meet CSU's age and years of service requirements and retire from the University with at least 10 years of University service, are eligible to receive a subsidy. Future enrollments are further restricted to those academic faculty and administrative professional staff participating in the PERA retirement plan and holding benefit eligible appointments on June 30, 2009. The amount of the subsidy for eligible retirees is their out-of-pocket expenses for retiree only coverage or an amount equal to the premium for single coverage under the lowest cost plan available to active faculty and nonclassified staff, whichever is less. The plan is administered by PERA which bills CSU on a monthly basis for the applicable premiums.

On an annual basis, funds equal to the ARC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds available to cover the plan benefits were \$23.6 million and \$22.3 million for the fiscal years ended June 30, 2017 and 2016, respectively. The funds contributed to the plan for the fiscal years ended June 30, 2017 and 2016 were \$2.0 million for both years. There were 495 and 508 beneficiaries of this subsidy for the fiscal years ended June 30, 2017 and 2016, respectively. The benefits paid by the University were \$1.4 million and \$1.3 million for the fiscal years ended June 30, 2017 and 2016, respectively.

CSU Retiree Umbrella Rx Plan for PERA Participants

The University provides reimbursement for the prescription copayments made by eligible faculty and nonclassified staff who retire from the University under the PERA retirement plan with at least 10 years of service. Retirees have to be age 65 or older or eligible for Medicare and enrolled in the PERA Medicare supplement plan to be eligible for this plan. Future enrollments are further restricted to those academic faculty and administrative professional staff participating in the PERA retirement plan and holding benefit eligible appointments on June 30, 2009. PERA provides a prescription insurance program for retirees enrolled in any medical insurance plan. The PERACare Prescription insurance program covers the cost of prescriptions after the member pays a copay which varies depending on

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whether the prescription is purchased through a local retail pharmacy or through a mail-order pharmacy, and whether the drug is generic or a brand-name drug. The Umbrella Rx plan reimburses the retiree for the complete cost of the prescription copay less a \$10 copay for retail and a \$20 copay for mail-order drugs. Spouses and dependents of retirees enrolled in the plan can be covered with the payment of \$44 per month for those enrolled in Medicare or \$99 per month for those not enrolled in Medicare. The plan is administered by Employee Benefit Management Services, Inc.

On an annual basis, funds equal to the ARC, provided by the actuarial valuation, are transferred to the irrevocable trust. The funds contributed to the plan for the fiscal years ended June 30, 2017 and 2016 were \$264 thousand and \$150 thousand, respectively. These funds, along with the amounts paid in by participants of \$24 thousand in fiscal year 2017, and the related interest income, have resulted in total funds available of \$737 thousand and \$594 thousand as of fiscal years ended June 30, 2017 and 2016, respectively, for this plan. Plan members were reimbursed \$58 thousand and \$68 thousand for prescription claims for the fiscal years ended June 30, 2017 and 2016, respectively.

CSU Long-Term Disability Plan

The University contributes to the LTD Income Replacement plan. This plan provides a monthly income replacement benefit which begins on the 91st consecutive calendar day of total disability. The LTD coverage provides the eligible PERA or Federal Retirement Plan participants with up to 60 percent of pre-disability covered monthly salary, not to exceed \$6,000 per month, or up to 69 percent of covered monthly salary, not to exceed \$6,900 per month for DCP Refund participants. The income replacement benefit will increase three percent annually. The plan is offset by any other benefits or earnings received or eligible to be received from other sources such as PERA, Federal Retirement, Social Security, or Workers' Compensation. The minimum income replacement benefit is \$50 per month. Employees are eligible to receive benefits until one of the following circumstances occur: recovery, death, age 65 if disabled when less than 60, four and three-fourths years if disabled between the ages of 60 and 65, or age 70 if disabled between the ages of 65 and 68 ³/₄. This plan is administered by Assurant Insurance Company.

CSU funds the LTD plan by providing an allowance to each employee and then deducting the cost of the premium. The premiums collected are transferred to the irrevocable trust as an employee contribution. The funds contributed to the plan for the fiscal years ended June 30, 2017 and 2016 were \$1.5 million and \$1.4 million, respectively. These funds, which include those previously set aside and the related interest income, have resulted in total funds available of \$8.7 million and \$7.9 million as of fiscal years ended June 30, 2017 and 2016, respectively. Plan members received \$881 thousand and \$922 thousand in benefits for the fiscal years ended June 30, 2017 and 2016, respectively.

Funding Policy, Status, and Progress

CSU's annual OPEB cost for each plan was calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 accrued liabilities over a period not to exceed 30 years. Fiscal year 2008 was the year of transition and CSU elected to prospectively implement GASB Statement No. 45 resulting in the net OPEB obligation at the beginning of the year being set at \$0. For each of the plans, CSU set aside funds in an internal service fund to cover future benefits in varying amounts. On June 27, 2014, the funds held in the internal service fund were transferred to an irrevocable trust, and GASB Statement No. 43 was implemented. CSU funds the plans using the ARC amount, an amount actuarially

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determined in accordance with the parameters of GASB Statement No. 43. CSU's annual OPEB cost and related information for each plan for the fiscal year ended June 30, 2017 are as follows:

		DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Actuarial accrued liability (a)	\$	34,491	44,708	3,470	10,190
Actuarial value of plan assets (b)		<u>45,363</u>	<u>23,552</u>	<u>737</u>	<u>8,716</u>
Unfunded (overfunded) actuarial accrued liability (a) - (b)	\$	<u>(10,872)</u>	<u>21,156</u>	<u>2,733</u>	<u>1,474</u>
Funded ratio (b)/(a)		131.5%	52.7%	21.2%	85.5%
Covered payroll (c)	\$	350,046	N/A	N/A	N/A
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll [(a) - (b)]/(c)		-3.1%	N/A	N/A	N/A
Contribution rates:					
CSU (through June 27, 2014)		Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
CSU (subsequent to June 27, 2014)		Based on ARC	Based on ARC	Based on ARC	Based on ARC
Participants		N/A	N/A	\$0-\$99 / month based on eligibility	N/A
Annual required contributions (ARC)	\$	1,296	1,981	240	1,373
Interest on net OPEB obligation		-	(44)	7	(330)
Adjustment to ARC		<u>-</u>	<u>64</u>	<u>(10)</u>	<u>206</u>
Annual OPEB cost (d)		1,296	2,001	237	1,249
Contributions made (e)		<u>(4,070)</u>	<u>(1,981)</u>	<u>(240)</u>	<u>(1,478)</u>
Increase (decrease) in net OPEB obligation		(2,774)	20	(3)	(229)
Net OPEB obligation (asset) - beginning of year		<u>(1)</u>	<u>(839)</u>	<u>128</u>	<u>(6,185)</u>
Net OPEB obligation (asset) - end of year	\$	<u>(2,775)</u>	<u>(819)</u>	<u>125</u>	<u>(6,414)</u>
Percentage of OPEB cost contributed (e)/(d)		314.0%	99.0%	101.3%	118.3%

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CSU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years for each of the plans were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
DCP	6/30/2017	\$ 1,296	314.0%	\$ (2,775)
Refund	6/30/2016	4,537	99.4%	(1)
	6/30/2015	2,077	65.9%	(30)
PERA	6/30/2017	2,001	99.0%	(819)
Subsidy	6/30/2016	1,991	98.9%	(839)
	6/30/2015	3,062	99.3%	(862)
Rx	6/30/2017	237	101.3%	125
Subsidy	6/30/2016	117	103.0%	128
	6/30/2015	174	101.9%	132
LTD Income	6/30/2017	1,249	118.3%	(6,414)
Replacement	6/30/2016	1,150	122.5%	(6,185)
	6/30/2015	1,183	267.5%	(5,926)

The financial statements for the irrevocable trust, included in the basic financial statements section, have been prepared using the accrual basis of accounting. Plan members' contributions will be recognized in the period in which the contributions are due. Employee contributions to each plan will be recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair market value and administrative costs are direct expenditures of the plan.

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The OPEB obligation or asset as of June 30, 2017, are recorded in other noncurrent assets and other noncurrent liabilities.

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Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs, if applicable, between CSU and the plan participants to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement
Valuation date	1/1/2017	1/1/2017	1/1/2017	1/1/2017
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	30 Years Open, Level Percent of Pay	30 Years Closed, Level Dollar	30 Years Closed, Level Dollar	30 Years Open, Level Percent of Pay
Remaining amortization period	30 Years	21 Years	21 Years	30 Years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	5.33%	5.33%	5.33%	5.33%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Salary increase rate	N/A	N/A	N/A	4.00%
Healthcare cost trend rate	7% initial, 5% ultimate	7% initial, 5% ultimate	7% initial, 5% ultimate	N/A

(c) Other Postemployment Benefits (OPEB)

CSU-Pueblo – Retired faculty and exempt administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for postemployment health coverage until the retiree is eligible for Medicare. The retiree is responsible for paying 100 percent of the health insurance cost. As of June 30, 2017, there were 106 participants in the plan, of which two were CSU-Pueblo retirees.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States of America using the accrual basis of accounting following Governmental Accounting Standards for a business type activity. The financial statements can be obtained by contacting: Human Resources, Colorado State University-Pueblo, 2200 Bonforte Blvd., Pueblo, Colorado 81001.

Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of CHEIBA’s investments is based on quoted market prices from national securities exchanges.

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(d) Life Insurance Program

During fiscal years ended June 30, 2017 and 2016, PERA provided its members with access to a group decreasing term life insurance plan offered by Unum Provident. Active members may join the Unum Provident Plan and continue coverage into retirement. PERA retirees are not eligible to enroll in the insurance program. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

(20) Compensated Absences Liability

System employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount that will be paid upon termination. The estimated liability of compensated absences for which employees are vested as of June 30, 2017 and 2016 was \$58.0 million and \$55.4 million, respectively.

Overall, expenses increased for the fiscal year ended June 30, 2017 by \$2.6 million and increased for the fiscal year ended June 30, 2016 by \$3.4 million, for the estimated compensated absences liabilities.

(21) Direct Student Financial Aid Reporting

During fiscal years ended June 30, 2017 and 2016, CSU, CSU-Global and CSU-Pueblo participated in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU, CSU-Global and CSU-Pueblo help students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers.

The gross amounts of Direct Loans disbursed during fiscal years ended June 30, 2017 and 2016 were \$284.3 million and \$260.1 million, respectively.

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(22) Scholarship Allowance

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2017 were as follows:

	June 30, 2017		
	Tuition and Fees	Auxiliary Revenues	Total
Gross revenue	\$ 681,348	179,472	860,820
Scholarship allowances:			
Federal	28,327	786	29,113
State	12,934	655	13,589
Private	354	183	537
Institutional	80,185	2,803	82,988
Total allowances	<u>121,800</u>	<u>4,427</u>	<u>126,227</u>
Net revenue	<u>\$ 559,548</u>	<u>175,045</u>	<u>734,593</u>

Tuition, fees, and auxiliary revenues and the related scholarship allowances for the year ended June 30, 2016 were as follows:

	June 30, 2016 *		
	Tuition and Fees	Auxiliary Revenues	Total
Gross revenue	\$ 630,202	167,874	798,076
Scholarship allowances:			
Federal	28,851	955	29,806
State	15,705	792	16,497
Private	328	147	475
Institutional	66,274	2,447	68,721
Total allowances	<u>111,158</u>	<u>4,341</u>	<u>115,499</u>
Net revenue	<u>\$ 519,044</u>	<u>163,533</u>	<u>682,577</u>

* Reclassified

(23) System Foundations and Endowments

(a) Colorado State University Research Foundation

CSURF is a private, nonprofit Colorado corporation established in 1941 to aid and assist the institutions governed by the Board of the System in their research and educational efforts. CSURF officers are appointed annually by the Board of Directors. The Board of Directors consists of five voting members and two nonvoting members. No person who is an employee of CSU or CSU-Pueblo is eligible to serve as an officer of CSURF or as a voting member of the Board.

Colorado State University Ventures (CSUV) is a wholly owned subsidiary of Colorado State University Research Foundation. CSUV is used to assist in the promotion, development, improvement, and expansion of the facilities and programs of the Colorado State University System (System). The sole voting member of the nonprofit corporation is CSURF.

CSURF is a member in a Joint Venture, INTO-CSU, LLC. The purpose of the Joint Venture is to create an avenue for international students to attend CSU in a number of undergraduate and graduate pathways

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with multiple programs. INTO-CSU, LLC helps students integrate into classes as well as housing on campus. CSURF's primary role is to financially support the joint venture.

The major sources of CSURF revenues are royalties, rents, management fees, licensing fees, and administration fees. The support provided by CSURF to the universities includes patent and licensing management, equipment leasing, municipal lease administration, debt financing through mortgage debt service, and land acquisition, development, and management. During fiscal years ended June 30, 2017 and 2016, royalty revenues equaled \$3.1 million and \$2.4 million, respectively, and expenses were \$1.9 million and \$1.8 million, respectively. Also during fiscal years ended June 30, 2017 and 2016, rental revenues equaled \$6.1 million and \$6.3 million, respectively, and related expenses were \$3.7 million and \$5.4 million, respectively.

At June 30, 2017, CSURF's debt to provide buildings for use by the universities was \$54.0 million.

At June 30, 2017, the assets of CSURF consisted of:

Cash and current assets	\$	8,097
Property and equipment		53,296
Other assets		16,386
Total assets	\$	<u>77,779</u>

At June 30, 2016, CSURF's debt to provide buildings for use by the universities was \$52.0 million.

At June 30, 2016, the assets of CSURF consisted of:

Cash and current assets	\$	7,941	*
Property and equipment		52,472	*
Other assets		16,421	*
Total assets	\$	<u>76,834</u>	*

*Certain reclassifications of amounts previously reported were made to the consolidated financial statements of CSURF to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets and primarily consisted of combining immaterial amounts into "other" categories.

Audited financial statements of CSURF are available at P.O. Box 483, Fort Collins, CO 80522.

(b) CSU-Pueblo Board-Designated Funds

CSU-Pueblo manages two board-designated funds. These funds' assets and activity are reported as part of the System. Both funds retain 20 percent of earnings each year to build the corpus of the fund and transfer 80 percent of the annual earnings to CSU-Pueblo as designated by the Board. The first board-designated fund was established in 1994 from the proceeds of land sales in the Walking Stick Development immediately west of the campus. The sale of excess land adjacent to the university campus provides resources that support the academic mission of CSU-Pueblo. To date, CSU-Pueblo has sold 16 parcels of land with the proceeds from the sales being placed in a board-designated fund.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

The Walking Stick Fund assets consisted of cash and land. The cash held by the Walking Stick Fund was \$5.3 million for both fiscal years ended June 30, 2017 and 2016.

On June 30, 2000, CSU-Pueblo sold the KTSC-TV television license and certain related assets. The proceeds of the sale have been placed in a board-designated fund to support the maintenance of the Buell Communication Center building, telecommunications equipment associated with the Mass Communications program of CSU-Pueblo, and scholarships. The cash held by the KTSC Fund was \$2.6 million for both fiscal years ended June 30, 2017 and 2016.

(c) *INTO-CSU, LLC*

INTO-CSU, LLC is a limited liability company jointly owned by CSURF and INTO USA, LLC. CSURF and INTO USA, LLC each own 50 percent of the common units. INTO-CSU, LLC has entered into a service agreement with Colorado State University and INTO University Partnerships Limited (IUP) whereby INTO-CSU, LLC will manage an international student center, located on campus and, in connection with the services of IUP, be the exclusive provider of marketing and student recruitment services for the INTO-CSU programs.

As part of the Service Agreement, CSURF agreed to loan the joint venture up to \$1.5 million. The promissory note matures February 2027 with monthly interest payments of five percent due beginning March 2017. In connection with the agreement for CSURF to loan funds to INTO-CSU, LLC, the University has agreed to reimburse CSURF for net funds loaned to the joint venture. As of June 30, 2017, the University has recorded a receivable for \$1.2 million due from CSURF relating to amounts that have been loaned to the joint venture. The University has also established a bad debt reserve for \$1.2 million. No payments were received in the fiscal year ended June 30, 2017.

(d) *CSURF de Mexico, Association Civil (CSURF AC)*

Todos Santos Mexico will further aid CSU in its mission of teaching, research, and outreach. Education abroad opportunities for CSU students will be available in wildlife ecology and conservation, agriculture, hospitality, nutrition, ecology, human development and family studies, the arts and more.

During 2015, CSURF AC entered into certain promissory notes with a development partner (MIRA) whereby CSURF AC borrowed funds from MIRA for the development of the property. The land for the campus and research farm was to be transferred to the Trust in various phases upon completion and, upon transfer, MIRA was to forgive the debt. During year ended June 30, 2016 development of the campus was substantially complete and, upon transfer of the property, MIRA forgave debt totaling \$3.1 million.

During 2017, MIRA rescinded the forgiveness of debt specific to two promissory notes, totaling \$1.3 million, connected to the land acquisition. The re-signed promissory notes have maturity dates of March 2018.

(24) **State Support**

In fiscal year 2006 state support for higher education changed with the implementation of the College Opportunity Fund. As a result of this legislation, which was adopted in S.B. 04-189 passed in the 2004 state legislative session, the State no longer provides a direct state general fund appropriation to the System. Instead, state support is provided to the System in the form of fee for service contracts with the State for the delivery of special programs, graduate programs, and high cost/high demand programs. In the fiscal years ended June 30, 2017 and 2016, the System received \$91.2 million and \$91.7 million, respectively, in state fee for service contract revenue.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

State support was also provided to the System in the form of student tuition stipends provided to students by the state College Opportunity Fund. In the fiscal years ended June 30, 2017 and 2016, stipends were provided to students attending classes at Colorado State University and Colorado State University-Pueblo in the amount of \$43.3 million and \$42.9 million, respectively.

(25) Contingencies

Contingencies include those in which the System is a defendant in several lawsuits including various claims related to activities or employees of the System. The System believes that final settlement of matters not covered by insurance will not materially or adversely affect its financial condition or operations.

Financial Awards from Federal and State Agencies

The System receives significant financial awards from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the System. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition or operations of the System.

The National Science Foundation (NSF) is currently auditing its funding of various programs at CSU. As the audit process has not yet been finalized, the System is not able to determine the financial impact, if any, at this time.

(26) Subsequent Events

On September 14, 2017, Colorado State University System sold \$103.8 million tax-exempt Series 2017 A and \$13.8 million tax-exempt Series 2017 B System Enterprise Refunding Bonds. The 2017 A bonds were sold as State-Intercept backed bonds and will refund a portion of Series 2012 A bonds and the Series 2017 B bonds will refund a portion of Series 2013 C bonds. Proceeds from the bonds will be used to pay the cost of issuing the bonds. The bonds closed on October 2, 2017.

Pursuant to a portion of House Bill 15-1344 (collectively, the “Lease Purchase Act”), the General Assembly authorized the execution by the State Treasurer of one or more lease-purchase agreements with a maximum term of 20 years of principal and interest payments for the purpose of financing the construction of certain facilities for Colorado State University at the National Western Center in Denver, Colorado and affiliated facilities on CSU’s campus. The Series 2017 Certificates will be payable solely from amounts annually appropriated by the General Assembly to the National Western Center (“NWC”) Trust Fund from the General Fund to make payments under the Lease. The Series 2017 Certificates are expected to be issued in January, 2018 for approximately \$50 million. Proceeds of the Series 2017 Certificates will be used to finance a portion of the construction costs of Health Education Outreach Center, Equine Veterinary Teaching Hospital, and Translational Medical Institute.

The Board of Governors of the Colorado State University System approved a resolution on October 6, 2017 that authorizes the execution of an interest rate exchange agreement with a notional amount equal to the outstanding principal amount of the Series 2015 D Bonds under which the Board would pay a fixed rate and the counterparty to the interest rate exchange agreement would pay a floating rate. The agreement is expected to be executed in December, 2017.

COLORADO STATE UNIVERSITY SYSTEM

Notes to Basic Financial Statements

Years Ended June 30, 2017 and 2016

(Amounts expressed in thousands)

The Board of Governors of the Colorado State University System approved a resolution on August 2, 2017 authorizing the issuance of \$50 million taxable and tax-exempt commercial paper. It is anticipated that the commercial paper will be backed by self-liquidity. The commercial paper note proceeds will be used to bridge finance improvement projects; pay capitalized interest, if any; and pay certain costs relating to the issuance of the notes. The first issuance of the commercial paper notes is expected to be in January, 2018.

On November 30, 2017, the Board of Governors of the Colorado State University System approved the Thirteenth Supplemental Resolution authorizing the issuance of up to \$325 million refunding bonds. The ultimate decision to issue refunding bonds is dependent on market conditions.

REQUIRED SUPPLEMENTAL INFORMATION

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Schedule of Proportionate Share of the Net Pension Liability
 June 30, 2017
 (Unaudited)
 (Amounts expressed in thousands)

	2017	2016	2015	2014
Proportion of the net pension liability	5.4%	5.5%	5.6%	5.6%
Proportionate share of the net pension liability	\$ 992,336	578,718	524,663	500,698
Covered payroll	156,234	154,327	152,106	146,046
Proportionate share of the net pension liability as a percentage of covered payroll	635.2%	375.0%	344.9%	342.8%
Plan fiduciary net position as a percentage of the pension liability	42.6%	56.1%	59.8%	61.1%

Notes to Required Supplementary Information

Changes of assumptions

Amounts reported in the Schedule of Proportionate Share of the Net Pension Liability for the fiscal year ended June 30, 2017 reflect the following changes:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the SDTF was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (SEIR) for the SDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.

COLORADO STATE UNIVERSITY SYSTEM

Required Supplemental Information

Schedule of Contributions

June 30, 2017

(Unaudited)

(Amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 28,826	27,295	25,498	23,760
Contributions in relation to the contractually required contribution	<u>(28,826)</u>	<u>(27,295)</u>	<u>(25,498)</u>	<u>(23,760)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Covered payroll	\$ 156,756	155,689	152,974	150,398
Contributions as a percentage of covered payroll	18.4%	17.5%	16.7%	15.8%

COLORADO STATE UNIVERSITY SYSTEM
 Required Supplemental Information
 Other Postemployment Benefits – Schedules of Funding Progress
 June 30, 2017
 (Unaudited)
 (Amounts expressed in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
DCP Refund							
	1/1/2017	\$ 45,363	34,491	(10,872)	131.5%	\$ 350,046	-3.1%
	1/1/2016	40,739	39,843	(896)	102.2%	325,055	-0.3%
	1/1/2014	35,021	34,014	(1,007)	103.0%	305,603	-0.3%
PERA Subsidy							
	1/1/2017	23,552	44,708	21,156	52.7%	-	0.0%
	1/1/2016	22,275	45,646	23,371	48.8%	-	0.0%
	1/1/2014	18,368	50,077	31,709	36.7%	-	0.0%
Rx Subsidy							
	1/1/2017	737	3,470	2,733	21.2%	-	0.0%
	1/1/2016	594	2,286	1,692	26.0%	-	0.0%
	1/1/2014	452	2,841	2,389	15.9%	-	0.0%
LTD Income Replacement							
	1/1/2017	8,716	10,190	1,474	85.5%	-	0.0%
	1/1/2016	7,926	12,071	4,145	65.7%	-	0.0%
	1/1/2014	5,279	11,570	6,291	45.6%	-	0.0%

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Changes in the OPEB Liability and Related Ratios

June 30, 2017

(Unaudited)

(Amounts expressed in thousands)

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement	Total
Total OPEB liability	N/A	N/A	N/A	N/A	-
Service cost	N/A	N/A	N/A	N/A	-
Interest	N/A	N/A	N/A	N/A	-
Plan amendments	N/A	N/A	N/A	N/A	-
Demographics losses (gains)	N/A	N/A	N/A	N/A	-
Assumption changes	N/A	N/A	N/A	N/A	-
Benefit payments	N/A	N/A	N/A	N/A	-
Net change in total OPEB liability	N/A	N/A	N/A	N/A	-
Total OPEB liability - beginning	N/A	N/A	N/A	N/A	-
Total OPEB liability - ending	\$ 35,623	45,038	3,449	10,783	94,893
Plan fiduciary net position					
Contributions-employer	N/A	N/A	N/A	N/A	-
Contributions-employee/member	N/A	N/A	N/A	N/A	-
Net investment income	N/A	N/A	N/A	N/A	-
Benefit payments	N/A	N/A	N/A	N/A	-
Administrative expense	N/A	N/A	N/A	N/A	-
Net change in plan fiduciary net position	N/A	N/A	N/A	N/A	-
Plan fiduciary net position - beginning	N/A	N/A	N/A	N/A	-
Plan fiduciary net position- ending	\$ 45,363	23,552	737	8,716	78,368
Net OPEB liability (asset) - ending	\$ (9,740)	21,486	2,712	2,067	16,525
Plan fiduciary net position as a percentage of the total OPEB liability	127.3%	52.3%	21.4%	80.8%	82.6%
Covered payroll	\$ 350,046	13,657	13,657	385,441	N/A
Net OPEB liability as a percentage of covered payroll	-2.8%	157.3%	19.9%	0.5%	N/A

Per the actuaries, because it is the year of implementation there was no data available except the Total OPEB Liability, resulting in the rest being noted as not applicable for the fiscal year ended June 30, 2017.

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information
 Schedule of OPEB Contributions
 Retiree Medical Subsidy for DCP Participants
 June 30, 2017
 (Unaudited)
 (Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 1,296
Actual contribution	<u>4,070</u>
Contribution deficiency (excess)	<u><u>\$ (2,774)</u></u>
Covered payroll	\$ 350,046
Contributions as a percentage of covered payroll	1.16%
Actuarial assumptions	
Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information
 Schedule of OPEB Contributions
 Retiree Medical Subsidy for PERA Participants
 June 30, 2017
 (Unaudited)
 (Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 1,981
Actual contribution	<u>1,981</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered payroll	\$ 13,657
Contributions as a percentage of covered payroll	14.51%

Actuarial assumptions

Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Remaining amortization period	21 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information
 Schedule of OPEB Contributions
 Retiree Umbrella Prescription Plan PERA Participants
 June 30, 2017
 (Unaudited)
 (Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 240
Actual contribution	<u>240</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 13,657
Contributions as a percentage of covered payroll	1.76%

Actuarial assumptions

Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Remaining amortization period	21 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of OPEB Contributions

Self-Insured Long-Term Disability Income Replacement Plan

June 30, 2017

(Unaudited)

(Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 1,373
Actual contribution	<u>1,478</u>
Contribution deficiency (excess)	<u><u>\$ (105)</u></u>
Covered payroll	\$ 385,441
Contributions as a percentage of covered payroll	0.38%
Actuarial assumptions	
Investment rate of return	5.33%
Cost of living adjustments	3.00%
Salary increase rate	4.00%
Inflation rate	3.00%
Healthcare cost trend rate	N/A

Notes to schedule

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Mortality	<p>Healthy participant mortality is based on mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).</p> <p>Long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.</p>

COLORADO STATE UNIVERSITY SYSTEM OTHER POSTEMPLOYMENT BENEFITS

Required Supplemental Information

Schedule of Investment Returns

June 30, 2017

(Unaudited)

	<u>2017</u>
Annual money-weighted rate of return net of investment expense	3.4%